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

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OF THE
SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2005

Commission File Number: 0-24724

HEARTLAND FINANCIAL USA, INC.

(Exact name of Registrant as specified in its charter)

Delaware	**42-1405748**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer identification number)
1398 Central Avenue, Dubuque, Iowa 52001	**(563) 589-2100**
(Address of principal executive offices) (Zip Code)	(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Title of Class

Common Stock $1.00 par value
Preferred Share Purchase Rights

Indicate by check mark if the Registrant is a well-know seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No X

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.
Yes No X

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ( )

The index to exhibits follows the signature page.

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

Indicate by check mark whether the Registrant is a shell company (as defined in Exchange Act Rule 12b-2). Yes
No X

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant, based on the last sales price quoted on the Nasdaq National Market System on June 30, 2005 , the last business day of the registrant's most recently completed second fiscal quarter, was approximately $ 246,320,156 .* Such figures include 2,672,776 shares of the Registrant's Common Stock held in a fiduciary capacity by the trust department of the Dubuque Bank and Trust Company, a wholly-owned subsidiary of the Registrant.

* Based on the last sales price of the Registrant's common stock on June 30, 2005 , and reports of beneficial ownership filed by directors and

executive officers of Registrant and by beneficial owners of more than 5% of the outstanding shares of common stock of Registrant; however, such determination of shares owned by affiliates does not constitute an admission of affiliate status or beneficial interest in shares of Registrant's common stock.

As of March 9, 2006 , the Registrant had issued and outstanding 16,486,310 shares of common stock, $1.00 per value per share.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the 2006 Annual Meeting of Stockholders are incorporated by reference into Part III.

HEARTLAND FINANCIAL USA, INC.
Form 10-K Annual Report
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PART I.

ITEM 1.

BUSINESS

A. GENERAL DESCRIPTION

Heartland Financial USA, Inc. ("Heartland"), reincorporated in the state of Delaware in 1993, is a multi-bank holding company registered under the Bank Holding Company Act of 1956, as amended ("BHCA"). Heartland has eight bank subsidiaries in the states of Iowa, Illinois, Wisconsin, New Mexico, Arizona, and Montana, collectively, the "Bank Subsidiaries"). All eight Bank Subsidiaries are members of the Federal Deposit Insurance Corporation ("FDIC"). The Bank Subsidiaries listed below operate a total of 50 banking locations.

* Dubuque Bank and Trust Company, Dubuque, Iowa, is chartered under the laws of the State of Iowa. Dubuque Bank and Trust Company has two wholly-owned subsidiaries: DB&T Insurance, Inc., a multi-line insurance agency and DB&T Community Development Corp., a partner in low-income housing and historic rehabilitation projects.
* Galena State Bank and Trust Company, Galena, Illinois, is chartered under the laws of the State of Illinois.
* First Community Bank, Keokuk, Iowa, is chartered under the laws of the State of Iowa.
* Riverside Community Bank, Rockford, Illinois, is chartered under the laws of the State of Illinois.
* Wisconsin Community Bank, Cottage Grove, Wisconsin, is chartered under the laws of the State of Wisconsin.
* New Mexico Bank & Trust, Albuquerque, New Mexico, is chartered under the laws of the State of New Mexico.
* Rocky Mountain Bank, Billings, Montana, is chartered under the laws of the State of Montana.
* Arizona Bank & Trust, Chandler, Arizona, is chartered under the laws of the State of Arizona.

Heartland has nine non-bank subsidiaries as listed below.

* Citizens Finance Co. is a consumer finance company with offices in Iowa, Illinois and Wisconsin.
* ULTEA, Inc. is a fleet leasing company headquartered in Madison, Wisconsin.
* HTLF Capital Corp. is an investment banking firm specializing in taxable and tax-exempt municipal financing headquartered in Denver, Colorado.
* Heartland Community Development Corp. is a certified community development entity with accountability to low-income communities in the Dubuque, Iowa, service area.
* Heartland Financial Statutory Trust II, Heartland Financial Capital Trust II, Heartland Financial Statutory Trust III, Heartland Financial Statutory Trust IV, and Rocky Mountain Statutory Trust I are special purpose trust subsidiaries of Heartland formed for the purpose of the offering of cumulative capital securities.

All of Heartland’s subsidiaries are wholly-owned, except for Arizona Bank & Trust, of which Heartland owned 86 % of the capital stock on December 31, 2005 .

The Bank Subsidiaries provide full service retail banking in the communities in which they are located. Deposit products offered by the Bank Subsidiaries include checking and other demand deposit accounts, NOW accounts, savings accounts, money market accounts, certificates of deposit, individual retirement accounts, health savings accounts and other time deposits. The deposits in the Bank Subsidiaries are insured by the FDIC to the full extent permitted by law. Loans include commercial and industrial, agricultural, real estate mortgage, consumer, home equity, credit cards and lines of credit. Other products and services include VISA debit cards, automated teller machines, on-line banking, safe deposit boxes and trust services. The principal service of the Bank Subsidiaries consists of making loans to and accepting deposits from businesses and individuals. These loans are made at the offices of the Bank Subsidiaries. The Bank Subsidiaries also engage in activities that are closely related to banking, including investment brokerage.

Operating Strategy

Heartland’s operating strategy is based upon a community banking model with three major components:

1. Develop strong community banks:

   * Establish community bank names and images
   * Encourage community involvement and leadership
   * Maintain active boards of directors chosen from the local community
   * Retain local presidents and decision-making

2. Provide resources for revenue enhancement:

   * Develop and implement a wide array of financial products and services for all Bank Subsidiaries
   * Improve Bank Subsidiary funding costs by reducing higher-cost certificates of deposit; increasing the percentage of lower-cost transaction accounts such as checking, savings and money market accounts; emphasizing relationship banking and capitalizing on cross-selling opportunities
   * Emphasize greater use of non-traditional sources of income, including trust and investment services, insurance, consumer finance, vehicle leasing and fleet management, and investment banking
   * Evaluate and acquire state-of-the-art technology when the expected return justifies the cost

3. Provide customer-transparent cost savings:

   * Centralize back office support functions so Bank Subsidiaries operate as efficiently as possible

Management believes the personal and professional service offered to customers provides an appealing alternative to the "megabanks" resulting from mergers and acquisitions in the financial services industry. While Heartland employs a community banking philosophy, management believes Heartland’s size, combined with its complete line of financial products and services, is sufficient to effectively compete in the respective market areas. To remain price competitive, management also believes Heartland must manage expenses and gain economies of scale by centralizing back office support functions. Although each of Heartland’s subsidiaries operates under the direction of its own board of directors, Heartland has standard operating policies regarding asset/liability management, liquidity management, investment management, lending policies, and deposit structure management.

Another component of the operating strategy is to encourage all directors, officers and employees to maintain a strong ownership interest in Heartland. Since 1996, Heartland has provided an employee stock purchase plan. For the year ended December 31, 2005, employees purchased 14,268 shares under the plan. As of December 31, 2005, employees, officers, and directors owned approximately 25% of Heartland’s outstanding common stock.

Acquisition and Expansion Strategy

Heartland’s strategy is to increase profitability and diversify its market area and asset base by expanding existing subsidiaries, by establishing *de novo* banks and through acquisitions. Heartland continually seeks and evaluates opportunities to establish branches, loan production offices, or other business facilities as a means of expanding its presence in current or new market areas. Heartland acquires established financial services organizations, primarily commercial banks or thrifts, when suitable candidates are identified and acceptable business terms can be negotiated. Heartland has also formed *de novo* banking institutions in locations determined to have market potential and suitable management candidates with banking expertise and a philosophy similar to Heartland’s.

Heartland has focused on markets with growth potential in the Midwest and Western regions of the United States as it evaluates expansion and acquisition opportunities. In August 2003, Heartland and a group of investors opened Arizona Bank & Trust, a *de novo* banking operation, followed with a second location in 2004 and a third location in 2005. Additional expansion at Arizona Bank & Trust includes the announcement in January 2006 of an agreement to acquire Bank of the Southwest, a financial institution providing retail and commercial banking services in Phoenix and Tempe, Arizona. Heartland expects to combine the acquired assets and deposit accounts into Arizona Bank & Trust. Subject to approvals by bank regulatory authorities and shareholders, the transaction is expected to close during the second quarter of 2006. Heartland took another step toward expanding its Western presence in June of 2004 when it acquired Rocky Mountain Bancorporation, Inc., the one-bank holding company of Rocky Mountain Bank. Headquartered in Billings, Montana, Rocky Mountain Bank had assets of $385 million at December 31, 2005, with nine branch locations throughout the state. In August of 2005, Heartland announced the addition of a loan production office in Denver, Colorado and its hopes to use this office as a springboard to opening its ninth full-service state chartered bank during the second quarter of 2006. The capital structure of this new bank, to be named Summit Bank & Trust, is anticipated to be very similar to that used when Arizona Bank & Trust was formed. Heartland’s expected initial investment would be $12.0 million, or 80% of the targeted $15.0 million initial capital. One of Heartland’s strategic goals is to expand its presence in the Western markets to 50% of Heartland’s total assets, thereby balancing the growth in its Western markets with the stability of the Midwestern markets.

Heartland looks for opportunities outside the community banks and thrift categories when its board of directors and management determine the opportunities will provide a desirable strategic fit without posing undue risk. In this regard, Heartland established HTLF Capital Corp. in April 2003. HTLF Capital is an investment banking firm that specializes in taxable and tax-exempt municipal financing, either by providing direct investment on behalf of Heartland and its Bank Subsidiaries or by acting as a financial advisor for a variety of municipal transactions.

Lending Activities

General

The Bank Subsidiaries provide a range of commercial and retail lending services to businesses and individuals. These credit activities include agricultural, commercial, residential real estate, consumer loans and commercial leases.

The Bank Subsidiaries aggressively market their services to qualified lending customers. Lending officers actively solicit the business of new companies entering their market areas as well as long-standing members of the Bank Subsidiaries' respective business communities. Through professional service, competitive pricing, and innovative structure, the Bank Subsidiaries have been successful in attracting new lending customers. Heartland also actively pursues consumer lending opportunities. With convenient locations, advertising and customer communications, the Bank Subsidiaries have been successful in capitalizing on the credit needs of their market areas.

Commercial Loans

The Bank Subsidiaries have a strong commercial loan base, with significant growth coming from Dubuque Bank and Trust Company, New Mexico Bank & Trust, Wisconsin Community Bank, and Arizona Bank & Trust. Dubuque Bank and Trust Company, in particular, continues to be a premier commercial lender in the tri-state area of northeast Iowa, northwest Illinois and southwest Wisconsin. The Bank Subsidiaries' current portfolios include, but are not limited to, loans to wholesalers, hospitality industry, real estate developers, manufacturers, building contractors, business services companies and retailers. The Bank Subsidiaries provide a wide range of business loans, including lines of credit for working capital and operational purposes and term loans for the acquisition of equipment and real estate. Although most loans are made on a secured basis, loans may be made on an unsecured basis where warranted by the overall financial condition of the borrower. Terms of commercial business loans generally range from one to five years.

Bank Subsidiaries continue to seek opportunities to expand the production of loans guaranteed by U.S. government agencies. Wisconsin Community Bank is designated as a Preferred Lender by the U.S. Small Business Administration (SBA). Wisconsin Community Bank is also the only lender in Wisconsin to be granted USDA Certified Lender status for the USDA Rural Development Business and Industry loan program and was one of the top ten lenders in the nation in this program for the past three years. Management believes that making these guaranteed loans helps its local communities as well as provides Heartland with a source of income and solid future lending relationships as such businesses grow and prosper.

The Bank Subsidiaries’ commercial loans and leases are primarily made based on the identified cash flow of the borrower and secondarily on the underlying collateral provided by the borrower. The collateral support provided by the borrower for most of these loans and leases and the probability of repayment is based on the liquidation of the pledged collateral and enforcement of a personal guarantee, if any exists. The primary repayment risks of commercial loans and leases are that the cash flows of the borrower may be unpredictable, and the collateral securing these loans may fluctuate in value.

Heartland understands the roles that sound credit skills and a common credit culture play in maintaining quality loan portfolios. As the credit portfolios of the Bank Subsidiaries have continued to grow, several changes have been made in their lending departments resulting in an overall increase in these departments' skill levels. In 2003, Heartland introduced the RMA Diagnostic Assessment to assess credit skills and training needs for over 80 of its credit personnel. After the initial introduction of this training tool, specific individualized training was established for existing personnel. All new lending personnel are expected to complete a similar diagnostic training program. Heartland also assists all of the member banks’ commercial and agricultural lenders in the analysis and underwriting of credit through its staff in the credit administration department. This staff continues to expand as the total loans under management continue to grow.

Commercial lenders interact with their respective boards of directors each month. Heartland also utilizes an internal loan review function to analyze credits of the Bank Subsidiaries and to provide periodic reports to the respective boards of directors. Management has attempted to identify problem loans at an early date and to aggressively seek resolution of these situations.

Agricultural Loans

Agricultural loans are emphasized by Dubuque Bank and Trust Company, Rocky Mountain Bank, Wisconsin Community Bank’s Monroe banking center and New Mexico Bank & Trust’s Clovis banking offices.
The Bank Subsidiaries that emphasize agricultural loans do so because of their location in or around rural markets. Dubuque Bank and Trust Company maintains its status as one of the largest agricultural lenders in the State of Iowa. Agricultural loans remain balanced in proportion to the rest of Heartland's loan portfolio, constituting approximately 12% of the total loan portfolio at December 31, 2005. Heartland’s policies designate a primary and secondary lending area for each bank with the majority of outstanding agricultural operating and real estate loans to customers located within the primary lending area. Term loans secured by real estate are allowed within the secondary lending area.

Agricultural loans, many of which are secured by crops, machinery and real estate, are provided to finance capital improvements and farm operations as well as acquisitions of livestock and machinery. The ability of the borrower to repay may be affected by many factors outside of the borrower’s control including adverse weather conditions, loss of livestock due to disease or other factors, declines in market prices for agricultural products and the impact of government regulations. The ultimate repayment of agricultural loans is dependent upon the profitable operation or management of the agricultural entity.

The agricultural loan departments work closely with all of their customers, including companies and individual farmers, and review the preparation of budgets and cash flow projections for the ensuing crop year. These budgets and cash flow projections are monitored closely during the year and reviewed with the customers at least once annually. The Bank Subsidiaries also work closely with governmental agencies, including the Farmers Home Administration, to help agricultural customers obtain credit enhancement products such as loan guarantees or interest assistance.

Residential Real Estate Mortgage Loans

Mortgage lending remains a focal point for the Bank Subsidiaries as each of them continues to build real estate lending business. As long-term interest rates remained at low levels during 2005 and 2004, many customers elected mortgage loans that are fixed rate with fifteen or thirty year maturities. Heartland usually sells these loans into the secondary market but retains servicing on the majority of sold loans. Management believes that mortgage servicing on sold loans provides the Bank Subsidiaries with a relatively steady source of fee income compared to fees generated solely from mortgage origination operations. Moreover, the retention of servicing gives the Bank Subsidiaries the opportunity to maintain regular contact with mortgage loan customers.

As with agricultural and commercial loans, Heartland encourages the Bank Subsidiaries to participate in lending programs sponsored by U.S. government agencies when justified by market conditions. Beginning in 2004, Veterans Administration and Federal Home Administration loans were offered in all Bank Subsidiary markets.

Consumer Lending

The Bank Subsidiaries' consumer lending departments provide all types of consumer loans including motor vehicle, home improvement, home equity, credit cards and small personal credit lines. Consumer loans typically have shorter terms, lower balances, higher yields and higher risks of default than one- to four-family residential mortgage loans. Consumer loan collections are dependent on the borrower’s continuing financial stability, and are therefore more likely to be affected by adverse personal circumstances.

Citizens Finance Co. specializes in consumer lending and currently serves the consumer credit needs of approximately 5,800 customers in Iowa, Illinois and Wisconsin from its Dubuque, Iowa; Madison and Appleton, Wisconsin; and Loves Park and Crystal Lake, Illinois offices. Citizens Finance Co. typically lends to borrowers with past credit problems or limited credit histories. Heartland expects to incur a higher level of credit losses on Citizens Finance Co. loans compared to consumer loans originated by the Bank Subsidiaries. Correspondingly, returns on these loans are anticipated to be higher than those at the Bank Subsidiaries.

Trust and Investment Services

Dubuque Bank and Trust Company, Galena State Bank and Trust Company and Wisconsin Community Bank have been offering trust and investment services in their respective communities for many years. In those markets which do not yet warrant a full trust department, the sales and administration is performed by Dubuque Bank and Trust Company personnel. In 2005, New Mexico Bank & Trust began offering trust and investment services. In 2003, Arizona Bank & Trust joined the list of banks offering trust and investment services. On August 31, 2004, Heartland completed its acquisition of the Wealth Management Group of Colonial Trust Company, a publicly held Arizona trust company based in Phoenix. The Wealth Management Group, Colonial Trust Company’s personal trust division, had trust assets of $154.0 million and projected annual revenues of $1.2 million at August 31, 2004. This transaction provided a unique opportunity for Heartland to grow its trust business in the Southwestern marketplace. Colonial’s seasoned management team and strong account base, combined with Heartland’s strong support services, depth of expertise, and long track record of investment performance should prove to be a winning combination as we seek to elevate the profile of our newest subsidiary bank, Arizona Bank & Trust. As of December 31, 2005, total Heartland trust assets exceeded $1.3 billion, the vast majority of which are assets under management. Collectively, the Bank Subsidiaries provide a full complement of trust and investment services for individuals and corporations. All of the Bank Subsidiaries have targeted their trust departments as primary areas for future growth.

Dubuque Bank and Trust Company is nationally recognized as a leading provider of socially responsible investment services, and it manages investment portfolios for religious and other non-profit organizations located throughout the United States. Dubuque Bank and Trust Company is also Heartland’s lead bank in providing daily valuation 401(k) plans and other retirement services, including Heartland’s retirement plans for its employees.

Heartland has formed a strategic alliance with Independent Financial Marketing Group, Inc. to operate independent securities offices at all of Heartland’s bank subsidiaries. Through Independent Financial Marketing Group, Inc., Heartland offers a full array of investment services including mutual funds, annuities, retirement products, education savings products, brokerage services, employer sponsored plans, and insurance products. A complete line of vehicle, property and casualty, life and disability insurance and tax-free annuities are also offered by Heartland through DB&T Insurance.

B. MARKET AREAS

Dubuque Bank and Trust Company

Dubuque Bank and Trust Company and Heartland are located in Dubuque County, Iowa, which encompasses the city of Dubuque and a number of surrounding rural communities. Citizens Finance Co. also operates within this market area, in addition to operating offices in Madison, Wisconsin; Appleton, Wisconsin; Loves Park, Illinois; and Crystal Lake, Illinois.

The city of Dubuque is located in northeastern Iowa, on the Mississippi River, approximately 175 miles west of Chicago, Illinois, and approximately 200 miles northeast of Des Moines, Iowa. It is strategically situated at the intersection of the state borders of Iowa, Illinois and Wisconsin. Based upon the results of the 2000 census, the city of Dubuque had a total population of approximately 58,000.

The principal offices of Heartland and Dubuque Bank and Trust Company's main bank currently occupy the same building. Due to growth in both companies, a building was acquired directly across the street from Dubuque Bank and Trust Company's main office to serve as an operations center for Heartland. Renovation of the 60,000 square foot building was completed in the second quarter of 2004.

In addition to its main banking office, Dubuque Bank and Trust Company operates seven branch offices, all of which are located in Dubuque County. In 2004 Dubuque Bank and Trust Company opened a branch facility at a strategically located intersection on the rapidly growing northwest side of Dubuque. Additionally, during 2003, Dubuque Bank and Trust Company relocated its branch facility in Farley, Iowa, to a newly constructed building that is more convenient for its customers. As a subsidiary of Dubuque Bank and Trust Company, DB&T Insurance has substantially the same market area as the parent organization.

Galena State Bank and Trust Company

Galena State Bank and Trust Company is located in Galena, Illinois, which is less than five miles from the Mississippi River, approximately 20 miles east of Dubuque and 155 miles west of Chicago. Galena operates a second office in Stockton, Illinois. Both offices are located in Jo Daviess County, which has a population of approximately 22,000, according to the 2000 census.

First Community Bank

First Community Bank's main office is in Keokuk, Iowa, which is located in the southeast corner of Iowa near the borders of Iowa, Missouri and Illinois. Due to its location, First Community Bank serves customers in the tri-county region of Lee County, Iowa; Hancock County, Illinois; and Clark County, Missouri. First Community Bank has one branch office in Keokuk and another branch in the city of Carthage in Hancock County, Illinois. Keokuk is an industrial community with a population of approximately 11,000, and the population of Lee County is approximately 38,000.

Riverside Community Bank

Riverside Community Bank is located on the northeast edge of Rockford, Illinois, which is approximately 75 miles west of Chicago in Winnebago County. In addition to its main banking office, Riverside Community Bank has three branch offices, all of which are located in the Winnebago County area. Based on the 2000 census, the county had a population of 278,000, and the city of Rockford had a population of 150,000.

Wisconsin Community Bank

Wisconsin Community Bank's main office is located in Cottage Grove, Wisconsin, which is approximately 10 miles east of Madison in Dane County. Wisconsin Community Bank operates two branch offices in Madison suburbs. The Middleton branch opened in 1998, and an office in Fitchburg was opened in a newly constructed building in March 2003. According to the 2000 census, Dane County had a population of 427,000, and the village of Cottage Grove had a population of 3,800. Wisconsin Community Bank opened three offices in Sheboygan, DePere and Eau Claire, Wisconsin during 1999, operating under the name of Wisconsin Business Bank. The Sheboygan and DePere facilities are located in the northeastern Wisconsin counties of Sheboygan and Brown. The Eau Claire office was subsequently sold in the fourth quarter of 2002. In 2003, Wisconsin Community Bank opened a loan production office in Minneapolis, Minnesota, operating under the name of Wisconsin Business Bank. This office focuses on providing government guaranteed financing to businesses located in the Western region of the United States. During 2004, Wisconsin Business Bank changed its name to Heartland Business Bank in conjunction with its opening of a loan production office in Rockland, Massachusetts. Wisconsin Community Bank also acquired the Bank One Monroe Wisconsin banking center in July of 1999. The city of Monroe, which is approximately 50 miles southwest of Madison, is located in Green County in south central Wisconsin.

New Mexico Bank & Trust

New Mexico Bank & Trust operates seven offices in or around Albuquerque, New Mexico, in Bernalillo County. Based upon the 2000 census, the county had a population of 557,000, and the city had a population of 449,000. New Mexico Bank & Trust also operates five locations in the New Mexico communities of Clovis, Portales, and Melrose, all located in Curry County. Clovis is located in east central New Mexico, approximately 220 miles from Albuquerque, 100 miles northwest of Lubbock, Texas, and 105 miles southwest of Amarillo, Texas. In 2003 two branch offices were opened in Santa Fe, in Santa Fe County.

Arizona Bank & Trust

Arizona Bank & Trust currently operates three offices; one in Phoenix which opened in 2005, one in Mesa, Arizona, which is located 15 miles east of Phoenix and the main office in Chandler, Arizona, which is located in the southern portion of metropolitan Phoenix. Both cities are located in Maricopa County. Chandler's current population is 218,000, as provided by the City of Chandler Office of Economic Development, compared to 177,000 reported in the 2000 census. The estimated population of Maricopa County in July 2001 was 3,029,000, according to the Arizona Department of Economic Security.

Rocky Mountain Bank

Rocky Mountain Bank operates from nine locations throughout the state of Montana. Rocky Mountain Bank's main office is in Billings which is the state's largest city and an agricultural, retail and business center. Billings is also the county seat of Yellowstone County within south-central Montana along Interstate-90. Based upon the 2000 census, the county had a population of 129,000 and the city had a population of 126,000. Six of the locations are spread primarily along the western corridor of the state of Montana. Kalispell was the most recent branch addition in 2005. Bigfork is located in Flathead County, 15 miles southeast of Kalispell along Highway 206. Bigfork is near the Big Mountain Ski Resort and Blacktail Ski Area. Bozeman is the county seat of Gallatin County and is 82 miles east of Butte on Interstate-90. Bozeman has a population of 30,000 and is the fifth largest city in Montana. Plains is located in Sanders County, on Route 200 near the Discovery Ski Basin Area. Stevensville is located in Ravalli County, 28 miles south of Missoula on Highway 93. Whitehall is located in Jefferson County, off Interstate-90 between Butte and Three Forks. Two of the locations are on the eastern side of Montana. Broadus is the county seat of Powder River County, and lies 77 miles south of Miles City close to the Wyoming state line along Highway 212. Plentywood is the county seat for Sheridan County and located 16 miles south of the Canadian border between the cities of Archer and Antelope on Highways 5 and 15.

C. COMPETITION

Heartland encounters competition in all areas of its business pursuits. To compete effectively, develop its market base, maintain flexibility, and keep pace with changing economic and social conditions, Heartland continuously refines and develops its products and services. The principal methods of competing in the financial services industry are through price, service and convenience.

The Bank Subsidiaries' market areas are highly competitive. Many financial institutions based in the communities surrounding the Bank Subsidiaries actively compete for customers within Heartland's market area. The Bank Subsidiaries also face competition from finance companies, insurance companies, mortgage companies, securities brokerage firms, money market funds, loan production offices and other providers of financial services. Under the Gramm-Leach-Bliley Act, effective in 2000, securities firms and insurance companies that elect to become financial holding companies may acquire banks and other financial institutions. The Gramm-Leach-Bliley Act significantly changed the competitive environment in which Heartland and the Bank Subsidiaries conduct business. The financial services industry is also likely to become more competitive as technological advances enable more companies to provide financial services. These technological advances may diminish the importance of depository institutions and other financial intermediaries in the transfer of funds between parties.

Heartland competes for loans principally through the range and quality of the services it provides, with an emphasis on building long-lasting relationships. Our strategy is to delight our customers through excellence in customer service and needs-based selling. We become their trusted financial advisor. Heartland believes that its long-standing presence in the community and personal service philosophy enhance its ability to compete favorably in attracting and retaining individual and business customers. Heartland actively solicits deposit-oriented clients and competes for deposits by offering its customers personal attention, professional service and competitive interest rates.

D. EMPLOYEES

At December 31, 2005, Heartland employed 909 full-time equivalent employees. Heartland places a high priority on staff development, which involves extensive training in a variety of areas, including customer service training. New employees are selected based upon their technical skills and customer service capabilities. None of Heartland's employees are covered by a collective bargaining agreement. Heartland offers a variety of employee benefits, and management considers its employee relations to be excellent.

E. INTERNET ACCESS

Heartland maintains an Internet site at www.htlf.com. Heartland offers its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and other reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act free of charge from its web site as soon as reasonably practical after meeting the electronic filing requirements of the Securities and Exchange Commission.

F. SUPERVISION AND REGULATION

General

Financial institutions, their holding companies and their affiliates are extensively regulated under federal and state law. As a result, the growth and earnings performance of Heartland may be affected not only by management decisions and general economic conditions, but also by the requirements of federal and state statutes and by the regulations and policies of various bank regulatory authorities, including the Iowa Superintendent of Banking (the “Iowa Superintendent”), the Illinois Department of Financial and Professional Regulation (the “Illinois DFPR”), the New Mexico Financial Institutions Division (the “New Mexico FID”), the Montana Financial Institution Division (the “Montana Division”), the Division of Banking of the Wisconsin Department of Financial Institutions (the “Wisconsin DFI”), the Arizona State Banking Department (the “Arizona Department”), the Board of Governors of the Federal Reserve System (the “Federal Reserve”) and the Federal Deposit Insurance Corporation (the “FDIC”). Furthermore, taxation laws administered by the Internal Revenue Service and state taxing authorities and securities laws administered by the Securities and Exchange Commission (the “SEC”) and state securities authorities have an impact on the business of Heartland. The effect of these statutes, regulations and regulatory policies may be significant, and cannot be predicted with a high degree of certainty.

Federal and state laws and regulations generally applicable to financial institutions regulate, among other things, the scope of business, the kinds and amounts of investments, reserve requirements, capital levels relative to operations, the nature and amount of collateral for loans, the establishment of branches, mergers and consolidations and the payment of dividends. This system of supervision and regulation establishes a comprehensive framework for the respective operations of Heartland and its subsidiaries and is intended primarily for the protection of the FDIC-insured deposits and depositors of the Bank Subsidiaries, rather than shareholders.

The following is a summary of the material elements of the regulatory framework that applies to Heartland and its subsidiaries. It does not describe all of the statutes, regulations and regulatory policies that apply, nor does it restate all of the requirements of those that are described. As such, the following is qualified in its entirety by reference to applicable law. Any change in statutes, regulations or regulatory policies may have a material effect on the business of Heartland and its subsidiaries.

The Company

General. Heartland, as the sole shareholder of Dubuque Bank and Trust Company, New Mexico Bank & Trust, Rocky Mountain Bank, Wisconsin Community Bank, Galena State Bank and Trust Company, Riverside Community Bank and First Community Bank and the controlling shareholder of Arizona Bank & Trust, is a bank holding company. As a bank holding company, Heartland is registered with, and is subject to regulation by, the Federal Reserve under the Bank Holding Company Act of 1956, as amended (the “BHCA”). In accordance with Federal Reserve policy, Heartland is expected to act as a source of financial strength to the Bank Subsidiaries and to commit resources to support the Bank Subsidiaries in circumstances where Heartland might not otherwise do so. Under the BHCA, Heartland is subject to periodic examination by the Federal Reserve. Heartland is also required to file with the Federal Reserve periodic reports of Heartland’s operations and such additional information regarding Heartland and its subsidiaries as the Federal Reserve may require.

Acquisitions, Activities and Change in Control. The primary purpose of a bank holding company is to control and manage banks. The BHCA generally requires the prior approval of the Federal Reserve for any merger involving a bank holding company or any acquisition by a bank holding company of another bank or bank holding company. Subject to certain conditions (including certain deposit concentration limits established by the BHCA), the Federal Reserve may allow a bank holding company to acquire banks located in any state of the United States. In approving interstate acquisitions, the Federal Reserve is required to give effect to applicable state law limitations on the aggregate amount of deposits that may be held by the acquiring bank holding company and its insured depository institution affiliates in the state in which the target bank is located (provided that those limits do not discriminate against out-of-state depository institutions or their holding companies) and state laws that require that the target bank have been in existence for a minimum period of time (not to exceed five years) before being acquired by an out-of-state bank holding company.

The BHCA generally prohibits Heartland from acquiring direct or indirect ownership or control of more than 5% of the voting shares of any company that is not a bank and from engaging in any business other than that of banking, managing and controlling banks or furnishing services to banks and their subsidiaries. This general prohibition is subject to a number of exceptions. The principal exception allows bank holding companies to engage in, and to own shares of companies engaged in, certain businesses found by the Federal Reserve to be “so closely related to banking ... as to be a proper incident thereto.” This authority would permit Heartland to engage in a variety of banking-related businesses, including the operation of a thrift, consumer finance, equipment leasing, the operation of a computer service bureau (including software development), and mortgage banking and brokerage. The BHCA generally does not place territorial restrictions on the domestic activities of non-bank subsidiaries of bank holding companies.

Additionally, bank holding companies that meet certain eligibility requirements prescribed by the BHCA and elect to operate as financial holding companies may engage in, or own shares in companies engaged in, a wider range of nonbanking activities, including securities and insurance underwriting and sales, merchant banking and any other activity that the Federal Reserve, in consultation with the Secretary of the Treasury, determines by regulation or order is financial in nature, incidental to any such financial activity or complementary to any such financial activity and does not pose a substantial risk to the safety or soundness of depository institutions or the financial system generally. As of the date of this filing, Heartland has not applied for approval to operate as a financial holding company.

Federal law also prohibits any person or company from acquiring "control" of an FDIC-insured depository institution or its holding company without prior notice to the appropriate federal bank regulator. "Control" is conclusively presumed to exist upon the acquisition of 25% or more of the outstanding voting securities of a bank or bank holding company, but may arise under certain circumstances at 10% ownership.

Capital Requirements. Bank holding companies are required to maintain minimum levels of capital in accordance with Federal Reserve capital adequacy guidelines. If capital levels fall below the minimum required levels, a bank holding company, among other things, may be denied approval to acquire or establish additional banks or non-bank businesses.

The Federal Reserve's capital guidelines establish the following minimum regulatory capital requirements for bank holding companies: (i) a risk-based requirement expressed as a percentage of total assets weighted according to risk; and (ii) a leverage requirement expressed as a percentage of total assets. The risk-based requirement consists of a minimum ratio of total capital to total risk-weighted assets of 8% and a minimum ratio of Tier 1 capital to total risk-weighted assets of 4%. The leverage requirement consists of a minimum ratio of Tier 1 capital to total assets of 3% for the most highly rated companies, with a minimum requirement of 4% for all others. For purposes of these capital standards, Tier 1 capital consists primarily of permanent stockholders' equity less intangible assets (other than certain loan servicing rights and purchased credit card relationships). Total capital consists primarily of Tier 1 capital plus certain other debt and equity instruments that do not qualify as Tier 1 capital and a portion of Heartland's allowance for loan and lease losses.

The risk-based and leverage standards described above are minimum requirements. Higher capital levels will be required if warranted by the particular circumstances or risk profiles of individual banking organizations. For example, the Federal Reserve's capital guidelines contemplate that additional capital may be required to take adequate account of, among other things, interest rate risk, or the risks posed by concentrations of credit, nontraditional activities or securities trading activities. Further, any banking organization experiencing or anticipating significant growth would be expected to maintain capital ratios, including tangible capital positions (i.e., Tier 1 capital less all intangible assets), well above the minimum levels. As of December 31, 2005, Heartland had regulatory capital in excess of the Federal Reserve's minimum requirements.

Dividend Payments. Heartland's ability to pay dividends to its shareholders may be affected by both general corporate law considerations and policies of the Federal Reserve applicable to bank holding companies. As a Delaware corporation, Heartland is subject to the limitations of the Delaware General Corporation Law (the "DGCL"), which allows Heartland to pay dividends only out of its surplus (as defined and computed in accordance with the provisions of the DGCL) or if Heartland has no such surplus, out of its net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. Additionally, policies of the Federal Reserve caution that a bank holding company should not pay cash dividends that exceed its net income or that can only be funded in ways that weaken the bank holding company's financial health, such as by borrowing. The Federal Reserve also possesses enforcement powers over bank holding companies and their non-bank subsidiaries to prevent or remedy actions that represent unsafe or unsound practices or violations of applicable statutes and regulations. Among these powers is the ability to proscribe the payment of dividends by banks and bank holding companies.

Federal Securities Regulation. Heartland's common stock is registered with the SEC under the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Consequently, Heartland is subject to the information, proxy solicitation, insider trading and other restrictions and requirements of the SEC under the Exchange Act.

The Bank Subsidiaries

General. Dubuque Bank and Trust Company and First Community Bank are Iowa-chartered banks. The deposit accounts of Dubuque Bank and Trust Company are insured by the FDIC's Bank Insurance Fund ("BIF"), while the deposit accounts of First Community Bank are insured by the FDIC's Savings Association Insurance Fund ("SAIF"). As Iowa-chartered banks, Dubuque Bank and Trust Company and First Community Bank are subject to the examination, supervision, reporting and enforcement requirements of the Iowa Superintendent, the chartering authority for Iowa banks, and the FDIC, designated by federal law as the primary federal regulator of state-chartered FDIC-insured banks that, like Dubuque Bank and Trust Company and First Community Bank, are not members of the Federal Reserve System ("non-member banks").

Galena State Bank and Trust Company and Riverside Community Bank are Illinois-chartered banks, the deposit accounts of which are insured by the BIF. As Illinois-chartered banks, Galena State Bank and Trust Company and Riverside Community Bank are subject to the examination, supervision, reporting and enforcement requirements of the Illinois DFPR, the chartering authority for Illinois banks, and the FDIC, as the primary federal regulator of state-chartered FDIC-insured non-member banks.

New Mexico Bank & Trust is a New Mexico-chartered bank, the deposit accounts of which are insured by the BIF. As a New Mexico-chartered bank, New Mexico Bank & Trust is subject to the examination, supervision, reporting and enforcement requirements of the New Mexico FID, the chartering authority for New Mexico banks, and the FDIC, as the primary federal regulator of state-chartered FDIC-insured non-member banks.

Rocky Mountain Bank is a Montana-chartered bank, the deposit accounts of which are insured by the BIF. As a Montana-chartered, FDIC-insured non-member bank, Rocky Mountain Bank is subject to the examination, supervision, reporting and enforcement requirement of the Montana Division, as the chartering authority for Montana banks, and the FDIC, as the primary regulator of state-chartered FDIC-insured non-member banks.

Wisconsin Community Bank is a Wisconsin-chartered bank, the deposit accounts of which are insured by the BIF. As a Wisconsin-chartered bank, Wisconsin Community Bank is subject to the examination, supervision, reporting and enforcement requirements of the Wisconsin DFI, the chartering authority for Wisconsin banks, and the FDIC, as the primary federal regulator of state-chartered FDIC-insured non-member banks.

Arizona Bank & Trust is an Arizona-chartered bank, the deposit accounts of which are insured by the BIF. As an Arizona-chartered bank, Arizona Bank & Trust is subject to the examination, supervision, reporting and enforcement requirements of the Arizona Department, the chartering authority for Arizona banks, and the FDIC, as the primary federal regulator of state-chartered FDIC-insured non-member banks.

Deposit Insurance. As FDIC-insured institutions, the Bank Subsidiaries are required to pay deposit insurance premium assessments to the FDIC. The FDIC has adopted a risk-based assessment system under which all insured depository institutions are placed into one of nine categories and assessed insurance premiums based upon their respective levels of capital and results of supervisory evaluations. Institutions classified as well-capitalized (as defined by the FDIC) and considered healthy pay the lowest premium while institutions that are less than adequately capitalized (as defined by the FDIC) and considered of substantial supervisory concern pay the highest premium. Risk classification of all insured institutions is made by the FDIC for each semi-annual assessment period.

During the year ended December 31, 2005, both BIF and SAIF assessments ranged from 0% of deposits to 0.27% of deposits. For the semi-annual assessment period beginning January 1, 2006, BIF and SAIF assessment rates will continue to range from 0% of deposits to 0.27% of deposits.

FICO Assessments. Since 1987, a portion of the deposit insurance assessments paid by members of the FDIC's SAIF has been used to cover interest payments due on the outstanding obligations of the Financing Corporation ("FICO"). FICO was created in 1987 to finance the recapitalization of the Federal Savings and Loan Insurance Corporation, the SAIF's predecessor insurance fund. As a result of federal legislation enacted in 1996, beginning as of January 1, 1997, both SAIF members and BIF members became subject to assessments to cover the interest payments on outstanding FICO obligations until the final maturity of such obligations in 2019. These FICO assessments are in addition to amounts assessed by the FDIC for deposit insurance. During the year ended December 31, 2005, the FICO assessment rate for BIF and SAIF members was approximately 0.01% of deposits.

Supervisory Assessments. Each of the Bank Subsidiaries is required to pay supervisory assessments to its respective state banking regulator to fund the operations of that agency. In general, the amount of the assessment is calculated on the basis of each institution's total assets. During the year ended December 31, 2005, the Bank Subsidiaries paid supervisory assessments totaling $371 thousand.

Capital Requirements. Banks are generally required to maintain capital levels in excess of other businesses. Under federal regulations, the Bank Subsidiaries are subject to the following minimum capital standards: (i) a leverage requirement consisting of a minimum ratio of Tier 1 capital to total assets of 3% for the most highly-rated banks with a minimum requirement of at least 4% for all others; and (ii) a risk-based capital requirement consisting of a minimum ratio of total capital to total risk-weighted assets of 8% and a minimum ratio of Tier 1 capital to total risk-weighted assets of 4%. In general, the components of Tier 1 capital and total capital are the same as those for bank holding companies discussed above.

The capital requirements described above are minimum requirements. Higher capital levels will be required if warranted by the particular circumstances or risk profiles of individual institutions. For example, federal regulations provide that additional capital may be required to take adequate account of, among other things, interest rate risk or the risks posed by concentrations of credit, nontraditional activities or securities trading activities.

Further, federal law and regulations provide various incentives for financial institutions to maintain regulatory capital at levels in excess of minimum regulatory requirements. For example, a financial institution that is "well-capitalized" may qualify for exemptions from prior notice or application requirements otherwise applicable to certain types of activities and may qualify for expedited processing of other required notices or applications. Additionally, one of the criteria that determines a bank holding company's eligibility to operate as a financial holding company is a requirement that all of its financial institution subsidiaries be "well-capitalized." Under federal regulations, in order to be "well-capitalized" a financial institution must maintain a ratio of total capital to total risk-weighted assets of 10% or greater, a ratio of Tier 1 capital to total risk-weighted assets of 6% or greater and a ratio of Tier 1 capital to total assets of 5% or greater.

Federal law also provides the federal banking regulators with broad power to take prompt corrective action to resolve the problems of undercapitalized institutions. The extent of the regulators' powers depends on whether the institution in question is "adequately capitalized," "undercapitalized," "significantly undercapitalized" or "critically undercapitalized," in each case as defined by regulation. Depending upon the capital category to which an institution is assigned, the regulators' corrective powers include: (i) requiring the institution to submit a capital restoration plan; (ii) limiting the institution's asset growth and restricting its activities; (iii) requiring the institution to issue additional capital stock (including additional voting stock) or to be acquired; (iv) restricting transactions between the institution and its affiliates; (v) restricting the interest rate the institution may pay on deposits; (vi) ordering a new election of directors of the institution; (vii) requiring that senior executive officers or directors be dismissed; (viii) prohibiting the institution from accepting deposits from correspondent banks; (ix) requiring the institution to divest certain subsidiaries; (x) prohibiting the payment of principal or interest on subordinated debt; and (xi) ultimately, appointing a receiver for the institution.

As of December 31, 2005: (i) none of the Bank Subsidiaries was subject to a directive from its primary federal regulator to increase its capital to an amount in excess of the minimum regulatory capital requirements; (ii) each of the Bank Subsidiaries exceeded its minimum regulatory capital requirements under applicable capital adequacy guidelines; and (iii) each of the Bank Subsidiaries was "well-capitalized," as defined by applicable regulations.

Liability of Commonly Controlled Institutions. Under federal law, institutions insured by the FDIC may be liable for any loss incurred by, or reasonably expected to be incurred by, the FDIC in connection with the default of commonly controlled FDIC-insured depository institutions or any assistance provided by the FDIC to commonly controlled FDIC-insured depository institutions in danger of default. Because Heartland controls each of the Bank Subsidiaries, the Bank Subsidiaries are commonly controlled for purposes of these provisions of federal law.

Dividend Payments. The primary source of funds for Heartland is dividends from the Bank Subsidiaries. In general, under applicable law, none of the Bank Subsidiaries may pay dividends in excess of its respective undivided profits.

The payment of dividends by any financial institution or its holding company is affected by the requirement to maintain adequate capital pursuant to applicable capital adequacy guidelines and regulations, and a financial institution generally is prohibited from paying any dividends if, following payment thereof, the institution would be undercapitalized. As described above, each of the Bank Subsidiaries exceeded its minimum capital requirements under applicable guidelines as of December 31, 2005. Further, First Community Bank may not pay dividends in an amount that would reduce its capital below the amount required for the liquidation account established in connection with First Community Bank's conversion from the mutual to the stock form of ownership in 1991. As of December 31, 2005, approximately $65.2 million was available to be paid as dividends by the Bank Subsidiaries. Notwithstanding the availability of funds for dividends, however, the FDIC may prohibit the payment of any dividends by the Bank Subsidiaries if the agency determines such payment would constitute an unsafe or unsound practice.

Insider Transactions. The Bank Subsidiaries are subject to certain restrictions imposed by federal law on extensions of credit to Heartland and its subsidiaries, on investments in the stock or other securities of Heartland and its subsidiaries and the acceptance of the stock or other securities of Heartland or its subsidiaries as collateral for loans made by the Bank Subsidiaries. Certain limitations and reporting requirements are also placed on extensions of credit by each of the Bank Subsidiaries to its directors and officers, to directors and officers of Heartland and its subsidiaries, to principal shareholders of Heartland and to "related interests" of such directors, officers and principal shareholders. In addition, federal law and regulations may affect the terms upon which any person who is a director or officer of Heartland or any of its subsidiaries or a principal shareholder of Heartland may obtain credit from banks with which the Bank Subsidiaries maintain correspondent relationships.

Safety and Soundness Standards. The federal banking agencies have adopted guidelines that establish operational and managerial standards to promote the safety and soundness of federally insured depository institutions. The guidelines set forth standards for internal controls, information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, compensation, fees and benefits, asset quality and earnings.
In general, the safety and soundness guidelines prescribe the goals to be achieved in each area, and each institution is responsible for establishing its own procedures to achieve those goals. If an institution fails to comply with any of the standards set forth in the guidelines, the institution's primary federal regulator may require the institution to submit a plan for achieving and maintaining compliance. If an institution fails to submit an acceptable compliance plan, or fails in any material respect to implement a compliance plan that has been accepted by its primary federal regulator, the regulator is required to issue an order directing the institution to cure the deficiency. Until the deficiency cited in the regulator's order is cured, the regulator may restrict the institution's rate of growth, require the institution to increase its capital, restrict the rates the institution pays on deposits or require the institution to take any action the regulator deems appropriate under the circumstances. Noncompliance

with the standards established by the safety and soundness guidelines may also constitute grounds for other enforcement action by the federal banking regulators, including cease and desist orders and civil money penalty assessments.

Branching Authority. Each of the Bank Subsidiaries has the authority, pursuant to the laws under which it is chartered, to establish branches anywhere in the state in which its main office is located, subject to the receipt of all required regulatory approvals.

Federal law permits state and national banks to merge with banks in other states subject to: (i) regulatory approval; (ii) federal and state deposit concentration limits; and (iii) state law limitations requiring the merging bank to have been in existence for a minimum period of time (not to exceed five years) prior to the merger. The establishment of new interstate branches or the acquisition of individual branches of a bank in another state (rather than the acquisition of an out-of-state bank in its entirety) is permitted only in those states the laws of which expressly authorize such expansion.

State Bank Investments and Activities. Each of the Bank Subsidiaries generally is permitted to make investments and engage in activities directly or through subsidiaries as authorized by the laws of the state under which it is chartered. However, under federal law and FDIC regulations, FDIC-insured state banks are prohibited, subject to certain exceptions, from making or retaining equity investments of a type, or in an amount, that are not permissible for a national bank. Federal law and FDIC regulations also prohibit FDIC-insured state banks and their subsidiaries, subject to certain exceptions, from engaging as principal in any activity that is not permitted for a national bank unless the bank meets, and continues to meet, its minimum regulatory capital requirements and the FDIC determines the activity would not pose a significant risk to the deposit insurance fund of which the bank is a member. These restrictions have not had, and are not currently expected to have, a material impact on the operations of the Bank Subsidiaries.

Federal Reserve System. Federal Reserve regulations, as presently in effect, require depository institutions to maintain non-interest earning reserves against their transaction accounts (primarily NOW and regular checking accounts), as follows: for transaction accounts aggregating $48.3 million or less, the reserve requirement is 3% of total transaction accounts; and for transaction accounts aggregating in excess of $48.3 million, the reserve requirement is $1.215 million plus 10% of the aggregate amount of total transaction accounts in excess of $48.3 million. The first $7.8 million of otherwise reservable balances are exempted from the reserve requirements. These reserve requirements are subject to annual adjustment by the Federal Reserve. The Bank Subsidiaries are in compliance with the foregoing requirements.

Recent Regulatory Developments

On February 8, 2006, President Bush signed the Federal Deposit Insurance Reform Act of 2005 (“FDIRA”) into law as part of the Deficit Reduction Act of 2005. On February 15, 2006, President Bush signed into law the technical and conforming amendments designed to implement FDIRA. FDIRA provides for legislative reforms to modernize the federal deposit insurance system.

Among other things, FDIRA: (i) merges the BIF and the SAIF of the FDIC into a new Deposit Insurance Fund (the “DIF”); (ii) allows the FDIC, after March 31, 2010, to increase deposit insurance coverage by an adjustment for inflation and requires the FDIC’s Board of Directors, not later than April 1, 2010, and every five years thereafter, to consider whether such an increase is warranted; (iii) increases the deposit insurance limit for certain employee benefit plan deposits from $100,000 to $250,000, subject to adjustments for inflation after March 31, 2010, and provides for pass-through insurance coverage for such deposits; (iv) increases the deposit insurance limit for certain retirement account deposits from $100,000 to $250,000, subject to adjustments for inflation after March 31, 2010; (v) allows the FDIC’s Board of Directors to set deposit insurance premium assessments in any amount the Board of Directors deems necessary or appropriate, after taking into account various factors specified in FDIRA; (vi) replaces the fixed designated reserve ratio of 1.25% with a reserve ratio range of 1.15%-1.50%, with the specific reserve ratio to be determined annually by the FDIC by regulation; (vii) permits the FDIC to revise the risk-based assessment system by regulation; (viii) requires the FDIC, at the end of any year in which the reserve ratio of the DIF exceeds 1.50% of estimated insured deposits, to declare a dividend payable to insured depository institutions in an amount equal to 100% of the amount held by the DIF in excess of the amount necessary to maintain the DIF’s reserve ratio at 1.50% of estimated insured deposits or to declare a dividend equal to 50% of the amount in excess of the amount necessary to maintain the reserve ratio at 1.35% if the reserve ratio is between 1.35%-1.50% of estimated insured deposits; and (ix) provides a one-time credit based upon the assessment base of the institution on December 31, 1996, to each insured depository institution that was in existence as of December 31, 1996, and paid a deposit insurance assessment prior to that date (or a successor to any such institution).

The merger of the BIF and the SAIF will take effect no later than July 1, 2006, while the remaining provisions are not effective until the FDIC issues final regulations. FDIRA requires the FDIC to issue final regulations no later than 270 days after enactment: (i) designating a reserve ratio; (ii) implementing increases in deposit insurance coverage; (iii) implementing the dividend requirement; (iv) implementing the one-time assessment credit; and (v) providing for assessments in accordance with FDIRA.

G. GOVERNMENTAL MONETARY POLICY AND ECONOMIC CONDITIONS

Heartland’s earnings are affected by the policies of regulatory authorities, including the Federal Reserve System. The Federal Reserve System’s monetary policies have significantly affected the operating results of commercial banks in the past and are expected to continue doing so in the future. Changing economic and money market conditions prompted by the actions of monetary and fiscal authorities may cause changes in interest rates, credit availability, and deposit levels that are beyond Heartland's control. Future policies of the Federal Reserve System and other authorities cannot be predicted, nor can their effect on future earnings be predicted.

ITEM 1A.

RISK FACTORS

In addition to the other information in this Annual Report on Form 10-K, stockholders or prospective investors should carefully consider the following risk factors:

Our business is concentrated in and dependent upon the continued growth and welfare of the various markets that we serve.

We operate over a wide area, including markets in Iowa, Illinois, Wisconsin, Arizona, New Mexico and Montana and our financial condition, results of operations and cash flows are subject to changes in the economic conditions in those areas. Our success depends upon the business activity, population, income levels, deposits and real estate activity in those areas. Although our customers' business and financial interests may extend well beyond our market areas, adverse economic conditions that affect our specific market area could reduce our growth rate, affect the ability of our customers to repay their loans to us and generally affect our financial condition and results of operations.

We may experience difficulties in managing our growth and our growth strategy involves risks that may negatively impact our net income.

As part of our general growth strategy, we may acquire banks and related businesses that we believe provide a strategic and geographic fit with our business. To the extent that we grow through acquisitions, we cannot assure you that we will be able to adequately and profitably manage this growth. Acquiring other banks and businesses will involve risks commonly associated with acquisitions, including:

- potential exposure to unknown or contingent liabilities of banks and businesses we acquire;
- exposure to potential asset quality issues of the acquired bank or related business;
- difficulty and expense of integrating the operations and personnel of banks and businesses we acquire;
- potential disruption to our business;
- potential diversion of our management's time and attention; and
- the possible loss of key employees and customers of the banks and businesses we acquire.

In addition to acquisitions, we may expand into additional communities or attempt to strengthen our position in our current markets by undertaking additional *de novo* bank formations or branch openings. Based on our experience, we believe that it generally takes up to two years for new banking facilities to first achieve operational profitability, due to the impact of organization and overhead expenses and the start-up phase of generating loans and deposits. To the extent that we undertake additional branching and *de novo* bank and business formations, we are likely to continue to experience the effects of higher operating expenses relative to operating income from the new operations, which may have an adverse effect on our levels of reported net income, return on average equity and return on average assets.

Our market and growth strategy relies heavily on our management team, and the unexpected loss of key managers may adversely affect our operations.

Much of our success to date has been influenced strongly by our ability to attract and to retain senior management experienced in banking and financial services and familiar with the communities in our different market areas. Because our service areas are spread over such a wide geographical area, our management headquartered in Dubuque, Iowa is dependent on the effective leadership and capabilities of the management in our local markets for the continued success of Heartland. Our ability to retain executive officers, the current management teams and loan officers of our operating subsidiaries will continue to be important to the successful implementation of our strategy. It is also critical, as we grow, to be able to attract and retain qualified additional management and loan officers with the appropriate level of experience and knowledge about our market area to implement our community-based operating strategy. The unexpected loss of services of any key management personnel, or the inability to recruit and retain qualified personnel in the future, could have an adverse effect on our business, financial condition and results of operations.

We face intense competition in all phases of our business.

The banking and financial services business in our markets is highly competitive. Our competitors include large regional banks, local community banks, thrifts, securities and brokerage companies, mortgage companies, insurance companies, finance companies, money market mutual funds, credit unions and other non-bank financial service providers. Increased competition in our markets may result in a decrease in the amounts of our loans and deposits, reduced spreads between loan rates and deposit rates or loan terms that are more favorable to the borrower. Any of these results could have a material adverse effect on our ability to grow and remain profitable.

Interest rates and other conditions impact our results of operations.

Our profitability is in part a function of the spread between the interest rates earned on investments and loans and the interest rates paid on deposits and other interest-bearing liabilities. Like most banking institutions, our net interest spread and margin will be affected by general economic conditions and other factors, including fiscal and monetary policies of the federal government, that influence market interest rates and our ability to respond to changes in such rates. At any given time, our assets and liabilities will be such that they are affected differently by a given change in interest rates. As a result, an increase or decrease in rates, the length of loan terms or the mix of adjustable and fixed rate loans in our portfolio could have a positive or negative effect on our net income, capital and liquidity. We measure interest rate risk under various rate scenarios and using specific criteria and assumptions. A summary of this process, along with the results of our net interest income simulations is presented at "Quantitative and Qualitative Disclosures About Market Risk" included under Item 7A of Part II of this Form 10-K. Although we believe our current level of interest rate sensitivity is reasonable and effectively managed, significant fluctuations in interest rates may have an adverse effect on our business, financial condition and results of operations.

We must effectively manage our credit risk.

There are risks inherent in making any loan, including risks inherent in dealing with individual borrowers, risks of nonpayment, risks resulting from uncertainties as to the future value of collateral and risks resulting from changes in economic and industry conditions. We attempt to minimize our credit risk through prudent loan application approval procedures, careful monitoring of the concentration of our loans within specific industries and periodic independent reviews of outstanding loans by our credit review department. However, we cannot assure you that such approval and monitoring procedures will reduce these credit risks.

Commercial loans make up a significant portion of our loan portfolio.

Commercial loans were $1.33 billion (including $961.7 million of commercial real estate loans), or approximately 67% of our total loan portfolio as of December 31, 2005. Our commercial loans are primarily made based on the identified cash flow of the borrower and secondarily on the underlying collateral provided by the borrower. Most often, this collateral is accounts receivable, inventory, machinery or real estate. In the case of loans secured by accounts receivable, the availability of funds for the repayment of these loans may be substantially dependent on the ability of the borrower to collect amounts due from its customers. The other types of collateral securing these loans may depreciate over time, may be difficult to appraise and may fluctuate in value based on the success of the business.

Our loan portfolio has a large concentration of commercial real estate loans, which involve risks specific to real estate value.

Commercial real estate lending is a large portion of our commercial loan portfolio. These loans were $961.7 million, or approximately 72% of our total commercial loan portfolio as of December 31, 2005. The market value of real estate can fluctuate significantly in a short period of time as a result of market conditions in the geographic area in which the real estate is located. Although a significant portion of such loans are secured by real estate as a secondary form of collateral, adverse developments affecting real estate values in one or more of our markets could increase the credit risk associated with our loan portfolio. Additionally, real estate lending typically involves higher loan principal amounts and the repayment of the loans generally is dependent, in large part, on sufficient income from the properties securing the loans to cover operating expenses and debt service. Economic events or governmental regulations outside of the control of the borrower or lender could negatively impact the future cash flow and market values of the affected properties.

If the loans that are collateralized by real estate become troubled during a time when market conditions are declining or have declined, then we may not be able to realize the amount of security that we anticipated at the time of originating the loan, which could cause us to increase our provision for loan losses and adversely affect our operating results and financial condition.

Our commercial real estate loans also include commercial construction loans, including land acquisition and development Construction, land acquisition and development lending involve additional risks because funds are advanced based upon estimates of costs and the estimated value of the completed project. Because of the uncertainties inherent in estimating construction costs, as well as the market value of the completed project and the effects of governmental regulation on real property, it is relatively difficult to evaluate accurately the total funds required to complete a project and the related loan-to-value ratio. As a result, commercial construction loans often involve the disbursement of substantial funds with repayment dependent, in part, on the success of the ultimate project and the ability of the borrower to sell or lease the property, rather than the ability of the borrower or guarantor to repay principal and interest. If our appraisal of the value of the completed project proves to be overstated, we may have inadequate security for the repayment of the loan upon completion of construction of the project.

Our agricultural loans may involve a greater degree of risk than other loans, and the ability of the borrower to repay may be affected by

many factors outside of the borrower's control.

At December 31, 2005, agricultural real estate loans totaled $230.3 million, or 12%, of our total loan and lease portfolio. Payments on agricultural real estate loans are dependent on the profitable operation or management of the farm property securing the loan. The success of the farm may be affected by many factors outside the control of the borrower, including adverse weather conditions that prevent the planting of a crop or limit crop yields (such as hail, drought and floods), loss of livestock due to disease or other factors, declines in market prices for agricultural products (both domestically and internationally) and the impact of government regulations (including changes in price supports, subsidies and environmental regulations). In addition, many farms are dependent on a limited number of key individuals whose injury or death may significantly affect the successful operation of the farm. If the cash flow from a farming operation is diminished, the borrower's ability to repay the loan may be impaired. The primary crops in our market areas are corn, soybeans, peanuts and wheat. Accordingly, adverse circumstances affecting these crops could have an adverse effect on our agricultural real estate loan portfolio.

We also originate agricultural operating loans. At December 31, 2005, these loans totaled $75.7 million, or 4%, of our total loan and lease portfolio. As with agricultural real estate loans, the repayment of operating loans is dependent on the successful operation or management of the farm property. Likewise, agricultural operating loans involve a greater degree of risk than lending on residential properties, particularly in the case of loans that are unsecured or secured by rapidly depreciating assets such as farm equipment or assets such as livestock or crops. The primary livestock in our market areas include dairy cows, hogs and feeder cattle. In these cases, any repossessed collateral for a defaulted loan may not provide an adequate source of repayment of the outstanding loan balance as a result of the greater likelihood of damage, loss or depreciation.

Our one- to four-family residential mortgage loans may result in lower yields and profitability.

One- to four-family residential mortgage loans comprised $219.0 million, or 11%, of our loan and lease portfolio at December 31, 2005, and are secured primarily by properties located in the Midwest. These loans result in lower yields and lower profitability for us and are generally made on the basis of the borrower's ability to make repayments from his or her employment and the value of the property securing the loan.

Our consumer loans generally have a higher degree of risk of default than our other loans.

At December 31, 2005, consumer loans totaled $181.0 million, or 9%, of our total loan and lease portfolio. Consumer loans typically have shorter terms and lower balances with higher yields as compared to one- to four-family residential loans, but generally carry higher risks of default. Consumer loan collections are dependent on the borrower's continuing financial stability, and thus are more likely to be affected by adverse personal circumstances. Furthermore, the application of various federal and state laws, including bankruptcy and insolvency laws, may limit the amount which can be recovered on these loans.

Our allowance for loan losses may prove to be insufficient to absorb probable losses in our loan portfolio.

We established our allowance for loan losses in consultation with management of our bank subsidiaries and maintain it at a level considered adequate by management to absorb probable loan losses that are inherent in the portfolio. The amount of future loan losses is susceptible to changes in economic, operating and other conditions, including changes in interest rates, which may be beyond our control, and such losses may exceed current estimates. At December 31, 2005, our allowance for loan losses as a percentage of total loans was 1.42% and as a percentage of total non-performing loans was approximately 185.37%. Although management believes that the allowance for loan losses is adequate to absorb losses on any existing loans that may become uncollectible, we cannot predict loan losses with certainty, and we cannot assure you that our allowance for loan losses will prove sufficient to cover actual loan losses in the future. Loan losses in excess of our reserves may adversely affect our business, financial condition and results of operations.

Our continued pace of growth may require us to raise additional capital in the future, but that capital may not be available when it is needed.

We are required by federal and state regulatory authorities to maintain adequate levels of capital to support our operations. We anticipate that our existing capital resources will satisfy our capital requirements for the foreseeable future. However, we may at some point need to raise additional capital to support continued growth, both internally and through acquisitions. Our ability to raise additional capital, if needed, will depend on conditions in the capital markets at that time, which are outside our control, and on our financial performance. Accordingly, we cannot assure you of our ability to raise additional capital if needed on terms acceptable to us. If we cannot raise additional capital when needed, our ability to further expand our operations through internal growth and acquisitions could be materially impaired.

Government regulation can result in limitations on our operations.

We operate in a highly regulated environment and are subject to supervision and regulation by a number of governmental regulatory agencies, including the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the various state agencies where we have a bank presence. Regulations adopted by these agencies, which are generally intended to provide protection for depositors and customers rather than for the benefit of stockholders, govern a comprehensive range of matters relating to ownership and control of our shares, our acquisition of other companies and businesses, permissible activities for us to engage in, maintenance of adequate capital levels and other aspects of our operations. These bank regulators possess broad authority to prevent or remedy unsafe or unsound practices or violations of law. The laws and regulations applicable to the banking industry could change at any time and we cannot predict the effects of these changes on our business and profitability. Increased regulation could increase our cost of compliance and adversely affect profitability. For example, new legislation or regulation may limit the manner in which we may conduct our business, including our ability to offer new products, obtain financing, attract deposits, make loans and achieve satisfactory interest spreads.

We have a continuing need for technological change and we may not have the resources to effectively implement new technology.

The financial services industry is undergoing rapid technological changes with frequent introductions of new technology-driven products and services. In addition to better serving customers, the effective use of technology increases efficiency and enables financial institutions to reduce costs. Our future success will depend in part upon our ability to address the needs of our customers by using technology to provide products and services that will satisfy customer demands for convenience as well as to create additional efficiencies in our operations as we continue to grow and expand our market areas. Many of our larger competitors have substantially greater resources to invest in technological improvements. As a result, they may be able to offer additional or superior products to those that we will be able to offer, which would put us at a competitive disadvantage.

System failure or breaches of our network security could subject us to increased operating costs as well as litigation and other liabilities.

The computer systems and network infrastructure we use could be vulnerable to unforeseen problems. Our operations are dependent upon our ability to protect our computer equipment against damage from physical theft, fire, power loss, telecommunications failure or a similar catastrophic event, as well as from security breaches, denial of service attacks, viruses, worms and other disruptive problems caused by hackers. Any damage or failure that causes an interruption in our operations could have a material adverse effect on our financial condition and results of operations. Computer break-ins, phishing and other disruptions could also jeopardize the security of information stored in and transmitted through our computer systems and network infrastructure, which may result in significant liability to us and may cause existing and potential customers to refrain from doing business with us. Although we, with the help of third-party service providers, intend to continue to implement security technology and establish operational procedures to prevent such damage, there can be no assurance that these security measures will be successful. In addition, advances in computer capabilities, new discoveries in the field of cryptography or other developments could result in a compromise or breach of the algorithms we and our third-party service providers use to encrypt and protect customer transaction data. A failure of such security measures could have a material adverse effect on our financial condition and results of operations.

We are subject to certain operational risks, including, but not limited to, customer or employee fraud and data processing system failures and errors.

Employee errors and employee or customer misconduct could subject us to financial losses or regulatory sanctions and seriously harm our reputation. Misconduct by our employees could include hiding unauthorized activities from us, improper or unauthorized activities on behalf of our customers or improper use of confidential information. It is not always possible to prevent employee errors and misconduct, and the precautions we take to prevent and detect this activity may not be effective in all cases. Employee errors could also subject us to financial claims for negligence.

We maintain a system of internal controls and insurance coverage to mitigate against operational risks, including data processing system failures and errors and customer or employee fraud. Should our internal controls fail to prevent or detect an occurrence, or if any resulting loss is not insured or exceeds applicable insurance limits, it could have a material adverse effect on our business, financial condition and results of operations.

ITEM 1B.

UNRESOLVED STAFF COMMENTS

As of December 31, 2005, Heartland had no unresolved staff comments.

ITEM 2.

PROPERTIES

The following table is a listing of Heartland's principal operating facilities:

Name and Main Facility Address	Main Facility Square Footage	Main Facility Owned or Leased	Number of Locations
Banking Subsidiaries			
Dubuque Bank and Trust Company 1398 Central Avenue Dubuque, IA 52001	59,500	Owned	8
Galena State Bank and Trust Company 971 Gear Street Galena, IL 61036	18,000	Owned	3
Riverside Community Bank 6855 E. Riverside Blvd. Rockford, IL 60114	8,000	Owned	4
First Community Bank 320 Concert Street Keokuk, IA 52632	6,000	Owned	3
Wisconsin Community Bank 580 North Main Street Cottage Grove, WI 53527	6,000	Owned	6
New Mexico Bank & Trust 320 Gold NW Albuquerque, NM 87102	11,400	Lease term through 2006	14
Arizona Bank & Trust 1000 N. 54th Street Chandler, AZ 85226	8,500	Owned	3
Rocky Mountain Bank 2615 King Avenue West Billings, MT 59102	16,600	Owned	9
Non-Bank Subsidiaries			
Citizens Finance Co. 1275 Main Street Dubuque, IA 52001		Leased from DB&T	5
ULTEA, Inc. 2976 Triverton Pike Madison, WI 53711		Leased	1
HTLF Capital Corp. World Trade Center 1625 Broadway			

Denver, CO 80202	Leased	1

The principal office of Heartland is located in Dubuque Bank and Trust Company's main office.

ITEM 3.

LEGAL PROCEEDINGS

There are certain legal proceedings pending against Heartland and its subsidiaries at December 31, 2005, that are ordinary routine litigation incidental to business. While the ultimate outcome of current legal proceedings cannot be predicted with certainty, it is the opinion of management that the resolution of these legal actions should not have a material effect on Heartland's consolidated financial position or results of operations.

ITEM 4.

SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted during the fourth quarter of 2005 to a vote of security holders.

PART II

ITEM 5.

MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Heartland's common stock was held by approximately 1,400 stockholders of record as of March 7, 2006, and has been quoted on the Nasdaq National Market System since May 2003 under the symbol “HTLF”. Prior to quotation on the Nasdaq National Market System, the common stock of Heartland was traded on the over-the-counter market.

For the periods indicated, the following table shows the range of reported prices per share of Heartland's common stock in the Nasdaq National Market System. These quotations represent inter-dealer prices without retail markups, markdowns, or commissions and do not necessarily represent actual transactions.

Heartland Common Stock

Calendar Quarter	High	Low
2005:		
First	$ 21.31	$ 18.37
Second	21.22	19.06
Third	20.99	19.04
Fourth	21.74	18.84
2004:		
First	$ 19.81	$ 18.06
Second	18.95	16.75
Third	18.99	16.73
Fourth	22.07	18.26

Cash dividends have been declared by Heartland quarterly during the past two years ending December 31, 2005. The following table sets forth the cash dividends per share paid on Heartland's common stock for the past two years:

Calendar Quarter	2005	2004
First	$ .08	$ .08
Second	.08	.08
Third	.08	.08
Fourth	.09	.08

Heartland's ability to pay dividends to stockholders is largely dependent upon the dividends it receives from the Bank Subsidiaries, and the banks are subject to regulatory limitations on the amount of cash dividends they may pay. See "Business - Supervision and Regulation - Heartland - Dividend Payments" and "Business - Supervision and Regulation - The Bank Subsidiaries - Dividend Payments" for a more detailed description of these limitations.

Heartland has issued junior subordination debentures in several private placements. Under the terms of the debentures, Heartland may be prohibited, under certain circumstances, from paying dividends on shares of its common stock. None of these circumstances currently exist.

The following table provides information about purchases by Heartland and its affiliated purchasers during the quarter ended December 31, 2005, of equity securities that are registered by Heartland pursuant to Section 12 of the Exchange Act:

	(a)	(b)	(c)	(d)

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (1)
10/01/05-10/31/05	10,895	$19.19	10,895	$1,265,792
11/01/05-11/30/05	16,303	$20.53	16,303	$1,405,299
12/01/05-12/31/05	1,558	$20.40	1,558	$1,882,483
Total:	28,756	$20.01	28,756	N/A

(1) On October 19, 2004, Heartland's board of directors increased the dollar value of its common stock that management is authorized to acquire and hold as treasury shares from $4.0 million to $5.0 million at any one time.

ITEM 6.
SELECTED FINANCIAL DATA

For the years ended December 31, 2005, 2004, 2003, 2002 and 2001
(Dollars in thousands, except per share data)

	2005	2004	2003	2002	2001
STATEMENT OF INCOME DATA					
Interest income	$ 154,002	$ 121,394	$ 99,517	$ 100,012	$ 107,609
Interest expense	61,135	44,264	38,327	42,332	58,620
Net interest income	92,867	77,130	61,190	57,680	48,989
Provision for loan and lease losses	6,564	4,846	4,183	3,553	4,258
Net interest income after provision for loan and lease losses	86,303	72,284	57,007	54,127	44,731
Noninterest income	41,585	37,841	36,541	30,645	28,620
Noninterest expense	95,012	81,936	67,692	60,659	56,692
Income taxes	10,150	7,937	8,137	7,523	5,530
Income from continuing operations	22,726	20,252	17,719	16,590	11,129
Discontinued operations:					
Income from operations of discontinued branch (including gain on sale of $2,602 in 2002)	-	-	-	3,751	469
Income taxes	-	-	-	1,474	184
Income from discontinued operations	-	-	-	2,277	285
Net income	$ 22,726	$ 20,252	$ 17,719	$ 18,867	$ 11,414
PER COMMON SHARE DATA					
Net income - diluted	$ 1.38	$ 1.26	$ 1.16	$ 1.28	$ 0.78
Income from continuing operations - diluted [1]	1.36	1.26	1.16	1.12	0.76
Adjusted net income - diluted [2]	1.36	1.26	1.16	1.28	0.85
Adjusted income from continuing operations - diluted [3]	1.36	1.26	1.16	1.12	0.84
Cash dividends	0.33	0.32	0.27	0.27	0.25
Dividend payout ratio	23.82%	24.87%	23.09%	20.81%	31.19%

Book value	$ 11.46	$ 10.69	$ 9.29	$ 8.40	$ 7.37
Weighted average shares outstanding-diluted	16,702,146	16,084,557	15,258,440	14,783,554	14,558,231
BALANCE SHEET DATA					
Investments and federal funds sold	$ 567,002	$ 553,284	$ 451,753	$ 424,514	$ 349,417
Loans held for sale	40,745	32,161	25,678	23,167	26,967
Total loans and leases, net of unearned	1,953,066	1,772,954	1,322,549	1,152,069	1,078,238
Allowance for loan and lease losses	27,791	24,973	18,490	16,091	14,660
Total assets	2,818,332	2,629,055	2,018,366	1,785,979	1,644,064
Total deposits	2,118,178	1,983,846	1,492,488	1,337,985	1,205,159
Long-term obligations	220,871	196,193	173,958	161,379	143,789
Stockholders' equity	187,812	175,782	140,923	124,041	107,090
EARNINGS PERFORMANCE DATA					
Return on average total assets	0.84%	0.87%	0.95%	1.13%	0.72%
Return on average stockholders' equity	12.55	12.82	13.46	16.44	11.32
Net interest margin ratio [1,4]	3.99	3.87	3.80	4.04	3.67
Earnings to fixed charges:					
Excluding interest on deposits	2.79x	3.03x	3.37x	3.28x	2.27x
Including interest on deposits	1.53	1.63	1.67	1.57	1.28
ASSET QUALITY RATIOS					
Nonperforming assets to total assets	0.60%	0.41%	0.32%	0.29%	0.52%
Nonperforming loans and leases to total loans and leases	0.77	0.56	.42	0.39	0.75
Net loan and lease charge-offs to average loans and leases	0.17	0.16	0.14	0.16	0.31
Allowance for loan and lease losses to total loans and leases	1.42	1.41	1.40	1.40	1.36
Allowance for loan and lease losses to nonperforming loans and leases	185.37	251.62	333.11	358.77	180.47
CAPITAL RATIOS					
Average equity to average assets	6.68%	6.77%	7.03%	6.86%	6.47%
Total capital to risk-adjusted assets	10.61	10.82	12.42	11.86	10,89
Tier 1 leverage	7.66	7.26	8.07	8.24	7.53

1 Excludes the discontinued operations of our Eau Claire branch and the related gain on sale in the fourth quarter of 2002.

2 Excludes goodwill amortization discontinued with the adoption of FAS 142 on January 1, 2002, and the adoption of FAS 147 on September 30, 2002.

3 Excludes goodwill amortization discontinued with the adoption of FAS 142 on January 1, 2002, and the adoption of FAS 147 on September 30, 2002, and the discontinued operations of our Eau Claire branch and the related gain on sale in the fourth quarter of 2002.

4 Tax equivalent using a 35% tax rate for all periods presented.

ITEM 7.

MANAGEMENT’S DISCUSSION AND ANALYSIS

The following presents management’s discussion and analysis of the consolidated financial condition and results of operations of Heartland Financial USA, Inc. ("Heartland") as of the dates and for the periods indicated. This discussion should be read in conjunction with the Selected Financial Data, Heartland’s Consolidated Financial Statements and the Notes thereto and other financial data appearing elsewhere in this report. The consolidated financial statements include the accounts of Heartland and its subsidiaries. All of Heartland’s subsidiaries are wholly-owned except for Arizona Bank & Trust, of which Heartland was an 86% owner on December 31, 2005 and 2004, and WCB Mortgage, LLC, of which Heartland was a 55% owner on December 31, 2004. WCB Mortgage, LLC, ceased operations and was dissolved effective January 1, 2005.

SAFE HARBOR STATEMENT

This document (including information incorporated by reference) contains, and future oral and written statements of Heartland and its management may contain, forward-looking statements, within the meaning of such term in the Private Securities Litigation Reform Act of 1995, with respect to the financial condition, results of operations, plans, objectives, future performance and business of Heartland. Forward-looking statements, which may be based upon beliefs, expectations and assumptions of Heartland’s management and on information currently available to management, are generally identifiable by the use of words such as "believe", "expect", "anticipate", "plan", "intend", "estimate", "may", "will", "would", "could", "should" or other similar expressions. Additionally, all statements in this document, including forward-looking statements, speak only as of the date they are made, and Heartland undertakes no obligation to update any statement in light of new information or future events.

Heartland’s ability to predict results or the actual effect of future plans or strategies is inherently uncertain. The factors which could have a material adverse effect on the operations and future prospects of Heartland and its subsidiaries are detailed in the “Risk Factors” section included under Item 1A. of Part I of this Form 10-K. In addition to the risk factors described in that section, there are other factors that may impact any public company, including Heartland, which could have a material adverse effect on the operations and future prospects of Heartland and its subsidiaries. These additional factors include, but are not limited to, the following:

* The economic impact of past and any future terrorist attacks, acts of war or threats thereof, and the response of the United States to any such threats and attacks.

* The costs, effects and outcomes of existing or future litigation.

* Changes in accounting policies and practices, as may be adopted by state and federal regulatory agencies, the Financial Accounting Standards Board, the Securities and Exchange Commission and the Public Company Accounting Oversight Board.

* The ability of Heartland to manage the risks associated with the foregoing as well as anticipated.

These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements.

OVERVIEW

Heartland is a diversified financial services holding company providing full-service community banking through eight banking subsidiaries with a total of 50 banking locations in Iowa, Illinois, Wisconsin, New Mexico, Arizona and Montana. In addition, Heartland has separate subsidiaries in the consumer finance, vehicle leasing/fleet management, insurance and investment management businesses. Heartland's primary strategy is to balance its focus on increasing profitability with asset growth and diversification through acquisitions, *de novo* bank formations, branch openings and expansion into non-bank subsidiary activities.

Heartland’s results of operations depend primarily on net interest income, which is the difference between interest income from interest earning assets and interest expense on interest bearing liabilities. Noninterest income, which includes service charges, fees and gains on loans, rental income on operating leases and trust income, also affects Heartland’s results of operations. Heartland’s principal operating expenses, aside from interest expense, consist of compensation and employee benefits, occupancy and equipment costs, depreciation on equipment under operating leases and provision for loan and lease losses.

Net income for the year ended December 31, 2005, was $22.7 million, an increase of $2.4 million or 12%, over the $20.3 million recorded for 2004. Earnings per diluted share was $1.36 for 2005, compared to $1.26 for 2004, an increase of $.10 or 8%. Return on average equity was 12.55% and return on average assets was 0.84% for 2005, compared to 12.82% and 0.87%, respectively, for 2004. The improved earnings were primarily due to the $15.7 million or 20% growth in net interest income. Average earning assets increased from $2.07 billion during 2004 to $2.41 billion during 2005. Noninterest income improved $3.7 million or 10%, driven primarily by service charges and fees, trust fees, rental income on operating leases and other noninterest income. Partially offsetting these increases was the $1.7 million or 35% additional provision for loan and lease losses and the $13.1 million or 16% increase in noninterest expense during 2005. Expansion efforts completed during 2005 included the opening of one banking location at each of the following Bank Subsidiaries: Arizona Bank & Trust, New Mexico Bank & Trust, Rocky Mountain Bank and Riverside Community Bank. Also contributing to the increased earnings for 2005, compared to 2004, was a full year of earnings at the acquired Rocky Mountain Bank. This acquisition was completed on June 1, 2004, therefore only seven months of their earnings were included in the 2004 results. Rocky Mountain Bank's contribution to net income during 2005 was $2.8 million compared to $2.3 million during 2004.

At December 31, 2005, total assets reached $2.82 billion, an increase of $189.3 million or 7% since year-end 2004. Total loans and leases were $1.95 billion at December 31, 2005, an increase of $180.1 million or 10% since year-end 2004. All of Heartland's subsidiary banks experienced loan growth since year-end 2004, with major contributions from Dubuque Bank and Trust Company, New Mexico Bank & Trust, Arizona Bank & Trust and Galena State Bank and Trust Company. All loan categories increased during 2005, with $142.0 million or 79% of the total loan growth in the commercial and commercial real estate category. Total deposits at December 31, 2005, were $2.12 billion, an increase of $134.3 million or 7% since year-end 2004. Except for Wisconsin Community Bank and First Community Bank, all of Heartland's subsidiary banks increased deposits during 2005. Demand deposit balances increased by $29.7 million or 9% and time deposit balances increased by $101.1 million or 11% during the year. Heartland's two newer *de novo* banks, New Mexico Bank & Trust and Arizona Bank & Trust, have been the most successful at attracting demand deposits. Also experiencing meaningful growth in demand deposits in 2005 was Rocky Mountain Bank. Over half of the growth in the time deposit category occurred at Heartland's largest subsidiary bank, Dubuque Bank and Trust Company. All of the other Heartland subsidiary banks, except for Wisconsin Community and First Community Bank, experienced growth in time deposits, with more significant growth occurring at New Mexico Bank & Trust and Rocky Mountain Bank. Of particular note is that substantially all of the growth in time deposits occurred in deposits from local markets, as total brokered deposits ended 2005 at $145.5 million, an increase of $4.5 million or less than 4% since year-end 2004.

Total net income was $20.3 million during 2004 compared to $17.7 million during 2003, an increase of $2.5 million or 14%. Earnings per diluted share was $1.26 during 2004 compared to $1.16 during 2003. Return on average equity was 12.82% and return on average assets was 0.87% for 2004, compared to 13.46% and 0.95%, respectively, for 2003.

Heartland completed a number of its growth initiatives during 2004. Effective June 1, 2004, Heartland expanded into the Rocky Mountain region through the acquisition of Rocky Mountain Bank, providing banking services in eight communities throughout the state of Montana. Also in June, a majority of Heartland's operations resources moved into a new state-of-the-art operations center in Dubuque, Iowa. Expansion in the Phoenix area included Arizona Bank & Trust's opening of its second branch location in Chandler in May and the completion of the acquisition of Wealth Management Group of Colonial Trust Company effective September 1, 2004. The addition of Rocky Mountain Bank had a positive impact on earnings. Net income at Rocky Mountain Bank totaled $2.3 million for the seven months of its operations as a Heartland subsidiary bank. At December 31, 2004, Rocky Mountain Bank had total assets of $373.1 million, total loans of $265.9 million and total deposits of $290.4 million.

Net interest income during 2004 grew significantly, increasing $15.9 million or 26% over 2003. Noninterest income experienced growth of $1.3 million or 4% during that same period despite a reduction in gains on sale of loans of $2.9 million as a result of less refinancing activity in mortgage loans. The two noninterest income categories recording the more significant increases for the year were service charges and fees and trust fees. Noninterest expense for 2004 increased $14.2 million or 21%, primarily due to costs associated with expansion efforts, write off of the unamortized issuance costs on redeemed trust preferred securities and costs surrounding implementation of internal control provisions of the Sarbanes-Oxley Act of 2002.

Total assets nearly reached $2.63 billion at December 31, 2004, up $610.7 million or 30% since year-end 2003. Total loans and leases were $1.77 billion at December 31, 2004, an increase of $450.4 million or 34% since year-end 2003. Dubuque Bank and Trust Company, Wisconsin Community Bank, Arizona Bank & Trust and New Mexico Bank & Trust were major contributors to the $184.5 million or 12% growth in loans, exclusive of the $265.9 million in loans at Rocky Mountain Bank, primarily in the commercial and commercial real estate category. Total deposits at December 31, 2004, were $1.98 billion, an increase of $491.4 million or 33% since year-end 2003. Exclusive of the $290.4 million in deposits at Rocky Mountain Bank, the $201.0 million or 13% growth in deposits came primarily from New Mexico Bank & Trust and Arizona Bank & Trust.

CRITICAL ACCOUNTING POLICIES

The process utilized by Heartland to estimate the adequacy of the allowance for loan and lease losses is considered a critical accounting policy for Heartland. The allowance for loan and lease losses represents management's estimate of identified and unidentified losses in the existing loan portfolio. Thus, the accuracy of this estimate could have a material impact on Heartland's earnings. The adequacy of the allowance for loan and lease losses is determined using factors that include the overall composition of the loan portfolio, general economic conditions, types of loans, loan collateral values, past loss experience, loan delinquencies, and potential losses from identified substandard and doubtful credits. Nonperforming loans and large non-homogeneous loans are specifically reviewed for impairment and the allowance is allocated on a loan by loan basis as deemed necessary. Homogeneous loans and loans not specifically evaluated are grouped into pools to which a loss percentage, based on historical experience, is allocated. The adequacy of the allowance for loan and lease losses is monitored on an ongoing basis by the loan review staff, senior management and the banks' boards of directors. Specific factors considered by management in establishing the allowance included the following:

* Heartland has continued to experience growth in more complex commercial loans as compared to relatively lower-risk residential real estate loans.

* During the last several years, Heartland has entered new markets in which it had little or no previous lending experience.

There can be no assurances that the allowance for loan and lease losses will be adequate to cover all loan losses, but management believes that the allowance for loan and lease losses was adequate at December 31, 2005. While management uses available information to provide for loan and lease losses, the ultimate collectibility of a substantial portion of the loan portfolio and the need for future additions to the allowance will be based on changes in economic conditions. Even though there have been various signs of emerging strength in the economy, it is not certain that this strength will be sustainable. Should the economic climate deteriorate, borrowers may experience difficulty, and the level of nonperforming loans, charge-offs, and delinquencies could rise and require further increases in the provision for loan and lease losses. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the allowance for loan and lease losses carried by the Heartland subsidiaries. Such agencies may require Heartland to make additional provisions to the allowance based upon their judgment about information available to them at the time of their examinations.

The table below estimates the theoretical range of the 2005 allowance outcomes and related changes in provision expense assuming either a reasonably possible deterioration in loan credit quality or a reasonably possible improvement in loan credit quality.

THEORETICAL RANGE OF ALLOWANCE FOR LOAN AND LEASE LOSSES
(Dollars in thousands)

Allowance for loan and lease losses at December 31, 2005	$	27,791
Assuming deterioration in credit quality:		
Addition to provision		2,481
Resultant allowance for loan and lease losses	$	30,272
Assuming improvement in credit quality:		
Reduction in provision		(1,030)
Resultant allowance for loan and lease losses	$	26,761

The assumptions underlying this sensitivity analysis represent an attempt to quantify theoretical changes that could occur in the total allowance for loan and lease losses given various economic assumptions that could impact inherent loss in the current loan and lease portfolio. It further assumes that the general composition of the allowance for loans and lease losses determined through Heartland's existing process and methodology remains relatively unchanged. It does not attempt to encompass extreme and/or prolonged economic downturns, systemic contractions to specific industries, or systemic shocks to the financial services sector. The addition to provision was calculated based upon the assumption that, under an economic downturn, a certain percentage of loan balances in each rating pool would migrate from its current loan grade to the next lower loan grade. The reduction in provision was calculated based upon the assumption that, under an economic upturn, a certain percentage of loan balances in each rating pool would migrate from its current loan grade to the next higher loan grade. The estimation of the percentage of loan balances that would migrate from its current rating pool to the next was based upon Heartland's experiences during previous periods of economic movement.

RESULTS OF OPERATIONS
NET INTEREST INCOME

Net interest income is the difference between interest income earned on earning assets and interest expense paid on interest bearing liabilities. As such, net interest income is affected by changes in the volume and yields on earning assets and the volume and rates paid on interest bearing liabilities. Net interest margin is the ratio of tax equivalent net interest income to average earning assets.

Net interest margin, expressed as a percentage of average earning assets, was 3.99% for 2005 compared to 3.87% for 2004. This improvement was partially attributable to the $51.9 million or 19% growth in noninterest bearing deposits. Also contributing to this improvement was management's ability to lag increases in interest rates paid on the Bank Subsidiaries' interest bearing deposit accounts as the federal funds increased throughout the year. The tax equivalent interest rate paid on earning assets increased 51 basis points while the interest rate paid on interest bearing liabilities increased 45 basis points.

Net interest margin, expressed as a percentage of average earning assets, was 3.87% for 2004 compared to 3.80% for 2003. This improvement resulted primarily from an increase in average loans as a percentage of total assets. Heartland's highest yielding assets comprised 76% of average earning assets during 2004 compared to 74% during 2003. The potential benefit to net interest margin from rising rates during 2004 was neutralized due to the fact that the yield curve flattened as short-term rates rose.

Net interest income , on a tax-equivalent basis, increased $16.3 million or 20% during 2005 and $16.5 million or 26% during 2004. Exclusive of net interest income at Rocky Mountain Bank totaling $8.9 million since the acquisition, the increase for 2004 was $7.6 million or 12%. Fluctuations in net interest income between years is related to changes in the volume of average earning assets and interest bearing liabilities, combined with changes in average yields and rates of the corresponding assets and liabilities as demonstrated in the tables at the end of this section.

Interest income, on a tax-equivalent basis, was $157.3 million during 2005 compared to $124.1 million during 2004, an increase of $33.2 million or 27% during 2005. Rocky Mountain Bank's portion of this interest income was $22.0 million in 2005 and $12.3 million during the seven months of operations under the Heartland umbrella during 2004. The increase in interest income resulted from the $345.5 million or 17% growth in earning assets, as well as the steady rises that have occurred in the prime interest rate since the first quarter of 2004. The national prime interest rate escalated 300 basis points during 2005, ending the year 7.25%. Over half of Heartland's commercial and commercial real estate loan portfolio is comprised of variable-rate loans that change as the prime rate changes.

Interest income, on a tax-equivalent basis, increased $22.4 million or 22% during 2004. Exclusive of the $12.3 million recorded at Rocky Mountain Bank since the acquisition, interest income grew by $10.1 million or 10% during 2004. This growth in interest income was primarily a result of growth in the loan portfolio, which increased $183.3 million or 15% in average balances, exclusive of $161.6 million attributable to loan balances at Rocky Mountain Bank. Even though the national prime rate began to rise in July 2004 and finished the year 125 basis points higher at 5.25% than its level at year-end 2003 of 4.00%, Heartland did not experience a corresponding increase in its yield on loans. During previous periods, management was successful in the utilization of floors on its commercial loan portfolio to minimize the effect downward rates had on Heartland's interest income. It took several upward movements in rates to reach the floors in place on these loans. As rates moved above the floors, the yield began to increase in a corresponding manner.

Interest expense during 2005 was $61.1 million compared to $44.3 million during 2004, an increase of $16.8 million or 38%. Rocky Mountain Bank's portion of this interest expense was $6.7 million during 2005 and $3.4 million during 2004. The increases in interest expense resulted from the growth in interest-bearing deposit accounts, as well as the rising rate environment. The federal funds rate increased from 1.00% during the first quarter of 2004 to 4.25% during the fourth quarter of 2005. Rates on Heartland's deposit accounts do not immediately reprice as a result of increases in the federal funds rate, but continual increases in the federal funds rate, as experienced during the last half of 2004 and throughout 2005, does place pressure on the rates paid on these products to maintain existing balances.

Interest expense during 2004 was $44.3 million compared to $38.3 million during 2003, an increase of $5.9 million or 15%. Exclusive of the $3.4 million interest expense recorded at Rocky Mountain Bank since acquisition, interest expense grew by $2.5 million or 7%. A portion of this growth in interest expense was a result of the issuance of $20.0 million of 8.25% cumulative trust preferred securities on October 10, 2003, and $25.0 million of variable-rate cumulative trust preferred securities on March 17, 2004. Also causing additional interest expense during the last quarter of the year was the implementation of a $30.0 million leverage strategy which included the purchase of mortgage-backed and municipal securities funded primarily by newly issued brokered deposits with an average maturity of 24 months.

Heartland manages its balance sheet to minimize the effect a change in interest rates has on its net interest margin. During 2006, Heartland will continue to work toward improving both its earning asset and funding mix through targeted organic growth strategies, which we believe will result in additional net interest income. Our net interest income simulations reflect an asset sensitive posture leading to stronger earnings performance in a rising rate environment. Should the current rising rate environment reverse, net interest income would likely decline. In order to reduce the potentially negative impact a downward movement in interest rates would have on net interest income, Heartland entered into an interest rate floor transaction on July 8, 2005, at a cost of $44 thousand. This two-year contract was acquired on prime at a strike level of 5.5% on a notional amount of $100.0 million. Changes in the fair market value of this hedge transaction flow through Heartland's income statement in other noninterest income.

On September 19, 2005, Heartland entered into an interest rate collar transaction on a notional amount of $50.0 million to further reduce the potentially negative impact a downward movement in interest rates would have on its net interest income. This five-year contract was acquired with Heartland as the payer on prime at a cap strike rate of 9.00% and the counterparty as the payer on prime at a floor strike rate of 6.00%. The cost of this derivative transaction was $140 thousand. Management accounts for this derivative as a cash flow hedge under SFAS No. 133 (as amended), *Accounting for Derivative Instruments and Hedging Activities* .

The following table sets forth certain information relating to Heartland's average consolidated balance sheets and reflects the yield on average earning assets and the cost of average interest bearing liabilities for the years indicated. Dividing income or expense by the average balance of assets or liabilities derives such yields and costs. Average balances are derived from daily balances, and nonaccrual loans are included in each respective loan category.

ANALYSIS OF AVERAGE BALANCES, TAX EQUIVALENT YIELDS AND RATES [1]
For the years ended December 31, 2005, 2004, and 2003
(Dollars in thousands)

	2005			2004			2003		
	Average Balance	Interest	Rate	Average Balance	Interest	Rate	Average Balance	Interest	Rate
EARNING ASSETS									
Securities:									
Taxable	$ 400,993	$ 13,896	3.47%	$ 373,727	$ 13,401	3.59%	$ 316,117	$ 9,100	2.88%
Nontaxable [1]	121,227	8,481	7.00	98,195	7,037	7.17	80,858	6,079	7.52
Total securities	522,220	22,377	4.28	471,922	20,438	4.33	396,975	15,179	3.82
Interest bearing deposits	6,994	277	3.96	6,653	227	3.41	7,462	174	2.33
Federal funds sold	13,785	475	3.45	10,412	175	1.68	34,159	355	1.04
Loans and leases:									
Commercial and commercial real estate [1]	1,236,324	81,411	6.58	1,039,055	61,090	5.88	793,187	48,637	6.13
Residential mortgage	233,717	14,223	6.09	196,267	11,643	5.93	157,005	9,907	6.31
Agricultural and agricultural real estate [1]	228,949	15,892	6.94	199,591	13,081	6.55	164,808	10,819	6.56
Consumer	178,142	15,718	8.82	150,842	12,324	8.17	124,136	11,343	9.14
Direct financing leases, net	18,313	1,388	7.58	13,713	819	5.97	10,540	780	7.40
Fees on loans	-	5,576	-	-	4,353	-	-	4,603	-
Less: allowance for loan and lease losses	(26,675)	-	-	(22,221)	-	-	(17,390)	-	-
Net loans and leases	1,868,770	134,208	7.18	1,577,247	103,310	6.55	1,232,286	86,089	6.99
Total earning assets	2,411,769	157,337	6.52	2,066,234	124,150	6.01	1,670,882	101,797	6.09
NONEARNING ASSETS	296,727	-	-	266,885	-	-	202,433	-	-
TOTAL ASSETS	$ 2,708,496	$ 157,337	5.81%	$ 2,333,119	$ 124,150	5.32%	$ 1,873,315	$ 101,797	5.43%
INTEREST BEARING LIABILITIES									
Interest bearing deposits:									
Savings	$ 754,086	$ 10,991	1.46%	$ 670,758	$ 5,890	0.88%	$ 532,023	$ 4,798	0.90%
Time, $100,000 and over	201,377	6,505	3.23	152,787	3,957	2.59	140,834	3,720	2.64
Other time deposits	758,448	25,887	3.41	651,611	21,001	3.22	527,627	19,245	3.65
Short-term borrowings	233,278	6,985	2.99	185,045	3,095	1.67	152,429	2,350	1.54
Other borrowings	214,328	10,767	5.02	198,389	10,321	5.20	148,551	8,214	5.53
Total interest bearing liabilities	2,161,517	61,135	2.83	1,858,590	44,264	2.38	1,501,464	38,327	2.55
NONINTEREST BEARING LIABILITIES									
Noninterest bearing deposits	330,379	-	-	278,432	-	-	204,812	-	-
Accrued interest and other liabilities	35,564	-	-	38,184	-	-	35,416	-	-
Total noninterest bearing liabilities	365,943	-	-	316,616	-	-	240,228	-	-
STOCKHOLDERS' EQUITY	181,036	-	-	157,913	-	-	131,623	-	-
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	$ 2,708,496	$ 61,135	2.26%	$ 2,333,119	$ 44,264	1.90%	$ 1,873,315	$ 38,327	2.05%

Net interest income [1]		$ 96,202			$ 79,886			$ 63,470	
Net interest income to total earning assets [1]			3.99%			3.87%			3.80%
Interest bearing liabilities to earning assets	89.62%			89.95%			89.86%		

[1] Tax equivalent basis is calculated using an effective tax rate of 35%.

T he following table allocates the changes in net interest income to differences in either average balances or average rates for earning assets and interest bearing liabilities. The changes have been allocated proportionately to the change due to volume and change due to rate. Interest income is measured on a tax equivalent basis using a 35% tax rate.

ANALYSIS OF CHANGES IN NET INTEREST INCOME
(Dollars in thousands)

	For the Years Ended December 31,								
	2005 Compared to 2004 Change Due to			2004 Compared to 2003 Change Due to			2003 Compared to 2002 Change Due to		
	Volume	Rate	Net	Volume	Rate	Net	Volume	Rate	Net
EARNING ASSETS / INTEREST INCOME									
Investment securities:									
Taxable	$ 978	$ (483)	$ 495	$ 1,658	$ 2,643	$ 4,301	$ 465	$ (4,497)	$ (4,032)
Tax-exempt	1,651	(207)	1,444	1,303	(345)	958	2,260	(423)	1,837
Interest bearing deposits	12	38	50	(19)	72	53	(72)	(2)	(74)
Federal funds sold	57	243	300	(247)	67	(180)	206	(173)	33
Loans and leases	19,095	11,803	30,898	24,099	(6,878)	17,221	12,047	(9,671)	2,376
TOTAL EARNING ASSETS	21,793	11,394	33,187	26,794	(4,441)	22,353	14,906	(14,766)	140
LIABILITIES / INTEREST EXPENSE									
Interest bearing deposits:									
Savings	732	4,369	5,101	1,251	(159)	1,092	746	(2,478)	(1,732)
Time, $100,000 and over	1,258	1,290	2,548	316	(79)	237	609	(1,394)	(785)
Other time deposits	3,443	1,443	4,886	4,522	(2,766)	1,756	3,012	(4,127)	(1,115)
Short-term borrowings	807	3,083	3,890	503	242	745	342	(635)	(293)
Other borrowings	829	(383)	446	2,756	(649)	2,107	808	(888)	(80)
TOTAL INTEREST BEARING LIABILITIES	7,069	9,802	16,871	9,348	(3,411)	5,937	5,517	(9,522)	(4,005)
NET INTEREST INCOME	$ 14,724	$ 1,592	$ 16,316	$ 17,446	$ (1,030)	$ 16,416	$ 9,389	$ (5,244)	$ 4,145

PROVISION FOR LOAN AND LEASE LOSSES

The allowance for loan and lease losses is established through a provision charged to expense to provide, in Heartland's opinion, an adequate allowance for loan and lease losses. The provision for loan losses during 2005 was $6.6 million compared to $4.8 million in 2004, an increase of $1.8 million or 35%. The provision for loan losses during 2004 was $4.8 million compared to $4.2 million in 2003, an increase of $663 thousand or 16%. These increases resulted primarily from the loan growth experienced during those periods along with an increase in nonperforming loans. Additionally, during 2005, the provision for loan losses was higher due to the downgrading of a few large credits and the higher than historical charge-offs at Citizens Finance Co. as a result of the change in bankruptcy laws. T he adequacy of the allowance for loan and lease losses is determined by management using factors that include the overall composition of the loan portfolio, general economic conditions, types of loans, loan collateral values, past loss experience, loan delinquencies, substandard credits, and doubtful credits. For additional details on the specific factors considered, refer to the critical accounting policies and allowance for loan and lease losses sections of this report.

NONINTEREST INCOME
(Dollars in thousands)

	For the years ended December 31,			% Change	
	2005	2004	2003	2005/ 2004	2004/ 2003
Service charges and fees, net	$ 11,337	$ 9,919	$ 6,207	14	60
Trust fees	6,530	4,968	3,814	31	30
Brokerage commissions	856	1,100	863	(22)	27
Insurance commissions	545	757	703	(28)	8
Securities gains, net	198	1,861	1,823	(89)	2
Gain (loss) on trading account securities	(11)	54	453	120	88

Impairment loss on equity securities	-	-	(317)		100
Rental income on operating leases	15,463	13,780	13,807	12	0
Gains on sale of loans	3,528	3,410	6,339	3	(46)
Valuation adjustment on mortgage servicing rights	39	92	338	58	78
Other noninterest income	3,100	1,900	2,511	63	(24)
Total noninterest income	$ 41,585	$ 37,841	$ 36,541	10	4

The table shows Heartland's noninterest income for the years indicated. Total noninterest income increased $3.7 million or 10% during 2005 and $1.3 million or 4% during 2004. Rocky Mountain Bank recorded noninterest income of $2.5 million during 2005 and $1.5 million during its seven months of operations under the Heartland umbrella of community banks during 2004. The noninterest income categories reflecting significant improvement during 2005 were service charges and fees, trust fees, rental income on operating leases and other noninterest income, while securities gains were significantly reduced. During 2004, the noninterest income categories reflecting significant improvement were service charges and fees and trust fees, which were offset by a reduction in the gains on sale of loans.

Services charges and fees increased $1.4 million or 14% during 2005 and $3.7 million or 60% during 2004. Rocky Mountain Bank recorded services charges and fees of $1.3 million during 2005 compared to $683 thousand during the seven months of 2004 of operations under the Heartland umbrella. Included in this category are service fees collected on the mortgage loans Heartland sold into the secondary market, while retaining servicing. Heartland's mortgage loan servicing portfolio grew from $539.1 million at December 31, 2003, to $575.2 million at December 31, 2004, and $582.7 million at December 31, 2005, generating additional mortgage loan servicing fees of $101 thousand for 2005 and $260 thousand for 2004, increases of 7% and 23%, respectively. The most significant impact to service charges and fees during 2004 was the $1.1 million or 52% reduction in the amortization on the mortgage servicing rights associated with the mortgage loan servicing portfolio. During 2004, prepayment activity in the portfolio caused by refinancing activity slowed, resulting in a lower amortization rate. Also included in this category are service charges on deposit products, which increased $179 thousand or 3% during 2005 and $1.1 million or 25% during 2004. Exclusive of Rocky Mountain Bank's contribution during 2004 of $654 thousand, the increase in service charges on deposit products was $479 thousand or 10%. The 2005 increase was affected by reduced service charges on commercial checking accounts as the earnings credit rate continually increased during the year and many of the balances in the accounts began to cover the activity charges. Also contributing to the improvement in service charges on deposit products during 2004 was an overdraft privilege feature on our checking account product line that resulted in the generation of additional service charge revenue of approximately $563 thousand, an increase of 19%. Heartland has continued to grow its ATM network and, correspondingly, the fees generated by activity on these ATMs increased $242 thousand or 20% during 2005 and $220 thousand or 22% during 2004.

Trust fees increased $1.6 million or 31% during 2005 and $1.2 million or 30% during 2004. The trust accounts acquired from the Colonial Trust Company on August 31, 2004, accounted for $479 thousand or 40% of the 2004 change. The remaining increases in both years were a result of focused calling efforts. Trust assets increased from $1.2 billion at December 31, 2004, to nearly $1.4 billion at December 31, 2005.

Brokerage commissions declined $244 thousand or 22% during 2005 as Dubuque Bank and Trust Company experienced the loss of one sales representative and a reduction in the hours devoted to sales by another sales representative. Conversely, during 2004, brokerage commissions increased $237 thousand or 27% as a new sales representative was hired at Dubuque Bank and Trust Company and many of Heartland's other Bank Subsidiaries began to promote brokerage services.

Insurance commissions declined $212 thousand or 28% during 2005. The contingency bonus received during 2005 on the property and casualty policies issued through our insurance agency was $70 thousand less than it historically had been, primarily as a result of a fire claim on a policy issued through our agency. This area also experienced the loss of one sales representative, whose primary focus was on the sale of life and long-term care policies.

Securities gains were $198 thousand, $1.9 million and $1.8 million during 2005, 2004 and 2003, respectively. Nearly $1.0 million of the gains during 2004 were recorded during the first quarter due to the active management of our bond portfolio. As the yield curve steepened, agency securities nearing maturity were sold at a gain and replaced with a combination of like-term and longer-term agency securities that provided enhanced yields. Additionally, t he partial liquidation of the available for sale equity securities portfolio resulted in $542 thousand of securities gains during the first quarter of 2004. Management elected to liquidate a majority of this portfolio and redirect those funds to its expansion efforts. Heartland's interest rate forecast changed to a rising rate bias on the long end of the yield curve during the first quarter of 2003, and therefore, longer-term agency securities were sold at a gain to shorten the portfolio. The proceeds were invested in mortgage-backed securities that were projected to outperform the agency securities in a rising rate environment. Because of the steepness of the yield curve during the remaining quarters of 2003 and the protection afforded, longer-term bullet agency securities were purchased with the proceeds on the sale of shorter-term agency securities.

The equity securities trading portfolio recorded losses of $11 thousand during 2005 compared to gains of $54 thousand and $453 thousand during 2004 and 2003, respectively. The gains and losses recorded on this portfolio were generally reflective of the overall activity in the stock market and the smaller trading portfolio in 2004 and 2005.

Impairment losses on equity securities deemed to be other than temporary totaled $317 thousand during 2003. A majority of these losses were related to the decline in market value on the common stock held in Heartland's available for sale equity securities portfolio. All of those stocks were subsequently sold during 2004 and 2005. Additionally, during the first quarter of 2003, an impairment loss on equity securities totaling $20 thousand was recorded on Heartland's investment in a limited partnership. The fair value of the remaining portion of Heartland's investment in this partnership at year-end 2005 was $80 thousand.

Rental income on operating leases increased $1.7 million or 12% during 2005 as a result of activity at ULTEA, Inc., Heartland's fleet management subsidiary. Vehicles under operating lease at ULTEA, Inc. were 3,045, 2,187 and 2,367 at December 31, 2005, 2004 and 2003, respectively.

Gains on sale of loans were slightly higher in 2005, but experienced a reduction of $2.9 million or 46% during 2004, as refinancing activity on residential mortgage loans decreased from historically high levels during 2003. The volume of mortgage loans sold into the secondary market during 2003 resulted from the historically low rate environment. During low rate environments, customers frequently elect to take fifteen- and thirty-year, fixed-rate mortgage loans, which Heartland usually elects to sell into the secondary market.

The total valuation adjustment on mortgage servicing rights resulted in net impairment recoveries of previously recorded impairment provision totaling $39 thousand during 2005, $92 thousand during 2004 and $338 thousand during 2003. Heartland utilizes the services of an independent third-party to perform a valuation analysis of its servicing portfolio each quarter. At December 31, 2005, there was no remaining valuation allowance.

Total other noninterest income was $3.1 million, $1.9 million and $2.5 million during the years 2005, 2004 and 2003, respectively. The increase in other noninterest income during 2005 related primarily to the forgiveness of $500 thousand in debt as Heartland fulfilled the job creation requirements of its Community Development Block Grant Loan Agreement with the City of Dubuque. During 2004, Dubuque Bank and Trust Company acquired a 99.9% ownership interest in a limited liability company that owned certified historic structures for which historic rehabilitation tax credits applied. Amortization of the investment in this limited liability company was recorded in the amount of $978 thousand.

NONINTEREST EXPENSE
(Dollars in thousands)

	For the years ended December 31,			% Change	
	2005	2004	2003	2005/ 2004	2004/ 2003
Salaries and employee benefits	$ 46,329	$ 39,443	$ 33,113	17	19
Occupancy	6,017	4,978	3,880	21	28
Furniture and equipment	6,187	5,322	4,115	16	29
Depreciation expense on equipment under operating leases	12,597	11,360	11,353	11	0
Outside services	8,176	6,995	4,695	17	49
FDIC deposit insurance assessment	272	241	218	13	11
Advertising	3,265	2,658	2,354	23	13
Other intangibles amortization	1,014	764	404	33	89
Other noninterest expenses	11,155	10,175	7,560	10	35
Total noninterest expense	$ 95,012	$ 81,936	$ 67,692	16	21
Efficiency ratio [1]	69.06%	70.72%	68.94%		

[1] Noninterest expense divided by the sum of net interest income and noninterest income less security gains.

The table shows Heartland's noninterest expense for the years indicated. Noninterest expense increased $13.1 million or 16% in 2005 and $14.2 million or 21% in 2004. Noninterest expense at Rocky Mountain Bank totaled $11.7 million during the twelve months of 2005 and $6.7 million during its seven months of operations under the Heartland umbrella in 2004. Exclusive of the noninterest expense at Rocky Mountain Bank, growth in this category during 2004 was $7.5 million or 11%. During 2004, the recognition of the remaining unamortized issuance costs on the trust preferred securities redeemed also affected noninterest expense. Contributing to the increases in these costs during both years were expenses associated with expansion efforts.

Salaries and employee benefits, the largest component of noninterest expense, increased $6.9 million or 17% for 2005 and $6.3 million or 19% for 2004. At Rocky Mountain Bank, salaries and employee benefits totaled $5.8 million during the twelve months of 2005 and $3.5 million during its first seven months as a subsidiary of Heartland. A majority of the growth in salaries and employee benefits expense was a result of additional staffing at the holding company to provide support services to the growing number of Bank Subsidiaries, the addition of branches at New Mexico Bank & Trust, Arizona Bank & Trust and Riverside Community Bank, and the new bank subsidiary being formed in Denver, Colorado, which began operations as a loan production office under the Rocky Mountain umbrella in October 2005. Total full-time equivalent employees increased to 909 at year-end 2005 from 853 at year-end 2004 and 674 at December 31, 2003. In addition to staffing increases at the holding company to provide support services to the growing number of Bank Subsidiaries, these increases were also attributable to the opening of the new locations previously mentioned and the acquisition of the Wealth Management Group of Colonial Trust Company in August 2004. Of the 179 increase in full-time equivalent employees during 2004, 127 were at Rocky Mountain Bank and 13 were at the trust operations acquired from Colonial Trust Company.

Occupancy and furniture and equipment expense, in aggregate, increased $1.9 million or 18% during 2005 and $2.3 million or 29% during 2004. These increases were primarily the result of the expansion efforts and the completion of Heartland's state-of-the-art operations center in Dubuque, Iowa. Rocky Mountain Bank recorded $1.9 million of occupancy and furniture and equipment expense during 2005 compared to $1.0 million during 2004.

Fees for outside services increased $1.2 million or 17% during 2005 and $2.3 million or 49% during 2004. Heartland will continue to experience increases in fees for outside services as it expands its presence in new and existing markets. Additionally, Heartland periodically elects to utilize outside vendors to provide new or enhanced features to the products and services provided to its customers. As an example, during 2004, enhancements were made to the on-line banking and wire transfer service areas. Other significant factors contributing to the increase in fees for outside services during 2004 were the following:

* Additional professional fees of $600 thousand were incurred in 2004 for services related to the implementation and compliance with internal control provisions of the Sarbanes-Oxley Act of 2002.

* Rocky Mountain Bank recorded fees for outside services of $803 thousand during its first seven months as a subsidiary of Heartland.

* Early in 2004, Heartland embarked upon the implementation of Citrix technology across all its bank subsidiaries. Fees for services related to this implementation were approximately $205 thousand.

Advertising expense, which includes public relations expense, increased $607 thousand or 23% during 2005 and $304 thousand or 13% during 2004. Rocky Mountain Bank recorded advertising expense of $524 thousand during 2005 and $232 thousand during 2004. Other increases in this category are partially the result of Heartland’s expansion efforts.

Depreciation on equipment under operating leases experienced an increase of $1.2 million or 11% during 2005, primarily as a result of an increase in the number of vehicles under lease.

Other intangibles amortization increased $250 thousand or 33% during 2005 and $360 thousand or 89% during 2004, primarily as a result of the acquisition of Rocky Mountain Bank.

Other noninterest expenses increased $980 thousand or 10% during 2005 and $2.6 million or 35% during 2004. Remaining unamortized issuance cost on the $25.0 million 9.60% trust preferred securities redeemed on September 30, 2004, totaled $959 thousand and were fully expensed during the third quarter of 2004. Rocky Mountain Bank had other noninterest expenses of $1.4 million during the twelve months of 2005 and $671 thousand during the seven months of operations as a Heartland subsidiary. The following types of expenses classified in the other noninterest expenses category that contributed to the increases were supplies, telephone, software maintenance, software amortization, schools, seminars and other staff expense. These expenses grew primarily as a result of Heartland’s expansion efforts.

INCOME TAXES

Income tax expense during 2005 increased $2.2 million or 28% when compared to 2004, resulting in an effective tax rate of 30.9% for 2005 compared to 28.2% for 2004. The lower effective rate during 2004 was the result of federal historic rehabilitation tax credits of $675 thousand and state historic rehabilitation tax credits of $843 thousand. No historic rehabilitation tax credits were earned by Heartland during 2005. Additionally, low-income housing credits totaled $419 thousand during 2005 compared to $485 thousand during 2004. The tax-equivalent adjustment for tax-exempt interest income was $3.3 million during 2005 compared to $2.8 million during 2004. Tax-exempt interest income as a percentage of pre-tax income was 19% of pre-tax income during 2005 compared to 18% during 2004. This increase in tax-exempt interest income partially mitigated the impact reduced tax credits had on income taxes recorded during 2005.

Income tax expense during 2004 decreased $200 thousand or 2%. Heartland’s effective tax rate was 28.2% for 2004 compared to 31.5% for 2003. The reduced effective rate was the result of the previously mentioned federal historic rehabilitation tax credits and state historic rehabilitation tax credits. Additionally, tax-exempt interest income went from 16% of pre-tax income during 2003 to 18% during 2004.

FINANCIAL CONDITION
LENDING ACTIVITIES

Heartland’s major source of income is interest on loans and leases. The table below presents the composition of Heartland’s loan portfolio at the end of the years indicated.

LOAN PORTFOLIO
December 31, 2005, 2004, 2003, 2002 and 2001
(Dollars in thousands)

	2005		2004		2003		2002		2001	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Commercial and commercial real estate	$1,304,080	66.65%	$1,162,103	65.42%	$ 860,552	64.93%	$ 733,324	63.49%	$ 648,460	59.91%
Residential mortgage	219,671	11.23	212,842	11.98	148,376	11.19	133,435	11.55	145,383	13.43
Agricultural and agricultural real estate	230,357	11.77	217,860	12.27	166,182	12.54	155,383	13.45	145,376	13.43
Consumer	181,019	9.25	167,109	9.41	136,601	10.31	120,591	10.44	127,539	11.79
Lease financing, net	21,586	1.10	16,284	0.92	13,621	1.03	12,308	1.07	15,570	1.44
Gross loans and leases	1,956,713	100.00%	1,776,198	100.00%	1,325,332	100.00%	1,155,041	100.00%	1,082,328	100.00%
Unearned discount	(1,870)		(1,920)		(1,836)		(2,161)		(3,457)	
Deferred loan fees	(1,777)		(1,324)		(947)		(811)		(633)	
Total loans and leases	1,953,066		1,772,954		1,322,549		1,152,069		1,078,238	
Allowance for loan and lease losses	(27,791)		(24,973)		(18,490)		(16,091)		(14,660)	
Loans and leases, net	$1,925,275		$1,747,981		$1,304,059		$1,135,978		$1,063,578	

The table below sets forth the remaining maturities by loan and lease category, including loans held for sale.

MATURITY AND RATE SENSITIVITY OF LOANS AND LEASES [1]
As of December 31, 2005
(Dollars in thousands)

		Over 1 Year Through 5 Years		Over 5 Years		
	One Year or Less	**Fixed Rate**	**Floating Rate**	**Fixed Rate**	**Floating Rate**	**Total**
Commercial and commercial real estate	$ 549,329	$ 358,537	$ 264,698	$ 64,626	$ 97,873	$ 1,335,063
Residential mortgage	95,680	26,047	28,816	27,508	50,226	228,277
Agricultural and agricultural real estate	109,285	48,503	31,775	10,924	29,870	230,357
Consumer	36,324	59,663	13,038	14,061	59,089	182,175
Lease financing, net	7,144	14,367	0	75	0	21,586
Total	$ 797,762	$ 507,117	$ 338,327	$ 117,194	$ 237,058	$ 1,997,458

[1] Maturities based upon contractual dates

Heartland experienced growth in total loans and leases during both 2005 and 2004. This growth was $180.1 million or 10% in 2005 and $450.4 million or 34% in 2004. Rocky Mountain Bank had total loans and leases of $265.9 million as of December 31, 2004. Internal growth, defined as total loans and leases exclusive of Rocky Mountain Bank, was $184.5 million or 14% during 2004. All of Heartland's subsidiary banks experienced loan growth during year 2005, with major contributions from Dubuque Bank and Trust Company, New Mexico Bank & Trust, Arizona Bank & Trust and Galena State Bank and Trust Company. During 2004, all of the Bank Subsidiaries, except for First Community Bank, experienced loan growth. Major contributors during 2004 were Arizona Bank & Trust, Wisconsin Community Bank, New Mexico Bank & Trust and Dubuque Bank and Trust Company. All of the loan categories increased during 2005, with $142.0 million or 79% of the total loan growth in the commercial and commercial real estate category. During 2004, all of the loan categories except for agricultural and agricultural real estate and lease financing experienced growth.

The largest growth occurred in commercial and commercial real estate loans, which increased 12% during 2005 and $301.6 million or 35% during 2004. Exclusive of the $154.0 million in commercial and commercial real estate loans at Rocky Mountain Bank, this category of the loan portfolio grew $147.5 million or 17% in 2004. As a result of continued calling efforts, all of the Bank Subsidiaries experienced growth in this loan category during both years.

Agricultural and agricultural real estate loans outstanding experienced an increase of $12.5 million or 6% during 2005 and $51.7 million or 31% during 2004. Nearly all of the growth during 2005 occurred at Dubuque Bank and Trust Company. Exclusive of the $57.7 million agricultural loans at Rocky Mountain Bank, this loan category declined $6.0 million or 4% during 2004, primarily as a result of payoffs on a few large credits at the New Mexico Bank & Trust office in Clovis, New Mexico.

Residential mortgage loans experienced an increase of $6.8 million or 3% during 2005 and $64.5 million or 43% during 2004. Exclusive of Rocky Mountain Bank's residential mortgage loans totaling $39.6 million, this loan category experienced an increase of $24.9 million or 17% during 2004. A majority of the growth in 2004 occurred in adjustable-rate mortgage and residential construction loans at Arizona Bank & Trust, Wisconsin Community Bank, Riverside Community Bank and New Mexico Bank & Trust as they expanded their mortgage lending capabilities. As evidenced by the smaller growth during 2005, we do not anticipate continued growth in our residential mortgage loan portfolio, as many of the loans made, especially the 15- and 30-year fixed-rate mortgage loans, are usually sold into the secondary market. Servicing is retained on a portion of these loans so that the Heartland bank subsidiaries have an opportunity to continue providing their customers the excellent service they expect.

Consumer loans increased $13.9 million or 8% during 2005 and $30.5 million or 22% during 2004. Exclusive of the $11.4 million consumer loan portfolio at Rocky Mountain Bank, growth in consumer loans during 2004 was $19.0 million or 14%. During both years, a majority of the growth was in home equity lines of credit. During 2005, Arizona Bank & Trust, Wisconsin Community Bank and Rocky Mountain Bank were most successful at growing this product line. All of the Heartland bank subsidiaries, with the exception of First Community Bank, grew consumer loan balances during 2004. Also contributing to the growth in both years was Citizens Finance Co., which experienced an increase of $5.8 million or 21% during 2005 and $4.8 million or 21% during 2004. Heartland has begun to pursue opportunities to expand its Citizens Finance Co. subsidiary, as evidenced by the December 2004 opening of an office in Crystal Lake, Illinois.

Loans held for sale increased $8.6 million or 27% during 2005 and $6.5 million or 25% during 2004. Rocky Mountain Bank was responsible for $2.4 million of the 2004 growth in loans held for sale. Activity in 15- and 30-year fixed-rate mortgage loans, which are usually sold into the secondary market, made up a portion of the change during both years. The remainder of the growth in loans held for sale was commercial and commercial real estate loans at Wisconsin Community Bank that were structured to meet the USDA and SBA loan guaranty program requirements.

Although the risk of nonpayment for any reason exists with respect to all loans, specific risks are associated with each type of loan. The primary risks associated with commercial and agricultural loans are the quality of the borrower's management and the impact of national and regional economic factors. Additionally, risks associated with commercial and agricultural real estate loans include fluctuating property values and concentrations of loans in a specific type of real estate. Repayment on loans to individuals, including those on residential real estate, are dependent on the borrower's continuing financial stability, and thus are more likely to be affected by adverse personal circumstances and deteriorating economic conditions. Heartland monitors its loan concentrations and does not believe it has adverse concentrations in any specific industry.

Heartland's strategy with respect to the management of these types of risks, whether loan demand is weak or strong, is to encourage the Heartland banks to follow tested and prudent loan policies and underwriting practices which include: (i) granting loans on a sound and collectible basis; (ii) ensuring that primary and secondary sources of repayment are adequate in relation to the amount of the loan; (iii) administering loan policies through a board of directors; (iv) developing and maintaining adequate diversification of the loan portfolio as a whole and of the loans within each loan category; and (v) ensuring that each loan is properly documented and, if appropriate, guaranteed by government agencies and that insurance coverage is adequate.

NONPERFORMING LOANS AND LEASES AND OTHER NONPERFORMING ASSETS

The table below sets forth the amounts of nonperforming loans and leases and other nonperforming assets on the dates indicated.

NONPERFORMING ASSETS
December 31, 2005, 2004, 2003, 2002 and 2001
(Dollars in thousands)

	2005	2004	2003	2002	2001
Nonaccrual loans and leases	$ 14,877	$ 9,837	$ 5,092	$ 3,944	$ 7,269
Loans and leases contractually past due 90 days or more	115	88	458	541	500
Restructured loans and leases	-	-	-	-	354
Total nonperforming loans and leases	14,992	9,925	5,550	4,485	8,123
Other real estate	1,586	425	599	452	130

Other repossessed assets	471	313	285	279	343
Total nonperforming assets	$ 17,049	$ 10,663	$ 6,434	$ 5,216	$ 8,596
Nonperforming loans and leases to total loans and leases	0.77%	0.56%	0.41%	0.39%	0.75%
Nonperforming assets to total loans and leases plus repossessed property	0.87%	0.60%	0.48%	0.45%	0.80%
Nonperforming assets to total assets	0.60%	0.41%	0.32%	0.29%	0.52%

Under Heartland's internal loan review program, a loan review officer is responsible for reviewing existing loans and leases, testing loan ratings assigned by loan officers, identifying potential problem loans and leases and monitoring the adequacy of the allowance for loan and lease losses at the Heartland banks.

Heartland constantly monitors and continues to develop systems to oversee the quality of its loan portfolio. One integral part is a loan rating system, under which a rating is assigned to each loan and lease within the portfolio based on the borrower's financial position, repayment ability, collateral position and repayment history. This emphasis on quality is reflected in Heartland's credit quality figures. Heartland's nonperforming assets to total assets was 0.60% and 0.41% at December 31, 2005 and 2004, respectively. Peer data in the Bank Holding Company Performance Reports published by the Federal Reserve Board for bank holding companies with total assets of $1 to $3 billion reported nonperforming assets to total assets of 0.47% and 0.51% for September 30, 2005, and December 31, 2004, respectively.

Nonperforming loans, defined as nonaccrual loans, restructured loans and loans past due ninety days or more, were $15.0 million or .77% of total loans and leases at December 31, 2005, compared to $9.9 million or .56% of total loans and leases at December 31, 2004. Contributing to the increase during 2005 was a $3.4 million loan at Rocky Mountain Bank and two $1.2 million loans at New Mexico Bank & Trust. Exclusive of $3.0 million in total nonperforming loans at Rocky Mountain Bank at year-end 2004, total nonperforming loans increased $1.4 million during 2004, due primarily to one large credit in the Dubuque market. In both years, management felt the increases were not an indication of a trend. The nonperforming loans at Rocky Mountain Bank were not unexpected as nearly all of these loans were identified as potential problem loans during due diligence. Because of the net realizable value of collateral, guarantees and other factors, anticipated losses on Heartland's nonperforming loans, including those at Rocky Mountain Bank, are not expected to be significant and have been specifically provided for in the allowance for loan and lease losses. The allowance for loan and lease losses related to total nonperforming loans and leases was $1.2 million and $2.3 million at December 31, 2005 and 2004, respectively.

Other real estate owned increased from $425 thousand at December 31, 2004, to $1.6 million at December 31, 2005. This increase primarily resulted from the repossession of one property at New Mexico Bank & Trust.

ALLOWANCE FOR LOAN AND LEASE LOSSES

The process utilized by Heartland to determine the adequacy of the allowance for loan and lease losses is considered a critical accounting practice for Heartland. The allowance for loan and lease losses represents management's estimate of identified and unidentified probable losses in the existing loan portfolio. For additional details on the specific factors considered, refer to the critical accounting policies section of this report.

The allowance for loan and lease losses increased by $2.8 million or 11% during 2005 and $6.5 million or 35% during 2004. The acquisition of Rocky Mountain Bank accounted for $4.2 million or 66% of the 2004 increase. The allowance for loan and lease losses at December 31, 2005, was 1.42% of loans and 185% of nonperforming loans, compared to 1.41% of loans and 252% of nonperforming loans at year-end 2004. A portion of the growth in the allowance for loan and lease losses occurred as a result of the expansion of the loan portfolio during both years, particularly in the more complex commercial loan category and in the new markets Heartland entered in which Heartland had little or no previous lending experience.

The amount of net charge-offs recorded by Heartland was $3.4 million during 2005 and $2.6 million during 2004. As a percentage of average loans and leases, net charge-offs were .18% during 2005 and .16% during 2004. Citizens Finance Co., Heartland's consumer finance subsidiary, experienced net charge-offs of $1.2 million or 35% of total net charge-offs during 2005 compared to $789 thousand or 30% of total net charge-offs during 2004. The change in bankruptcy laws adversely impacted Citizens Finance Co. as more customers elected to declare bankruptcy prior to year-end 2005. Net losses as a percentage of average gross loans at Citizens was 3.94% for 2005 compared to 3.44% for 2004 and 3.69% for 2003. Loans with payments past due for more than thirty days at Citizens was 5.32% of gross loans at year-end 2005 compared to 4.09% at year-end 2004 and 4.82% at year-end 2003.

ANALYSIS OF ALLOWANCE FOR LOAN AND LEASE LOSSES

December 31, 2005, 2004, 2003, 2002 and 2001

(Dollars in thousands)

	2005	2004	2003	2002	2001
Allowance at beginning of year	$ 24,973	$ 18,490	$ 16,091	$ 14,660	$ 13,592
Charge-offs:					
Commercial and commercial real estate	2,203	1,736	499	795	1,477
Residential mortgage	75	104	108	38	32
Agricultural and agricultural real estate	160	78	6	279	463
Consumer	2,141	1,699	1,779	2,085	1,785
Lease financing	-	-	-	6	-
Total charge-offs	4,579	3,617	2,392	3,203	3,757
Recoveries:					
Commercial and commercial real estate	544	345	112	836	79
Residential mortgage	1	35	2	8	-
Agricultural and agricultural real estate	141	188	29	177	108
Consumer	466	437	465	389	355
Lease financing	-	-	-	-	-
Total recoveries	1,152	1,005	608	1,410	542
Net charge-offs [1]	3,427	2,612	1,784	1,793	3,215
Provision for loan and lease losses from continuing operations	6,564	4,846	4,183	3,553	4,258
Provision for loan and lease losses from discontinued operations	-	-	-	(329)	25
Additions related to acquisitions	-	4,249	-	-	-
Adjustment for transfer to other liabilities for unfunded commitments	(319)	-	-	-	-
Allowance at end of year	$ 27,791	$ 24,973	$ 18,490	$ 16,091	$ 14,660
Net charge-offs to average loans and leases	0.18%	0.16%	0.14%	0.16%	0.31%

[1] Includes net charge-offs at Citizens Finance, Heartland's consumer finance company, of $1,185 for 2005; $789 for 2004; $808 for 2003; $1,182 for 2002 and $1,043 for 2001.

The table above summarizes activity in the allowance for loan and lease losses for the years indicated, including amounts of loans and leases charged off, amounts of recoveries, additions to the allowance charged to income, additions related to acquisitions and the ratio of net charge-offs to average loans and leases outstanding.

The table below shows Heartland's allocation of the allowance for loan and lease losses by types of loans and leases and the amount of unallocated reserves.

ALLOCATION OF ALLOWANCE FOR LOAN AND LEASE LOSSES
December 31, 2005, 2004, 2003, 2002 and 2001
(Dollars in thousands)

	2005		2004		2003		2002		2001	
	Amount	**Loan / Lease Category to Gross Loans & Leases**	**Amount**	**Loan / Lease Category to Gross Loans & Leases**	**Amount**	**Loan / Lease Category to Gross Loans & Leases**	**Amount**	**Loan / Lease Category to Gross Loans & Leases**	**Amount**	**Loan / Lease Category to Gross Loans & Leases**
Commercial and commercial real estate	$ 17,478	66.65%	$ 15,463	65.42%	$ 9,776	64.93%	$ 8,408	63.49%	$ 7,534	59.91%
Residential mortgage	1,593	11.23	1,357	11.98	1,224	11.19	1,328	11.55	1,192	13.43
Agricultural and agricultural real estate	2,526	11.77	2,857	12.27	2,926	12.54	2,239	13.45	2,214	13.43
Consumer	2,893	9.25	2,190	9.41	2,351	10.31	2,083	10.44	2,009	11.79
Lease financing	149	1.10	103	0.92	121	1.03	140	1.07	162	1.44
Unallocated	3,152		3,003		2,092		1,893		1,549	
Total allowance for loan and lease losses	$ 27,791		$ 24,973		$ 18,490		$ 16,091		$ 14,660	

SECURITIES

The composition of Heartland's securities portfolio is managed to maximize the return on the portfolio while considering the impact it has on Heartland's asset/liability position and liquidity needs. Securities represented 19% and 21% of total assets at December 31, 2005 and 2004, respectively. During 2005, a portion of the proceeds from securities paydowns, maturities and sales was retained in short-term investments in anticipation of loan growth.

As the yield curve flattened during 2005 and to provide protection in a downward interest rate environment, a portion of the securities portfolio was shifted into longer-term agency securities and higher-yielding and longer-term municipal securities. During the first quarter of 2004, the yield curve steepened and management decided to sell a portion of the U.S. government agency securities nearing maturity at a gain and replace them with a combination of like-term and longer-term agency securities that provided enhanced yields. Also during the first quarter of 2004, a partial liquidation of the available for sale equity securities portfolio was initiated as management elected to use the proceeds to fund acquisitions and its internal expansion efforts. Rocky Mountain Bank's securities portfolio at December 31, 2004, totaled $61.8 million, of which $16.6 million was in U.S. government agency securities, $32.6 million in mortgage-backed securities and $9.4 million in municipal securities. Exclusive of these securities, there was a shift in the portfolio from mortgage-backed securities into municipal securities during 2004, particularly during the third quarter when a leverage strategy was implemented that included the purchase of $30.0 million in securities.

Unrealized losses in the debt securities portfolio are the result of changes in interest rates and are not related to credit downgrades of the securities. Therefore, Heartland has deemed the impairment as temporary.

The tables below present the composition and maturities of the securities portfolio by major category. All of our U.S. government corporations and agencies securities and a majority of our mortgage-backed securities are issuances of government-sponsored enterprises.

SECURITIES PORTFOLIO COMPOSITION
December 31, 2005, 2004 and 2003
(Dollars in thousands)

	2005		2004		2003	
	Amount	% of Portfolio	Amount	% of Portfolio	Amount	% of Portfolio
U.S. government corporations and agencies	$ 234,021	44.38%	$ 219,670	39.74%	$ 182,934	40.59%
Mortgage-backed securities	130,334	24.73	164,580	29.78	151,233	33.56
States and political subdivisions	132,958	25.21	123,624	22.36	93,210	20.68
Other securities	29,939	5.68	44,889	8.12	23,303	5.17
Total	$ 527,252	100.00%	$ 552,763	100.00%	$ 450,680	100.00%

SECURITIES PORTFOLIO MATURITIES
December 31, 2005
(Dollars in thousands)

	Within One Year		After One But Within Five Years		After Five But Within Ten Years		After Ten Years		Total	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
U.S. government corporations and agencies	$ 38,398	3.38%	$ 189,681	3.53%	$ 5,942	4.61%	$ -	0.00%	$ 234,021	3.53%
Mortgage-backed securities	44,851	3.92	84,999	4.21	47	9.20	437	8.66	130,334	4.26
States and political subdivisions [1]	2,064	5.60	28,913	5.93	58,908	6.35	43,073	7.05	132,958	6.47
Other securities	2,132	3.66	-	-	-	-	-	-	2,132	3.66
Total	$ 87,445	3.71%	$ 303,593	3.95%	$ 64,897	6.20%	$ 43,510	7.06%	$ 499,445	4.51%

[1] Rates on obligations of states and political subdivisions have been adjusted to tax equivalent yields using a 34% tax.

DEPOSITS AND BORROWED FUNDS

Total average deposits experienced an increase of $290.7 million or 17% during 2005 and $348.3 million or 25% during 2004. Exclusive of $170.5 million attributable to deposits at Rocky Mountain Bank, growth in average deposits during 2004 was $177.8 million or 13%. Increases in total average deposits occurred at all of the Bank Subsidiaries during 2005 and 2004, except for Galena State Bank and Trust Company, which experienced a slight decrease during 2005. The addition of new banking locations in both the West and Midwest have contributed to the growth in deposits, as well as, an increased focus on attracting new deposit customers in all of the markets served by the Bank Subsidiaries.

The deposit category to experience the biggest percentage increase during both 2005 and 2004 was demand deposits. Heartland's two newer *de novo* banks, New Mexico Bank & Trust and Arizona Bank & Trust have been the most successful at attracting demand deposits. Also experiencing meaningful growth in demand deposits since year-end 2004 was Rocky Mountain Bank. Exclusive of the $27.8 million attributable to demand deposits at Rocky Mountain Bank, internal growth was $45.6 million or 22% during 2004. The Bank Subsidiaries experiencing the most significant growth in demand deposits during 2004 were New Mexico Bank & Trust, Dubuque Bank and Trust Company, Wisconsin Community Bank and Arizona Bank & Trust.

The savings deposit category increased by $83.3 million or 12% during 2005 with significant growth occurring at Wisconsin Community Bank, New Mexico Bank & Trust, Arizona Bank & Trust and Rocky Mountain Bank. During 2004, the savings deposit category experienced the biggest dollar growth internally at $76.4 million or 14% when excluding the $62.4 million attributable to savings deposits at Rocky Mountain Bank. In addition to Dubuque Bank and Trust Company and Galena State Bank and Trust Company, Heartland's banks in Wisconsin, New Mexico and Arizona were responsible for the majority of the growth in savings deposits during 2004.

As interest rates rose during 2005, customers became more interested in certificate of deposit accounts. The time deposit category grew by $155.4 million or 19% during 2005. An increase in brokered deposits was responsible for $44.8 million or 29% of this growth. Exclusive of brokered deposits, the banks experiencing the largest growth in time deposits were Rocky Mountain Bank, Dubuque Bank and Trust Company and New Mexico Bank & Trust. Total brokered deposits outstanding at Heartland's bank subsidiaries ended the year 2005 at $145.5 million, an increase of $4.5 million or less than 4% since year-end 2004. The time deposit category increased $55.6 million or 8% during 2004 when excluding the $80.3 million attributable to time deposits at Rocky Mountain Bank. The issuance of brokered deposits comprised $46.3 million or 83% of this increase. At year-end 2004, total brokered deposits were $141.1 million, an increase of $110.8 million since year-end 2003.

The table below sets forth the distribution of Heartland's average deposit account balances and the average interest rates paid on each category of deposits for the years indicated. Brokered deposit balances are included in time deposits less than $100,000.

AVERAGE DEPOSITS
For the years ended December 31, 2005, 2004 and 2003
(Dollars in thousands)

	2005			2004			2003		
	Average Deposits	**Percent of Deposits**	**Average Interest Rate**	**Average Deposits**	**Percent of Deposits**	**Average Interest Rate**	**Average Deposits**	**Percent of Deposits**	**Average Interest Rate**
Demand deposits	$ 330,379	16.16%	0.00%	$ 278,432	15.88%	0.00%	$ 204,812	14.57%	0.00%
Savings	754,086	36.89	1.46	670,758	38.25	0.88	532,023	37.86	0.90
Time deposits less than $100,000	758,448	37.10	3.41	651,611	37.16	3.22	527,627	37.55	3.65
Time deposits of $100,000 or more	201,377	9.85	3.23	152,787	8.71	2.59	140,834	10.02	2.64
Total deposits	$ 2,044,290	100.00%		$ 1,753,588	100.00%		$ 1,405,296	100.00%	

The following table sets forth the amount and maturities of time deposits of $100,000 or more at December 31, 2005.

TIME DEPOSITS $100,000 AND OVER
(Dollars in thousands)

	December 31, 2005
3 months or less	$ 36,630
Over 3 months through 6 months	47,094
Over 6 months through 12 months	61,677
Over 12 months	72,270
	$ 217,671

Short-term borrowings generally include federal funds purchased, treasury tax and loan note options, securities sold under agreement to repurchase and short-term FHLB advances. These funding alternatives are utilized in varying degrees depending on their pricing and availability. At year-end 2005, short-term borrowings had increased $24.1 million or 10%. At year-end 2004, short-term borrowings had increased $54.6 million or 31%, of which $29.5 million or 54% of the change was borrowings at Rocky Mountain Bank.

All of the Bank Subsidiaries provide repurchase agreements to their customer as a cash management tool, sweeping excess funds from demand deposit accounts into these agreements. This source of funding does not increase the bank's reserve requirements, nor does it create an expense relating to FDIC premiums on deposits. Although the aggregate balance of repurchase agreements is subject to variation, the account relationships represented by these balances are principally local. During 2005, these balances had increased $12.5 million or 7%. Exclusive of $9.9 million at Rocky Mountain Bank, r epurchase agreement balances increased $46.8 million or 41% during 2004. A majority of the increase in 2004 was the result of one large municipal account at New Mexico Bank & Trust of which a large portion of the balance was dispersed during the first six months of 2005. Additionally, as short-term interest rates rose during the year, some repurchase agreement customers returned a portion of their deposit balances to this more liquid product from longer-term higher-yielding products.

Also included in short-term borrowings are the credit lines Heartland entered into with two unaffiliated banks. On January 31, 2004, Heartland entered into a credit agreement with the two unaffiliated banks with which we already had an existing line of credit, and an additional unaffiliated bank, to replace the existing revolving credit lines as well as to increase availability under a revolving credit line. Under the new revolving credit line, Heartland may borrow up to $70.0 million. The previous credit line provided up to $50.0 million. The additional $20.0 million credit line was established primarily to provide working capital to the nonbanking subsidiaries and replace similar-sized lines currently in place at those subsidiaries. At December 31, 2005, a total of $60.8 million was outstanding on these credit lines compared to $43.0 million at December 31, 2004, and $25.0 million at December 31, 2003. Additional borrowings were needed during 2005 to provide funding for the growth at Citizens Finance Co., the purchase of additional assets for operating leases at ULTEA and treasury stock purchases. During 2004, additional borrowings were needed during the third quarter to facilitate the redemption of $25.0 million in trust preferred securities.

The following table reflects short-term borrowings, which in the aggregate have average balances during the period greater than 30% of stockholders' equity at the end of the period.

SHORT-TERM BORROWINGS

(Dollars in thousands)

	As of or for the years ended December 31,		
	2005	2004	2003
Balance at end of period	$ 255,623	$ 231,475	$ 176,835
Maximum month-end amount outstanding	266,194	231,475	176,835
Average month-end amount outstanding	233,051	187,046	151,037
Weighted average interest rate at year-end	3.68%	1.88%	1.36%
Weighted average interest rate for the year	2.99%	1.67%	1.54%

Other borrowings include all debt arrangements Heartland and its subsidiaries have entered into with original maturities that extend beyond one year. These borrowings were $220.9 million at December 31, 2005, compared to $196.2 million at December 31, 2004. Balances outstanding on trust preferred capital securities issued by Heartland are included in total other borrowings. On September 30, 2004, $25.0 million 9.60% trust preferred capital securities, originally issued in 1999, were redeemed. On March 17, 2004, Heartland completed an additional issuance of $25.0 million in variable rate cumulative capital securities. This variable rate issuance matures on March 17, 2034, and bears interest at the rate of 2.75% per annum over the three-month LIBOR rate, as calculated each quarter. As a result of the Rocky Mountain Bancorporation acquisition, Heartland assumed the outstanding obligation on $5.0 million of trust preferred capital securities maturing on September 7, 2030. A schedule of the Heartland's trust preferred offerings outstanding as of December 31, 2005, is as follows:

Amount Issued	**Issuance Date**	**Interest Rate**	**Maturity Date**	**Callable Date**
$ 5,000,000	08/07/00	10.60%	09/07/30	09/07/10
8,000,000	12/18/01	Variable	12/18/31	12/18/06
5,000,000	06/27/02	Variable	06/30/32	06/30/07
20,000,000	10/10/03	8.25%	10/10/33	10/10/08
25,000,000	03/17/04	Variable	03/17/34	03/17/09
$ 63,000,000				

Also in other borrowings are the Bank Subsidiaries' borrowings from the FHLB. All of the Heartland banks own stock in the FHLB of Chicago, Dallas, Des Moines, Seattle or San Francisco, enabling them to borrow funds from their respective FHLB for short- or long-term purposes under a variety of programs. Total FHLB borrowings at December 31, 2005, totaled $151.0 million, an increase of $27.6 million or 22% over the December 31, 2004, total FHLB borrowings of $123.5 million. These advances, the majority of which are fixed-rate advances with original terms between three and five years, were used to fund a portion of the fixed-rate commercial and residential loan growth experienced. During 2004, these borrowings had increased $22.0 million or 22% from $101.5 million at year-end 2003. Of this increase, $19.1 million was attributable to Rocky Mountain Bank.

The following table summarizes significant contractual obligations and other commitments as of December 31, 2005:

(Dollars in thousands)

		Payments Due By Period			
	Total	Less than One Year	One to Three Years	Three to Five Years	More than Five Years
Contractual obligations:					
Long-term debt obligations	$ 220,871	$ 83,301	$ 24,346	$ 23,952	$ 89,272
Operating lease obligations	4,138	901	1,254	800	1,183
Purchase obligations	33,742	32,510	1,232	-	-
Other long-term liabilities	3,673	1,269	218	218	1,968
Total contractual obligations	$ 262,424	$ 117,981	$ 27,050	$ 24,970	$ 92,423
Other commitments:					
Lines of credit	$ 556,936	$ 440,495	$ 67,602	$ 18,968	$ 29,871
Standby letters of credit	25,672	21,289	2,179	239	1,965
Total other commitments	$ 582,608	$ 461,784	$ 69,781	$ 19,207	$ 31,836

CAPITAL RESOURCES

Heartland's risk-based capital ratios, which take into account the different credit risks among banks' assets, met all capital adequacy requirements over the past three years. Tier 1 and total risk-based capital ratios were 9.28% and 10.61%, respectively, on December 31, 2005, compared to 9.23% and 10.82%, respectively, on December 31, 2004, and 10.29% and 12.42%, respectively, on December 31, 2003. At December 31, 2005, Heartland's leverage ratio, the ratio of Tier 1 capital to total average assets, was 7.66% compared to 7.26% and 8.07% at December 31, 2004 and 2003, respectively. Heartland and its bank subsidiaries have been, and will continue to be, managed so they meet the well-capitalized requirements under the regulatory framework for prompt corrective action. To be categorized as well capitalized under the regulatory framework, bank holding companies and banks must maintain minimum total risk-based, Tier 1 risk-based and Tier 1 leverage ratios of 10%, 6% and 5%, respectively. The most recent notification from the FDIC categorized Heartland and each of its bank subsidiaries as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed each institution's category.

Heartland's capital ratios are detailed in the table below.

RISK-BASED CAPITAL RATIOS [1]
(Dollars in thousands)

	December 31, 2005		2004		2003	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Capital Ratios:						
Tier 1 capital	$ 209,968	9.28%	$ 187,424	9.23%	$ 158,346	10.29%
Tier 1 capital minimum requirement	90,514	4.00%	81,251	4.00%	61,536	4.00%
Excess	$ 119,454	5.28%	$ 106,173	5.23%	$ 96,810	6.29%
Total capital	$ 240,152	10.61%	$ 219,839	10.82%	$ 191,060	12.42%
Total capital minimum requirement	181,028	8.00%	162,503	8.00%	123,072	8.00%
Excess	$ 59,124	2.61%	$ 57,336	2.82%	$ 67,988	4.42%
Total risk-adjusted assets	$ 2,262,854		$ 2,031,286		$ 1,538,406	

1 Based on the risk-based capital guidelines of the federal Reserve, a bank holding company is required to maintain a Tier 1 to risk-adjusted assets ratio of 4.00% and total capital to risk-adjusted assets ratio of 8.00%

LEVERAGE RATIOS [1]
(Dollars in thousands)

	December 31, 2005		2004		2003	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Capital Ratios:						
Tier 1 capital	$ 209,968	7.66%	$ 187,424	7.26%	$ 158,346	8.07%
Tier 1 capital minimum requirement [2]	109,637	4.00%	103,164	4.00%	78,464	4.00%
Excess	$ 100,331	3.66%	$ 84,260	3.26%	$ 79,882	4.07%
Average adjusted assets	$ 2,740,922		$ 2,580,626		$ 1,961,588	

1 The leverage ratio is defined as the ratio of Tier 1 capital to average total assets.

2 Management of Heartland has established a minimum target leverage ratio of 4.00%. Based on Federal Reserve guidelines, a bank holding company generally is required to maintain a leverage ratio of 3.00% plus an additional cushion of at least 100 basis points.

Commitments for capital expenditures are an important factor in evaluating capital adequacy. On January 31, 2006, Heartland completed an offering of $20.0 million of variable rate cumulative trust preferred securities representing undivided beneficial interests in Heartland Statutory Trust V. The proceeds from the offering were used by the trust to purchase junior subordinated debentures from Heartland. The proceeds will be used as a permanent source of funding for Heartland’s nonbanking subsidiaries and for general corporate purposes, including future acquisitions. Interest is payable quarterly on April 30, July 31, October 31 and January 31 of each year. The debentures will mature and the trust preferred securities must be redeemed on January 31, 2036. Heartland has the option to shorten the maturity date to a date not earlier than January 31, 2011. For regulatory purposes, all $20.0 million should qualify as Tier 2 capital.

On January 12, 2006, Heartland announced that it had signed a definitive agreement to acquire Bank of the Southwest, a financial institution providing retail and commercial banking services in Phoenix and Tempe, Arizona. Heartland expects to combine the acquired assets and deposit accounts into Arizona Bank & Trust. The total purchase price is $18 million payable in cash. Subject to approvals by bank regulatory authorities and shareholders, the transaction is expected to close during the second quarter of 2006.

In December of 2005, Heartland and Wisconsin Community Bank were parties to a trial in which it was alleged that the contract relating to the 2002 sale of Wisconsin Community Bank’s Eau Claire branch was breached. The plaintiff alleged damages of $2.4 million, while Heartland and Wisconsin Community Bank alleged damages of $600,000 in a counterclaim. The judge requested written arguments from both parties by January 27, 2006, and has indicated that he intends to decide the case shortly thereafter. Heartland believes the claims against it and Wisconsin Community Bank are without merit and continues to defend their positions vigorously.

In August of 2005, Heartland announced the addition of a loan production office in Denver, Colorado and its hopes to use this office as a springboard to opening a full-service state chartered bank in this market during the second quarter of 2006. The capital structure of this new bank, to be named Summit Bank & Trust, is anticipated to be very similar to that used when Arizona Bank & Trust was formed. Heartland’s initial investment would be $12.0 million, or 80% of the targeted $15.0 million initial capital. All minority stockholders will enter into a stock transfer agreement that imposes certain restrictions on the investor's sale, transfer or other disposition of their shares in Summit Bank & Trust and requires Heartland to repurchase the shares from investors five years from the date of opening.

In February of 2003, Heartland entered into an agreement with a group of Arizona business leaders to establish a new bank in Mesa. The new bank began operations on August 18, 2003. Heartland’s initial investment in Arizona Bank & Trust was $12.0 million, which currently reflects an ownership percentage of 86%. All minority stockholders have entered into a stock transfer agreement that imposes certain restrictions on the investor's sale, transfer or other disposition of their shares and requires Heartland to repurchase the shares from the investor in 2008.

Heartland had an incentive compensation agreement with certain employees of one of the Bank Subsidiaries, none of whom is an executive officer of Heartland, that required a total payment of $3.5 million to be made no later than February 29, 2004, to those who remained employed with the subsidiary on December 31, 2003. On January 15, 2004, one-third of the payment was made in cash and the remaining two-thirds in stock options on Heartland’s common stock exercisable in January 2005 and January 2006. The obligation was accrued over the performance period from January 1, 2000, to December 31, 2003.

During 2006, we plan to continue the expansion of our existing banks. New Mexico Bank & Trust opened one new location in Albuquerque in January and construction is under way on an additional site in Albuquerque with opening targeted for mid-March. Plans are also being developed for one new location in Santa Fe with completion targeted for the fourth quarter. Construction on a new site in Chandler, Arizona for Arizona Bank & Trust is underway with completion targeted for April 2006 and plans are being developed for an additional site in Gilbert, Arizona for completion during the third quarter. Expansion in the West is consistent with our long-range goal to have at least 50 percent of our assets in this fast growing region of the United States. Additionally, in the Midwest, we plan to add one branch location in Madison, Wisconsin under the Wisconsin Community Bank. Costs related to the construction of these facilities are anticipated to be approximately $18 million in the aggregate.

Heartland continues to explore opportunities to expand its umbrella of independent community banks through mergers and acquisitions as well as de novo and branching opportunities. Future expenditures relating to expansion efforts, in addition to those identified above, are not estimable at this time

LIQUIDITY

Liquidity refers to Heartland's ability to maintain a cash flow, which is adequate to meet maturing obligations and existing commitments, to withstand fluctuations in deposit levels, to fund operations and to provide for customers' credit needs. The liquidity of Heartland principally depends on cash flows from operating activities, investment in and maturity of assets, changes in balances of deposits and borrowings and its ability to borrow funds in the money or capital markets.

Net cash outflows from investing activities were $201.6 million during 2005, $263.0 million during 2004 and $276.1 million during 2003. The decrease in the cash outflows during 2005 from investing activities was primarily a result of activities within the securities portfolio. A s the yield curve steepened during the first quarter of 2004, agency securities nearing maturity were sold and replaced with a combination of like-term and longer-term agency securities that provided enhanced yields. Additionally, management purchased some longer-term municipal securities to take advantage of the unusually steep slope in the yield curve and the spread of the tax-equivalent yield on municipal securities over the yield on agency securities with the same maturities. During 2005, a portion of the proceeds from securities sales, paydowns and maturities was used to fund loan growth.

Net cash provided by financing activities was $174.0 million during 2005, $225.0 million during 2004 and $206.9 million during 2003. During 2005, there was a net increase in deposit accounts of $134.3 million compared to $205.4 million during 2004. Like many banks, Heartland has had difficulty maintaining a consistent level of deposit growth from year to year as the competition for deposit balances grows. The increase in net cash provided by financing activities during 2004 was primarily the result of growth in time deposits and short-term borrowings, which was partially offset by repayments of other borrowings including the $25.0 million redemption of trust preferred securities.

Management of investing and financing activities, and market conditions, determine the level and the stability of net interest cash flows. Management attempts to mitigate the impact of changes in market interest rates to the extent possible, so that balance sheet growth is the principal determinant of growth in net interest cash flows.

Heartland's short-term borrowing balances are dependent on commercial cash management and smaller correspondent bank relationships and, as such, will normally fluctuate. Heartland believes these balances, on average, to be stable sources of funds; however, it intends to rely on deposit growth and additional FHLB borrowings in the future.

In the event of short-term liquidity needs, the Bank Subsidiaries may purchase federal funds from each other or from correspondent banks and may also borrow from the Federal Reserve Bank. Additionally, the subsidiary banks' FHLB memberships give them the ability to borrow funds for short- and long-term purposes under a variety of programs.

At December 31, 2005, Heartland's revolving credit agreement with third-party banks provided a maximum borrowing capacity of $70.0 million, of which $60.8 million had been borrowed. A portion of these lines provide funding for the operations of Citizens and ULTEA. At December 31, 2005, the borrowings on these lines for Citizens and ULTEA were $25.0 million and $10.0 million, respectively. The revolving credit agreement contains specific covenants which, among other things, limit dividend payments and restrict the sale of assets by Heartland under certain circumstances. Also contained within the agreement are certain financial covenants, including the maintenance by Heartland of a maximum nonperforming assets to total loans ratio, minimum return on average assets ratio and maximum funded debt to total equity capital ratio. In addition, Heartland and each of its bank subsidiaries must remain well capitalized, as defined from time to time by the federal banking regulators. At December 31, 2005, Heartland was in compliance with the covenants contained in the credit agreement.

The ability of Heartland to pay dividends to its stockholders is partially dependent upon dividends paid by its subsidiaries. The Heartland banks are subject to certain statutory and regulatory restrictions on the amount they may pay in dividends. To maintain acceptable capital ratios in the Heartland banks, certain portions of their retained earnings are not available for the payment of dividends. Additionally, as described above, Heartland's revolving credit agreement requires our Bank Subsidiaries to remain well capitalized. Retained earnings that could be available for the payment of dividends to Heartland totaled approximately $20.8 million as of December 31, 2005, under the capital requirements to remain well capitalized.

EFFECTS OF INFLATION

Consolidated financial data included in this report has been prepared in accordance with accounting principles generally accepted in the United States of America. Presently, these principles require reporting of financial position and operating results in terms of historical dollars, except for available for sale securities, trading securities and derivative instruments, which require reporting at fair value. Changes in the relative value of money due to inflation or recession are generally not considered.

In management's opinion, changes in interest rates affect the financial condition of a financial institution to a far greater degree than changes in the inflation rate. While interest rates are greatly influenced by changes in the inflation rate, they do not change at the same rate or in the same magnitude as the inflation rate. Rather, interest rate volatility is based on changes in the expected rate of inflation, as well as on changes in monetary and fiscal policies. A financial institution's ability to be relatively unaffected by changes in interest rates is a good indicator of its capability to perform in today's volatile economic environment. Heartland seeks to insulate itself from interest rate volatility by ensuring that rate-sensitive assets and rate-sensitive liabilities respond to changes in interest rates in a similar time frame and to a similar degree.

ITEM 7A.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of loss arising from adverse changes in market prices and rates. Heartland's market risk is comprised primarily of interest rate risk resulting from its core banking activities of lending and deposit gathering. Interest rate risk measures the impact on earnings from changes in interest rates and the effect on current fair market values of Heartland's assets, liabilities and off-balance sheet contracts. The objective is to measure this risk and manage the balance sheet to avoid unacceptable potential for economic loss.

Heartland management continually develops and applies strategies to mitigate market risk. Exposure to market risk is reviewed on a regular basis by the asset/liability committees at the banks and, on a consolidated basis, by the Heartland management team and board of directors. Darling Consulting Group, Inc. has been engaged to provide asset/liability management position assessment and strategy formulation services to Heartland and its bank subsidiaries. At least quarterly, a detailed review of Heartland's and each of the Bank Subsidiaries' balance sheet risk profile is performed. Included in these reviews are interest rate sensitivity analyses, which simulate changes in net interest income in response to various interest rate scenarios. This analysis considers current portfolio rates, existing maturities, repricing opportunities and market interest rates, in addition to prepayments and growth under different interest rate assumptions. Selected strategies are modeled prior to implementation to determine their effect on Heartland's interest rate risk profile and net interest income. Through the use of these tools, Heartland has determined that the balance sheet is structured such that, during the first year of an upward shift in interest rates, the positive change in net interest margin were be minimal; whereas, in a downward shift in interest rates, the negative change in net interest margin would be more significant. In a two year horizon, the positive impact an upward shift would have on net interest margin increases to a more significant level as does the negative impact a downward shift would have on the net interest margin, all other factors being held constant. Although management has entered into derivative financial instruments to mitigate the exposure Heartland's net interest margin has in a downward rate environment, it does not believe that Heartland's primary market risk exposures and how those exposures were managed in 2005 have materially changed when compared to 2004.

Derivative financial instruments include futures, forwards, interest rate swaps, option contracts and other financial instruments with similar characteristics. Heartland's use of derivative financial instruments relates to the management of the risk that changes in interest rates will affect its future interest payments. Heartland has an interest rate swap contract to effectively convert $25.0 million of its variable rate interest rate debt to fixed interest rate debt. Under the interest rate swap contract, Heartland agrees to pay an amount equal to a fixed rate of interest times a notional principal amount of $25.0 million, and to receive in return an amount equal to a specified variable rate of interest times the same notional principal amount. The notional amounts are not exchanged and payments under the interest rate swap contract are made monthly. This contract expires on November 1, 2006. The fair market value of the interest rate swap contract was recorded as an asset in the amount of $55 thousand as of December 31, 2005. In July of 2005, Heartland entered into a two-year interest rate floor transaction on prime at a strike level of 5.50% on a notional amount of $100.0 million. All changes in the fair market value of this hedge transaction of $43 thousand flowed through Heartland's income statement under the other noninterest income category since it is accounted for as a free-standing derivative. The fair market value of this floor contract was recorded as an asset of $1 thousand as of December 31, 2005. In September of 2005, Heartland entered into a five-year interest rate collar transaction on a notional amount of $50.0 million to further reduce the potentially negative impact a downward movement in interest rates would have on its net interest income. This collar transaction is designated as a cash flow hedge of the overall changes in the cash flows above and below the collar strike rates associated with interest payments on certain Heartland prime-based loans that reset whenever prime changes. Heartland is the payer on prime at a cap strike rate of 9.00% and the counterparty is the payer on prime at a floor strike rate of 6.00%. As of December 31, 2005, the fair market value of this collar transaction was recorded as a liability of $143 thousand and was accounted for as a cash flow hedge. By using derivatives, Heartland is exposed to credit risk if counterparties to derivative instruments do not perform as expected. Heartland minimizes this risk by entering into derivative contracts with large, stable financial institutions and Heartland has not experienced any losses from counterparty nonperformance on derivative instruments.

Heartland does enter into financial instruments with off balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates and may require collateral from the borrower. Standby letters of credit are conditional commitments issued by Heartland to guarantee the performance of a customer to a third party up to a stated amount and with specified terms and conditions. These commitments to extend credit and standby letters of credit are not recorded on the balance sheet until the instrument is exercised.

The table below summarizes the scheduled maturities of market risk sensitive assets and liabilities as of December 31, 2005.

HEARTLAND FINANCIAL USA, INC.

Quantitative and Qualitative Disclosures about Market Risk

Table of Market Risk Sensitive Instruments

December 31, 2005 (Dollars in thousands)

MATURING IN:	2006	2007	2008	2009	2010	Thereafter	TOTAL	Average Interest Rate	Estimated Fair Value
ASSETS									
Fed funds sold and other short-term investments	$ 40,599	$ -	$ -	$ -	$ -	$ -	$ 40,599	4.00%	$ 40,599
Time deposits in other financial institutions	-	-	-	-	-	-	-	-	-
Trading	-	-	-	-	-	515	515	-	515
Securities	87,445	105,061	134,089	51,501	12,942	136,214	527,252	4.51	527,252
Loans and leases [1] :									
Fixed rate loans	278,714	152,877	163,530	91,693	99,017	117,194	903,025	7.03	902,147
Variable rate loans	515,401	128,017	96,934	46,813	66,563	237,058	1,090,786	7.35	1,090,786
Loans and leases	794,115	280,894	260,464	138,506	165,580	354,252	1,993,811		1,992,933
Total Market Risk Sensitive Assets	$ 922,159	$385,955	$394,553	$190,007	$178,522	$ 490,981	$2,562,177		$2,561,299
LIABILITIES									
Savings	$ 754,360	$ -	$ -	$ -	$ -	$ -	$ 754,360	1.82%	$ 754,360
Time deposits:									
Fixed rate time certificates less than $100,000	367,729	210,085	98,398	60,000	37,526	222	773,960	3.60	773,960
Variable rate time certificates less than $100,000	4,662	9,815	5,003	-	-	-	19,480	3.29	19,480
Time deposits less than $100,000	372,391	219,900	103,401	60,000	37,526	222	793,440		793,440
Time deposits of $100,000 or more	145,401	32,849	25,300	6,696	7,425	-	217,671	3.64	217,671
Federal funds purchases, securities sold under repurchase agreements									

and other short-term borrowings	255,623	-	-	-	-	-	255,623	3.68	255,623
Other borrowings:									
Fixed rate borrowings	83,301	10,179	14,167	497	23,455	50,095	181,694	3.99	181,407
Variable rate borrowings	-	-	-	-	-	39,177	39,177	5.57	39,177
Other borrowings	83,301	10,179	14,167	497	23,455	89,272	220,871		220,584
Total Market Risk Sensitive Liabilities	$1,611,076	$262,928	$142,868	$ 67,193	$ 68,406	$ 89,494	$2,241,965		$2,241,678

(1) Includes loans held for sale

ITEM 8.

HEARTLAND FINANCIAL USA, INC.
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except per share data)

	Notes	December 31, 2005	December 31, 2004
ASSETS			
Cash and due from banks	3	$ 40,422	$ 68,919
Federal funds sold and other short-term investments		40,599	4,830
Cash and cash equivalents		81,021	73,749
Time deposits in other financial institutions		-	1,178
Securities:	4		
Trading, at fair value		515	521
Available for sale, at fair value (cost of $528,647 for 2005 and $547,585 for 2004)		527,252	552,763
Loans held for sale		40,745	32,161
Gross loans and leases:	5		
Loans and leases		1,953,066	1,772,954
Allowance for loan and lease losses	6	(27,791)	(24,973)
Loans and leases, net		1,925,275	1,747,981
Assets under operating leases		40,644	35,188
Premises, furniture and equipment, net	7	92,769	79,353
Other real estate, net		1,586	425
Goodwill		35,398	35,374
Intangible assets, net	8	9,159	10,162
Other assets		63,968	60,200
TOTAL ASSETS		$ 2,818,332	$ 2,629,055
LIABILITIES AND STOCKHOLDERS' EQUITY			
LIABILITIES:			
Deposits:	9		
Demand		$ 352,707	$ 323,014
Savings		754,360	750,870
Time		1,011,111	909,962
Total deposits		2,118,178	1,983,846
Short-term borrowings	10	255,623	231,475
Other borrowings	11	220,871	196,193
Accrued expenses and other liabilities		35,848	41,759
TOTAL LIABILITIES		2,630,520	2,453,273
Commitments and contingencies	15	-	-
STOCKHOLDERS' EQUITY:	16, 17, 18		
Preferred stock (par value $1 per share; authorized, 184,000 shares, none issued or outstanding)		-	-
Series A Junior Participating preferred stock (par value $1 per share; authorized, 16,000 shares, none issued or outstanding)		-	-
Common stock (par value $1 per share; authorized, 20,000,000 shares at December 31, 2005 and at December 31, 2004; issued 16,547,482 shares at December 31, 2005 and at December 31, 2004)		16,547	16,547
Capital surplus		40,256	40,446
Retained earnings		135,112	117,800
Accumulated other comprehensive income (loss)		(1,011)	2,889

Treasury stock at cost (157,067 shares at December 31, 2005 and 106,424 shares at December 31, 2004, respectively)	(3,092)	(1,900)
TOTAL STOCKHOLDERS' EQUITY	187,812	175,782
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 2,818,332	$ 2,629,055

See accompanying Notes to Consolidated Financial Statements.

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

	Notes	For the Years Ended December 31, 2005	2004	2003
INTEREST INCOME:				
Interest and fees on loans and leases	5	$ 133,842	$ 103,018	$ 85,936
Interest on securities:				
Taxable		13,896	13,400	9,100
Nontaxable		5,512	4,574	3,952
Interest on federal funds sold		475	175	355
Interest on interest bearing deposits in other financial institutions		277	227	174
TOTAL INTEREST INCOME		154,002	121,394	99,517
INTEREST EXPENSE:				
Interest on deposits	9	43,383	30,848	27,763
Interest on short-term borrowings	10	6,985	3,095	2,350
Interest on other borrowings	11	10,767	10,321	8,214
TOTAL INTEREST EXPENSE		61,135	44,264	38,327
NET INTEREST INCOME		92,867	77,130	61,190
Provision for loan and lease losses	6	6,564	4,846	4,183
NET INTEREST INCOME AFTER PROVISION FOR LOAN AND LEASE LOSSES		86,303	72,284	57,007
NONINTEREST INCOME:				
Service charges and fees, net		11,337	9,919	6,207
Trust fees		6,530	4,968	3,814
Brokerage commissions		856	1,100	863
Insurance commissions		545	757	703
Securities gains, net		198	1,861	1,823
Gain (loss) on trading account securities		(11)	54	453
Impairment loss on equity securities		-	-	(317)
Rental income on operating leases		15,463	13,780	13,807
Gains on sale of loans		3,528	3,410	6,339
Valuation adjustment on mortgage servicing rights		39	92	338
Other noninterest income		3,100	1,900	2,511
TOTAL NONINTEREST INCOME		41,585	37,841	36,541
NONINTEREST EXPENSES:				
Salaries and employee benefits	14	46,329	39,443	33,113
Occupancy	15	6,017	4,978	3,880
Furniture and equipment	7	6,187	5,322	4,115
Depreciation on assets under operating leases		12,597	11,360	11,353
Outside services		8,176	6,995	4,695
FDIC deposit insurance assessment		272	241	218
Advertising		3,265	2,658	2,354
Intangible assets amortization	8	1,014	764	404
Other noninterest expenses		11,155	10,175	7,560
TOTAL NONINTEREST EXPENSES		95,012	81,936	67,692
INCOME BEFORE INCOME TAXES		32,876	28,189	25,856
Income taxes	13	10,150	7,937	8,137
NET INCOME		$ 22,726	$ 20,252	$ 17,719
EARNINGS PER COMMON SHARE - BASIC		$ 1.38	$ 1.28	$ 1.18
EARNINGS PER COMMON SHARE - DILUTED		$ 1.36	$ 1.26	$ 1.16
CASH DIVIDENDS DECLARED PER COMMON SHARE		$ 0.33	$ 0.32	$ 0.27

See accompanying Notes to Consolidated Financial Statements.

HEARTLAND FINANCIAL USA, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

	For the Years Ended December 31, 2005	2004	2003
Cash Flows From Operating Activities:			
Net income	$ 22,726	$ 20,252	$ 17,719
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	20,020	17,362	15,543
Provision for loan and lease losses	6,564	4,846	4,183
Provision for deferred taxes	(327)	(781)	2,465
Net amortization of premium on securities	2,950	3,211	7,580
Securities gains, net	(198)	(1,861)	(1,823)
(Increase) decrease in trading account securities	6	552	(158)
Loss on impairment of equity securities		-	317
Loans originated for sale	(273,750)	(243,992)	(434,851)
Proceeds on sales of loans	268,694	240,919	438,679
Net gain on sales of loans	(3,528)	(3,410)	(6,339)
Increase in accrued interest receivable	(2,507)	(716)	(104)
Increase in accrued interest payable	1,474	1,172	468
Other, net	(7,176)	2,369	(3,554)
Net cash provided by operating activities	34,948	39,923	40,125
Cash Flows From Investing Activities:			
Purchase of time deposits	-	-	(95)
Proceeds on maturities of time deposits	1,178	-	700
Proceeds from the sale of securities available for sale	25,662	116,069	81,545
Proceeds from the maturity of and principal paydowns on securities available for sale	130,524	92,399	188,529
Purchase of securities available for sale	(139,797)	(265,197)	(334,944)
Net increase in loans and leases	(183,572)	(173,103)	(171,795)
Purchase of bank-owned life insurance policies	-	-	(10,000)
Increase in assets under operating leases	(18,053)	(14,912)	(12,622)
Capital expenditures	(19,726)	(18,883)	(18,677)
Net cash and cash equivalents received in acquisition of subsidiaries, net of cash paid	-	2,174	-
Net cash and cash equivalents paid in acquisition of trust assets	-	(2,125)	-
Proceeds on sale of OREO and other repossessed assets	2,141	570	1,249
Net cash used by investing activities	(201,643)	(263,008)	(276,110)
Cash Flows From Financing Activities:			
Net increase in demand deposits and savings accounts	33,183	110,840	106,073
Net increase in time deposit accounts	101,149	94,521	48,430
Net increase in short-term borrowings	24,148	37,172	15,456
Proceeds from other borrowings	59,974	47,993	52,750
Repayments of other borrowings	(35,296)	(57,085)	(5,091)
Purchase of treasury stock	(5,784)	(5,254)	(7,999)
Proceeds from issuance of common stock	2,007	1,814	1,339
Dividends paid	(5,414)	(5,036)	(4,096)
Net cash provided by financing activities	173,967	224,965	206,862
Net increase (decrease) in cash and cash equivalents	7,272	1,880	(29,123)
Cash and cash equivalents at beginning of year	73,749	71,869	100,992
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 81,021	$ 73,749	$ 71,869

Supplemental disclosure:			
Cash paid for income/franchise taxes	$ 11,298	$ 2,263	$ 7,795
Cash paid for interest	$ 59,661	$ 40,336	$ 38,694
Acquisitions:			
Net assets acquired	$ -	$ 19,961	$ -
Cash paid for purchase of stock	$ -	$ 10,416	$ -
Cash acquired	$ -	$ 12,590	$ -
Net cash received for acquisition	$ -	$ 2,174	$ -
Common stock issued for acquisition	$ -	$ 24,082	$ -

See accompanying Notes to Consolidated Financial Statements.

HEARTLAND FINANCIAL USA, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME
(Dollars in thousands, except per share data)

	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance at January 1, 2003	$ 9,906	$ 16,725	$ 94,048	$ 4,230	$ (868)	$ 124,041
Net Income			17,719			17,719
Unrealized gain (loss) on securities available for sale				2,030		2,030
Reclassification adjustment for net security gains realized in net income				(1,506)		(1,506)
Unrealized gain (loss) on derivatives arising during the period, net of realized losses of $819				331		331
Income taxes				(291)		(291)
Comprehensive income						18,283
Cash dividends declared:						
Common, $.27 per share			(4,096)			(4,096)
Three-for-two stock split	5,087		(5,087)			-
Purchase of 427,344 shares of common stock					(7,999)	(7,999)
Issuance of 821,226 shares of common stock	269	3,340			7,085	10,694
Balance at December 31, 2003	$ 15,262	$ 20,065	$ 102,584	$ 4,794	$ (1,782)	$ 140,923
Net Income			20,252			20,252
Unrealized gain (loss) on securities available for sale				(2,035)		(2,035)
Reclassification adjustment for net security gains realized in net income				(1,861)		(1,861)
Unrealized gain (loss) on derivatives arising during the period net of realized losses of $773				853		853
Income taxes				1,138		1,138
Comprehensive income						18,347
Cash dividends declared:						
Common, $.32 per share			(5,036)			(5,036)
Purchase of 290,994 shares of common stock					(5,254)	(5,254)
Issuance of 1,568,549 shares of common stock	1,285	20,381			5,136	26,802
Balance at December 31, 2004	$ 16,547	$ 40,446	$ 117,800	$ 2,889	$ (1,900)	$ 175,782
Net Income			22,726			22,726
Unrealized gain (loss) on securities available for sale				(6,374)		(6,374)
Reclassification adjustment for net security gains realized in net income				(198)		(198)
Unrealized gain (loss) on derivatives arising during the period, net of realized losses of $289				337		337

Income taxes				2,335		2,335
Comprehensive income						18,826
Cash dividends declared:						
Common, $.33 per share			(5,414)			(5,414)
Purchase of 290,651 shares of common stock					(5,784)	(5,784)
Issuance of 240,009 shares of common stock		(683)			4,592	3,909
Commitments to issue common stock for restricted stock awards		493				493
Balance at December 31, 2005	$ 16,547	$ 40,256	$ 135,112	$ (1,011)	$ (3,092)	$ 187,812

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

ONE
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Nature of Operations* -** Heartland Financial USA, Inc. ("Heartland") is a multi-bank holding company primarily operating full-service retail banking offices serving communities in and around Dubuque and Lee Counties in Iowa; Jo Daviess, Hancock and Winnebago Counties in Illinois; Dane, Green, Sheboygan and Brown Counties in Wisconsin; Bernalillo, Curry and Santa Fe Counties in New Mexico; Maricopa County in Arizona; and Flathead, Gallatin, Jefferson, Powder River, Ravalli, Sanders, Sheridan and Yellowstone Counties in Montana. The principal services of Heartland, through its subsidiaries, are FDIC-insured deposit accounts and related services, and loans to businesses and individuals. The loans consist primarily of commercial and commercial real estate, agricultural and agricultural real estate and residential real estate.

***Principles of Presentation* -** The consolidated financial statements include the accounts of Heartland and its subsidiaries: Dubuque Bank and Trust Company; Galena State Bank and Trust Company; First Community Bank; Riverside Community Bank; Wisconsin Community Bank; New Mexico Bank & Trust; Arizona Bank & Trust; Rocky Mountain Bank; Citizens Finance Co.; ULTEA, Inc.; HTLF Capital Corp.; DB&T Insurance, Inc.; DB&T Community Development Corp.; Heartland Community Development, Inc.; Heartland Financial Capital Trust II; Heartland Financial Statutory Trust II; Heartland Financial Statutory Trust III; Heartland Financial Statutory Trust IV; and Rocky Mountain Statutory Trust I. All of Heartland’s subsidiaries are wholly-owned except for Arizona Bank & Trust, of which Heartland was an 86% owner on December 31, 2005. All significant intercompany balances and transactions have been eliminated in consolidation. The minority interest in the majority-owned subsidiaries is immaterial and included in other liabilities.

The consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles and prevailing practices within the banking industry. In preparing such financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the balance sheet and revenues and expenses for the period. Actual results could differ significantly from those estimates. A material estimate that is particularly susceptible to significant change relates to the determination of the allowance for loan and lease losses.

***Cash and Cash Equivalents* -** For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, federal funds sold and other short-term investments. Generally, federal funds are purchased and sold for one-day periods.

Trading Securities - Trading securities represent those securities Heartland intends to actively trade and are stated at fair value with changes in fair value reflected in noninterest income.

Securities Available for Sale - Available for sale securities consist of those securities not classified as held to maturity or trading, which management intends to hold for indefinite periods of time or that may be sold in response to changes in interest rates, prepayments or other similar factors. Such securities are stated at fair value with any unrealized gain or loss, net of applicable income tax, reported as a separate component of stockholders’ equity. Security premiums and discounts are amortized/accreted using the interest method over the period from the purchase date to the expected maturity or call date of the related security. Gains or losses from the sale of available for sale securities are determined based upon the adjusted cost of the specific security sold. Unrealized losses determined to be other than temporary are charged to operations.

***Loans and Leases* -** Interest on loans is accrued and credited to income based primarily on the principal balance outstanding. Income from leases is recorded in decreasing amounts over the term of the contract resulting in a level rate of return on the lease investment. The policy of Heartland is to discontinue the accrual of interest income on any loan or lease when, in the opinion of management, there is a reasonable doubt as to the timely collection of the interest and principal, normally when a loan is 90 days past due. When interest accruals are deemed uncollectible, interest credited to income in the current year is reversed and interest accrued in prior years is charged to the allowance for loan and lease losses. Nonaccrual loans and leases are returned to an accrual status when, in the opinion of management, the financial position of the borrower indicates that there is no longer any reasonable doubt as to the timely payment of interest and principal.

Under Heartland’s credit policies, all nonaccrual and restructured loans are defined as impaired loans. Loan impairment is measured based on the present value of expected future cash flows discounted at the loan’s effective interest rate, except where more practical, at the observable market price of the loan or the fair value of the collateral if the loan is collateral dependent.

Net nonrefundable loan and lease origination fees and certain direct costs associated with the lending process are deferred and recognized as a yield adjustment over the life of the related loan or lease.

Loans held for Sale - Loans held for sale are stated at the lower of cost or market on an aggregate basis. Gains or losses on sales are recorded in noninterest income. Direct loan origination costs and fees are deferred at origination of the loan. These deferred costs and fees are recognized in noninterest income as part of the gain on sales of loans upon sale of the loan.

Mortgage Servicing and Transfers of Financial Assets - Heartland regularly sells residential mortgage loans to others on a non-recourse basis. Sold loans are not included in the accompanying consolidated financial statements. Heartland generally retains the right to service the sold loans for a fee. At December 31, 2005 and 2004, Heartland was servicing loans for others with aggregate unpaid principal balances of $582.7 million and $575.2 million, respectively .

Allowance for Loan and Lease Losses **-** The allowance for loan and lease losses is maintained at a level estimated by management to provide for known and inherent risks in the loan and lease portfolios. The allowance is based upon a continuing review of past loan and lease loss experience, current economic conditions, volume growth, the underlying collateral value of the loans and leases and other relevant factors. Loans and leases which are deemed uncollectible are charged off and deducted from the allowance. Provisions for loan and lease losses and recoveries on previously charged-off loans and leases are added to the allowance. See the Critical Accounting Policies section within management's discussion and analysis for more details.

Reserve for Unfunded Commitments **—**This reserve is maintained at a level that, in the opinion of management, is adequate to absorb probable losses associated with Heartland's commitment to lend funds under existing agreements such as letters or lines of credit. Management determines the adequacy of the reserve for unfunded commitments based upon reviews of individual credit facilities, current economic conditions, the risk characteristics of the various categories of commitments and other relevant factors. The reserve is based on estimates, and ultimate losses may vary from the current estimates. These estimates are evaluated on a regular basis and, as adjustments become necessary, they are reported in earnings in the periods in which they become known. Draws on unfunded commitments that are considered uncollectible at the time funds are advanced are charged to the allowance. Provisions for unfunded commitment losses, and recoveries on loans previously charged off, are added to the reserve for unfunded commitments, which is included in the *Other Liabilities* section of the consolidated balance sheets.

Prior to June 30, 2005, the reserve for unfunded commitments was included in the allowance for loan losses. During the second quarter of 2005, approximately $319 thousand of the allowance was reclassified to establish the reserve for unfunded commitments. Prior to January 1, 2005, there was not any specific component of the allowance for loan losses ascribed to unfunded commitments, therefore this reclassification was not applied to periods prior to 2005.

Premises, Furniture and Equipment **-** Premises, furniture and equipment are stated at cost less accumulated depreciation. The provision for depreciation of premises, furniture and equipment is determined by straight-line and accelerated methods over the estimated useful lives of 18 to 39 years for buildings, 15 years for land improvements and 3 to 7 years for furniture and equipment.

Other Real Estate **-** Other real estate represents property acquired through foreclosures and settlements of loans. Property acquired is carried at the lower of the principal amount of the loan outstanding at the time of acquisition, plus any acquisition costs, or the estimated fair value of the property, less disposal costs. The excess, if any, of such costs at the time acquired over the fair value is charged against the allowance for loan and lease losses. Subsequent write downs estimated on the basis of later valuations, gains or losses on sales and net expenses incurred in maintaining such properties are charged to other noninterest expense.

Assets under Operating Leases - Assets under operating leases, generally automobiles, are provided through ULTEA, Inc. These assets are stated at cost less accumulated depreciation. The provision for depreciation of assets under operating leases is recorded on a straight-line basis over the life of the lease taking into account the estimated residual value. These leases are cancelable any time after the first twelve months. Rental income on these operating leases is recognized on a straight-line basis with a reset every twelve months. At December 31, 2005, gross balances of assets under operating leases were $61.9 million and accumulated depreciation on these assets was $21.3 million At December 31, 2004, gross balances of assets under operating leases were $52.5 million and accumulated depreciation on these assets was $17.3 million.

Intangible Assets - Intangible assets consist of goodwill, core deposit premiums, customer relationship intangibles and mortgage servicing rights. Goodwill represents the excess of the purchase price of acquired subsidiaries' net assets over their fair value. Heartland assesses goodwill for impairment annually, and more frequently in the presence of certain circumstances. Impairment exists when the carrying amount of the goodwill exceeds its implied fair value. No impairment was recorded for the years ended December 31, 2005, 2004 or 2003.

Core deposit premiums are amortized over ten years on an accelerated basis. Customer relationship intangibles are amortized over 22 years on an accelerated basis. Periodically, Heartland reviews the intangible assets for events or circumstances that may indicate a change in the recoverability of the underlying basis, except mortgage servicing rights which are reviewed quarterly.

Mortgage servicing rights associated with loans originated and sold, where servicing is retained, are capitalized. The values of these capitalized servicing rights are amortized in relation to the servicing revenue expected to be earned. The carrying values of these rights are reviewed quarterly for impairment based on the calculation of their fair value as performed by an outside third party. For purposes of measuring impairment, the rights are stratified into certain risk characteristics including loan type, note rate, prepayment trends and external market factors. No valuation allowance was required as of December 31, 2005, and a valuation allowance of $39 thousand was required as of December 31, 2004.

The following table summarizes the changes in capitalized mortgage servicing rights:
(Dollars in thousands)

	2005	2004
Balance, beginning of year	$ 3,252	$ 3,037
Originations	956	1,225
Amortization	(984)	(1,102)
Valuation adjustment	39	92
Balance, end of year	$ 3,263	$ 3,252

Mortgage loans serviced for others were $582.7 million and $575.2 million as of December 31, 2005 and 2004, respectively. Custodial escrow balances maintained in connection with the mortgage loan servicing portfolio were approximately $2.6 million and $2.3 million as of December 31, 2005 and 2004, respectively.

Income Taxes **-** Heartland and its subsidiaries file a consolidated federal income tax return. Heartland and its subsidiaries file separate income or franchise tax returns as required by the various states.

Heartland has a tax allocation agreement which provides that each subsidiary of the consolidated group pay a tax liability to, or receive a tax refund from Heartland, computed as if the subsidiary had filed a separate return.

Heartland recognizes certain income and expenses in different time periods for financial reporting and income tax purposes. The provision for deferred income taxes is based on an asset and liability approach and represents the change in deferred income tax accounts during the year, including the effect of enacted tax rate changes. A valuation allowance is provided to reduce deferred tax assets if their expected realization is deemed not to be more likely than not.

Derivative Financial Instruments **-** On occasion, Heartland uses derivative financial instruments as part of its interest rate risk management including interest rate swaps, caps, floors and collars. Heartland records all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative and the resulting designation. Under Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities* , as amended and interpreted, derivatives used to hedge the exposure to variability in expected future cash flows are considered cash flow hedges.

For derivatives designated as cash flow hedges, the effective portion of changes in the fair value of the derivative is initially reported in other comprehensive income and subsequently reclassified to earnings when the hedged transaction affects earnings, while the ineffective portion of changes in the fair value of the derivative, if any, is recognized immediately in earnings. Heartland assesses the effectiveness of each hedging relationship by comparing the changes in cash flows of the derivative hedging instrument with the changes in cash flows of the designated hedged item or transaction.

Heartland has no fair value hedging relationships. Derivatives not qualifying for hedge accounting, classified as free-standing derivatives, have all changes in the fair value recorded on the income statement through noninterest income.

Heartland does not use derivatives for trading or speculative purposes. Derivatives not designated as hedges are not speculative and are used to manage Heartland’s exposure to interest rate movements and other identified risks, but do not meet the strict hedge accounting requirements of Statement 133 or are immaterial.

Treasury Stock **-** Treasury stock is accounted for by the cost method, whereby shares of common stock reacquired are recorded at their purchase price. When treasury stock is reissued, any difference between the sales proceeds, or fair value when issued for business combinations, and the cost is recognized as a charge or credit to capital surplus.

Trust Department Assets **-** Property held for customers in fiduciary or agency capacities is not included in the accompanying consolidated balance sheets, as such items are not assets of the Heartland banks.

Earnings Per Share - Amounts used in the determination of basic and diluted earnings per share for the years ended December 31, 2005, 2004 and 2003 are shown in the table below:

(Dollars and number of shares in thousands)

	2005	2004	2003
Net income	$ 22,726	$ 20,252	$ 17,719
Weighted average common shares outstanding for basic earnings per share	16,415	15,869	14,984
Assumed incremental common shares issued upon exercise of stock options	287	216	274

Weighted average common shares for diluted earnings per share	16,702	16,085	15,258
Earnings per common share-basic	$ 1.38	$ 1.28	$ 1.18
Earnings per common share-diluted	1.36	1.26	1.16

Stock-Based Compensation - Heartland applies APB Opinion No. 25 in accounting for its stock options and, accordingly, no compensation cost for its stock options has been recognized in the financial statements. Had Heartland determined compensation cost based on the fair value at the grant date for its stock options under FAS No. 148, Heartland's net income would have been reduced to the pro forma amounts indicated below:

(Dollars in thousands, except earnings per share data)

	2005	**2004**	**2003**
Net income as reported	$ 22,726	$ 20,252	$ 17,719
Additional compensation expense	210	200	216
Pro forma	$ 22,516	$ 20,052	$ 17,503
Earnings per share-basic as reported	$ 1.38	$ 1.28	$ 1.18
Pro forma	1.37	1.26	1.17
Earnings per share-diluted as reported	1.36	1.26	1.16
Pro forma	1.35	1.25	1.15

Pro forma net income only reflects options granted in the years from 1996 through 2005. Therefore, the full impact of calculating compensation cost for stock options under FAS 123 is not reflected in the pro forma net income amounts presented above because compensation is reflected over the options' vesting period, and compensation cost for options granted prior to January 1, 1996, is not considered.

Effect of New Financial Accounting Standards - In December 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment* (FAS 123R), which replaces FAS 123, *Accounting for Stock-Based Compensation* , and supersedes Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* . Heartland adopted FAS 123R on January 1, 2006, using the "modified prospective" transition method. The scope of FAS 123R includes a wide range of stock-based compensation arrangements including stock options, restricted stock plans, performance-based awards, stock appreciation rights and employee stock purchase plans. FAS 123R will require us to measure the cost of employee services received in exchange for an award of equity instruments based upon the fair value of the award on the grant date. That cost must be recognized in the income statement over the vesting period of the award. Under the "modified prospective" transition method, awards that are granted, modified or settled beginning at the date of adoption will be measured and accounted for in accordance with FAS 123R. In addition, expense must be recognized in the income statement for unvested awards that were granted prior to the date of adoption. The expense will be based on the fair value determined at the grant date. Taking into account our 2006 option grant, we anticipate that total stock option expense will reduce 2006 earnings by approximately $.02 per share.

In May 2005, the FASB issued Statement No. 154, *Accounting Changes and Error Corrections* (FAS 154), replacing APB Opinion No. 20, *Accounting for Changes* , and FAS 3, *Reporting Accounting Changes in Interim Financial Statements* . Unless specified in an accounting standard, FAS 154 requires retrospective application to prior periods' financial statements for changes in accounting principle and correction of errors. APB Opinion No. 20 previously provided that most changes in accounting principle be recognized by including in net income the cumulative effect of changing to the new principle in the period of adoption. FAS 154 is effective for fiscal years beginning after December 15, 2005. Heartland will adopt the provisions of FAS 154 on January 1, 2006.

On December 12, 2003, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants issued Statement of Position 03-3, *Accounting for Certain Loans or Debt Securities Acquired in a transfer* ("SOP 03-3"). SOP 03-3 addresses accounting for differences between contractual cash flows and cash flows expected to be collected from an investor's initial investment in loans or debt securities ("loans") acquired in a transfer if those differences are attributable, at lest in part, to credit quality. It includes such loans acquired in purchase business combinations and applies to all nongovernmental entities. SOP 03-3 does not apply to loans originated by the entity. SOP 03-3 limits the yield that may be accreted ("acceptable yield") to the excess of the investor's estimate of undiscounted expected principal, interest and other cash flows (cash flows expected at acquisition to be collected) over the investor's initial investment in the loan SOP 03-3 requires that the excess of contractual cash flows over cash flows expected to be collected ("nonaccretable difference") not be recognized as an adjustment of yield, loss accrual or valuation allowance. SOP 03-3 prohibits investors from displaying accretable yield and nonaccretable difference in the balance sheet. Subsequent increases in cash flows expected to be collected generally should be recognized prospectively through adjustment of the loan's yield over its remaining life. Decreases in cash flows expected to be collected should be recognized as impairment. SOP 03-3 prohibits "carrying over" or creation of valuation allowances in the initial accounting of all loans acquired in a transfer that are within the scope of SOP 03-3. This prohibition of the valuation allowance carryover applies to the purchase of an individual loan, a pool of loans, a group of loans and loans acquired in a purchase business combination. SOP 03-3 was effective for loans acquired in fiscal years beginning after December 15, 2004. Heartland's adoption of SOP 03-3 on January 1, 2005, did not have a material effect on the consolidated financial statements.

Reclassifications - Certain reclassifications have been made to prior periods' consolidated financial statements to place them on a basis comparable with the current period's consolidated financial statements.

TWO
ACQUISITIONS

Heartland regularly explores opportunities for acquisitions of financial institutions and related businesses. Generally, management does not make a public announcement about an acquisition opportunity until a definitive agreement has been signed.

On January 12, 2006, Heartland announced the signing of a definitive agreement to acquire Bank of the Southwest, a financial institution with offices in Phoenix and Tempe, Arizona. Heartland expects to combine the acquired assets and deposit accounts into the existing Arizona Bank & Trust. The total purchase price is $18.0 million payable in cash. Subject to approvals by bank regulatory authorities and stockholders, the transaction is expected to close in the second quarter of 2006. Bank of the Southwest had assets of $70.0 million at December 31, 2005.

On August 31, 2004, Heartland completed its acquisition of the Wealth Management Group of Colonial Trust Company, a publicly held trust company based in Phoenix, Arizona. The Wealth Management Group, Colonial Trust Company's personal trust division, had trust assets of $154.0 million and projected annual revenues of $1.2 million at August 31, 2004. The purchase price was $2.1 million, all in cash. The resultant acquired customer relationship intangible of $809 thousand is being amortized over a period of 22 years. The remaining excess purchase price over the fair value of tangible and identifiable intangible assets acquired of $1.3 million was recorded as goodwill on Heartland's consolidated financial statements.

On June 1, 2004, Heartland consummated its acquisition of 100% of the outstanding common stock of the Rocky Mountain Bancorporation, the one-bank holding company of Rocky Mountain Bank with eight locations in the Montana communities of Bigfork, Billings, Bozeman, Broadus, Plains, Plentywood, Stevensville and Whitehall. Rocky Mountain Bank had total assets of $353.5 million, total loans of $278.1 million and total deposits of $285.7 million immediately prior to the closing on May 31, 2004. The purchase price for Rocky Mountain Bancorporation of $34.5 million consisted of $10.4 million cash and 1,387,227 shares of Heartland common stock valued at $18.34 per share. The results of operations of Rocky Mountain Bank are included in the consolidated financial statements from the acquisition date. The resultant acquired core deposit intangible of $4.7 million is being amortized over a period of ten years. The remaining excess purchase price over the fair value of tangible and identifiable intangible assets acquired of $13.9 million was recorded as goodwill on Heartland's consolidated financial statements.

THREE
CASH AND DUE FROM BANKS

The Heartland banks are required to maintain certain average cash reserve balances as a non-member bank of the Federal Reserve System. The reserve balance requirements at December 31, 2005 and 2004 were $5.5 and $10.1 million, respectively.

FOUR
SECURITIES

The amortized cost, gross unrealized gains and losses and estimated fair values of available for sale securities as of December 31, 2005 and 2004 are summarized as follows:

(Dollars in thousands)

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
2005				
Securities available for sale:				
U.S. government corporations and agencies	$ 239,486	$ -	$ (5,465)	$ 234,021
Mortgage-backed securities	131,809	134	(1,609)	130,334
Obligations of states and political subdivisions	127,576	5,784	(402)	132,958
Corporate debt securities	2,159	-	(27)	2,132
Total debt securities	501,030	5,918	(7,503)	499,445
Equity securities	27,617	371	(181)	27,807
Total	$ 528,647	$ 6,289	$ (7,684)	$ 527,252

(Dollars in thousands)

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
2004				
Securities available for sale:				
U.S. government corporations and agencies	$ 220,856	$ 415	$ (1,601)	$ 219,670
Mortgage-backed securities	164,993	399	(812)	164,580
Obligations of states and political subdivisions	117,028	6,777	(181)	123,624
Corporate debt securities	18,241	-	(27)	18,214
Total debt securities	521,118	7,591	(2,621)	526,088
Equity securities	26,467	228	(20)	26,675
Total	$ 547,585	$ 7,819	$ (2,641)	$ 552,763

All of our U.S. government corporations and agencies securities and a majority of our mortgage-backed securities are issuances of government-sponsored enterprises.

Included in the equity securities at December 31, 2005 and 2004, were shares of stock in the Federal Home Loan Bank of Des Moines, Chicago, Dallas, San Francisco and Seattle at an amortized cost of $17.2 million and $22.2 million, respectively. There were no unrealized gains or losses recorded on these securities as they are not readily marketable.

The amortized cost and estimated fair value of debt securities available for sale at December 31, 2005, by estimated maturity, are as follows. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without penalties.

(Dollars in thousands)

	Amortized Cost	Estimated Fair Value
Securities available for sale:		
Due in 1 year or less	$ 88,026	$ 87,445
Due in 1 to 5 years	309,442	303,593
Due in 5 to 10 years	63,157	64,897
Due after 10 years	40,405	43,510
Total	$ 501,030	$ 499,445

As of December 31, 2005, securities with a fair value of $340.1 million were pledged to secure public and trust deposits, short-term borrowings and for other purposes as required by law.

Gross gains and losses related to sales of securities for the years ended December 31, 2005, 2004 and 2003, are summarized as follows:

(Dollars in thousands)

	2005	2004	2003
Securities sold:			
Proceeds from sales	$ 25,662	$ 116,069	$ 81,545
Gross security gains	376	2,115	1,990
Gross security losses	178	254	167

During the years ended December 31, 2005, 2004 and 2003 Heartland incurred other than temporary impairment losses of $0, $0 and $317 thousand, respectively, on equity securities available for sale.

The following table summarizes the amount of unrealized losses, defined as the amount by which cost or amortized cost exceeds fair value, and the related fair value of investments with unrealized losses in Heartland’s securities portfolio as of December 31, 2005. The investments were segregated into two categories: those that have been in a continuous unrealized loss position for less than 12 months and those that have been in a continuous unrealized loss position for 12 or more months. The reference point for determining how long an investment was in an unrealized loss position was December 31, 2005. No securities had an unrealized loss of greater than 12 months. The unrealized losses in the debt security portfolio are the result of changes in interest rates and are not related to credit downgrades of the securities. Therefore, Heartland has deemed the impairment as temporary. The fair market value on total debt securities temporarily impaired as of December 31, 2005, was no less than 98% of

Heartland's cost to acquire these securities. In the case of the equity securities temporarily impaired for a period of less than twelve months, the fair market value of the equity securities was no less than 96% of Heartland's cost to acquire those securities.

Unrealized Losses on Securities

December 31, 2005

	Less than 12 months		12 months or longer		Total	
	Fair Value	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
U.S. government corporations and agencies	$ 234,021	$ (5,465)	$ -	$ -	$ 234,021	$ (5,465)
Mortgage-backed securities	114,122	(1,609)	-	-	114,122	(1,609)
Obligations of states and political subdivisions	32,311	(402)	-	-	32,311	(402)
Other debt securities	2,132	(27)	-	-	2,132	(27)
Total debt securities	382,586	(7,503)	-	-	382,586	(7,503)
Equity securities	5,032	(181)	-	-	5,032	(181)
Total temporarily impaired securities	$ 387,618	$ (7,684)	$ -	$ -	$ 387,618	$ (7,684)

FIVE
LOANS AND LEASES

Loans and leases as of December 31, 2005 and 2004, were as follows:

(Dollars in thousands)

	2005	2004
Commercial and commercial real estate	$ 1,304,080	$ 1,162,103
Residential mortgage	219,671	212,842
Agricultural and agricultural real estate	230,357	217,860
Consumer	181,019	167,109
Loans, gross	1,935,127	1,759,914
Unearned discount	(1,870)	(1,920)
Deferred loan fees	(1,777)	(1,324)
Loans, net	1,931,480	1,756,670
Direct financing leases:		
Gross rents receivable	20,418	13,078
Estimated residual value	3,996	4,497
Unearned income	(2,828)	(1,291)
Direct financing leases, net	21,586	16,284
Allowance for loan and lease losses	(27,791)	(24,973)
Loans and leases, net	$ 1,925,275	$ 1,747,981

Direct financing leases receivable are generally short-term equipment leases. Future minimum lease payments as of December 31, 2005, were as follows: $8.0 million for 2006, $6.9 million for 2007, $6.3 million for 2008, $2.1 million for 2009, $903 thousand for 2010 and $140 thousand thereafter.

Nearly 65% of the loan portfolio is concentrated in the Midwest States of Iowa, Illinois and Wisconsin. The remaining portion of the loan portfolio is concentrated in the Western States of New Mexico, Arizona and Montana.

Loans and leases on a nonaccrual status amounted to $14.9 million and $9.8 million at December 31, 2005 and 2004, respectively. The allowance for loan and lease losses related to these nonaccrual loans was $1.2 million and $2.3 million, respectively. The average balances of nonaccrual loans for the years ended December 31, 2005, 2004 and 2003 were $13.8 million, $7.3 million and $4.3 million, respectively. For the years ended December 31, 2005, 2004 and 2003, interest income which would have been recorded under the original terms of these loans and leases amounted to approximately $1.1 million, $485 thousand and $475 thousand respectively, and interest income actually recorded amounted to approximately $68 thousand, $88 thousand and $46 thousand, respectively.

There were no loans and leases on a restructured status at December 31, 2005 and 2004.

Loans are made in the normal course of business to directors, officers and principal holders of equity securities of Heartland. The terms of these loans, including interest rates and collateral, are similar to those prevailing for comparable transactions and do not involve more than a normal risk of collectibility. Changes in such loans during the year ended December 31, 2005 and 2004, were as follows:

(Dollars in thousands)

	2005	2004
Balance at beginning of year	$ 35,467	$ 30,933
Advances	11,936	16,216
Repayments	(19,024)	(11,682)
Balance, end of year	$ 28,379	$ 35,467

SIX
ALLOWANCE FOR
LOAN AND LEASE LOSSES

Changes in the allowance for loan and lease losses for the years ended December 31, 2005, 2004 and 2003, were as follows:

(Dollars in thousands)

	2005	2004	2003
Balance at beginning of year	$ 24,973	$ 18,490	$ 16,091
Provision for loan and lease losses from continuing operations	6,564	4,846	4,183
Recoveries on loans and leases previously charged off	1,152	1,005	608
Loans and leases charged off	(4,579)	(3,617)	(2,392)
Adjustment for transfer to other liabilities for unfunded commitments	(319)	-	-
Additions related to acquisition	-	4,249	-
Balance at end of year	$ 27,791	$ 24,973	$ 18,490

SEVEN
PREMISES, FURNITURE AND EQUIPMENT

Premises, furniture and equipment as of December 31, 2005 and 2004, were as follows:

(Dollars in thousands)

	2005	2004
Land and land improvements	$ 20,059	$ 14,719
Buildings and building improvements	70,773	62,447
Furniture and equipment	36,812	32,152
Total	127,644	109,318
Less accumulated depreciation	(34,875)	(29,965)
Premises, furniture and equipment, net	$ 92,769	$ 79,353

Depreciation expense on premises, furniture and equipment was $5.8 million, $4.8 million and $3.5 million for 2005, 2004, and 2003, respectively.

EIGHT
INTANGIBLE ASSETS

The gross carrying amount of intangible assets and the associated accumulated amortization at December 31, 2005 and 2004, are presented in the tables below.

(Dollars in thousands)

	December 31, 2005		December 31, 2004	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets				
Core deposit intangibles	$ 9,217	$ 4,163	$ 9,217	$ 3,205
Mortgage servicing rights	4,685	1,422	4,257	1,005
Customer relationship intangible	917	75	917	19
Total	$ 14,819	$ 5,660	$ 14,391	$ 4,229
Unamortized intangible assets		$ 9,159		$ 10,162

The following table shows the estimated future amortized intangible assets:

	Core Deposit Intangibles	Mortgage Servicing Rights	Customer Relationship Intangible	Total
Year ended:				
2006	$ 856	$ 982	$ 54	$ 1,892
2007	787	652	53	1,492
2008	787	543	51	1,381
2009	704	435	50	1,189
2010	435	326	49	810
Thereafter	1,485	325	585	2,395

NINE
DEPOSITS

The aggregate amount of time certificates of deposit in denominations of $100,000 or more as of December 31, 2005 and 2004, were $217.7 million and $162.6 million, respectively. At December 31, 2005, the scheduled maturities of time certificates of deposit were as follows:

(Dollars in thousands)

2006	$	517,792
2007		252,749
2008		128,702
2009		66,696
2010		44,950
Thereafter		222
	$	1,011,111

Interest expense on deposits for the years ended December 31, 2005, 2004 and 2003, was as follows:

(Dollars in thousands)

	2005		2004		2003	
Savings and money market accounts	$	10,991	$	5,890	$	4,798
Time certificates of deposit in denominations of $100,000 or more		6,505		3,957		3,720
Other time deposits		25,887		21,001		19,245
Interest expense on deposits	$	43,383	$	30,848	$	27,763

TEN
SHORT-TERM BORROWINGS

Short-term borrowings as of December 31, 2005 and 2004, were as follows:

(Dollars in thousands)

	2005	2004
Securities sold under agreement to repurchase	$ 181,984	$ 169,467
Federal funds purchased	7,725	11,525
U.S. Treasury demand note	5,164	6,983
Citizens short-term notes	-	500
Notes payable to unaffiliated banks	60,750	43,000
Total	$ 255,623	$ 231,475

On January 31, 2004, Heartland entered into a credit agreement with three unaffiliated banks to replace an existing term credit line, as well as to increase availability under a revolving credit line. Under the new unsecured revolving credit lines, Heartland may borrow up to $70.0 million at any one time. The previous credit line provided up to $50.0 million. The additional $20.0 million credit line was established primarily to provide working capital to the nonbanking subsidiaries and replace similar sized lines currently in place at those subsidiaries. At December 31, 2005 and December 31, 2004, $60.8 million and $43.0 million was outstanding on the revolving credit lines respectively.

All repurchase agreements as of December 31, 2005 and 2004, were due within twelve months.

Average and maximum balances and rates on aggregate short-term borrowings outstanding during the years ended December 31, 2005, 2004 and 2003, were as follows:

(Dollars in thousands)

	2005	2004	2003
Maximum month-end balance	$ 266,194	$ 231,475	$ 176,835
Average month-end balance	233,051	187,046	151,037
Weighted average interest rate for the year	2.99%	1.67%	1.54%
Weighted average interest rate at year-end	3.68%	1.88%	1.36%

Dubuque Bank and Trust Company is a participant in the Borrower-In-Custody of Collateral Program at the Federal Reserve Bank of Chicago, which provides the capability to borrow short-term funds under the Discount Window Program. Advances under this program were collateralized by a portion of the commercial loan portfolio of Dubuque Bank and Trust Company in the amount of $263.3 million at December 31, 2005, and $164.3 million at December 31, 2004. No borrowings were utilized under the Discount Window Program during either year.

ELEVEN
OTHER BORROWINGS

Other borrowings at December 31, 2005 and 2004, were as follows:

(Dollars in thousands)

	2005	2004
Advances from the FHLB; weighted average maturity dates at December 31, 2005 and 2004 were October 2008 and March 2007, respectively; and weighted average interest rates were 3.96% and 3.99%, respectively	$ 151,046	$ 123,450
Notes payable on leased assets with interest rates varying from 2.36% to 6.49%	1,230	4,595
Trust preferred securities	64,951	64,951
Obligations to repurchase minority interest shares of Arizona Bank & Trust	2,234	2,133
Community Development Block Grant Loan Program with the City of Dubuque at 3.00% January 2014	300	800
Contracts payable for purchase of real estate	1,110	264
Total	$ 220,871	$ 196,193

The Heartland banks are members of the Federal Home Loan Bank ("FHLB") of Des Moines, Chicago, Dallas, San Francisco and Seattle. The advances from the FHLB are collateralized by the banks’ investment in FHLB stock of $9.0 and $8.8 million at December 31, 2005 and 2004, respectively. Additional collateral is provided by the banks' one-to-four unit residential mortgages, commercial and agricultural mortgages and securities pledged totaling $715.7 million at December 31, 2005 and $527.8 million at December 31, 2004.

On September 30, 2004, Heartland Financial Capital Trust I, a trust subsidiary of Heartland, redeemed all of its $25.0 million 9.60% trust preferred securities and its 9.60% common securities at a redemption price equal to the $25.00 liquidation amount of each security plus all accrued and unpaid interest per security. The redeemed trust preferred securities were originally issued in 1999 and were listed on the American Stock Exchange under the symbol "HFT". Remaining unamortized issuance costs associated with these securities of $959 thousand were expensed under the noninterest expense category upon redemption.

Prior to the redemption of the 9.60% trust preferred securities, Heartland had five wholly-owned trust subsidiaries that were formed to issue trust preferred securities. At March 31, 2004, as a result of the adoption of FIN 46R, Heartland deconsolidated the trust subsidiaries. As a result of the deconsolidation, an additional $2.5 million of junior subordinated debentures previously issued by Heartland to the trust subsidiaries was included in other borrowings on the consolidated balance sheet at March 31, 2004. The acquisition of Rocky Mountain Bancorporation increased the amount of junior subordinated debentures included in other borrowings on the consolidated balance sheet at June 30, 2004, to $2.7 million. At December 31, 2004, this had decreased to $2.0 million due to the aforementioned redemption. The common stock issued by the trust subsidiaries was recorded in securities available for sale in the consolidated balance sheet effective March 31, 2004. Prior to March 31, 2004, the trust subsidiaries were consolidated subsidiaries and the trust preferred securities were included in other borrowings. The common securities and debentures, along with the related income effects were eliminated in the consolidated financial statements.

As a result of the Rocky Mountain Bancorporation acquisition, Heartland assumed the outstanding obligation on $5.0 million of trust preferred capital securities. Interest is payable semi-annually on March 7 and September 7 of each year. The debentures will mature and the trust preferred securities must be redeemed on September 7, 2030. Heartland has the option to shorten the maturity date to a date not earlier than September 7, 2020. Heartland may not shorten the maturity date without prior approval of the Board of Governors of the Federal Reserve System, if required. Prior redemption is permitted under certain circumstances, such as changes in tax or regulatory capital rules. In connection with this offering, the balance of deferred issuance costs included in other assets was $111 thousand as of December 31, 2005. These deferred costs are amortized on a straight-line basis over the life of the debentures.

On March 17, 2004, Heartland completed an offering of $25.0 million of variable rate cumulative trust preferred securities representing undivided beneficial interests in Heartland Financial Statutory Trust IV. The proceeds from the offering were used by the trust to purchase junior subordinated debentures from Heartland. The proceeds were used for general corporate purposes, including future acquisitions or the retirement of debt. Interest is payable quarterly on March 17, June 17, September 17 and December 17 of each year. The debentures will mature and the trust preferred securities must be redeemed on March 17, 2034. Heartland has the option to shorten the maturity date to a date not earlier than March 17, 2009. Heartland may not shorten the maturity date without prior approval of the Board of Governors of the Federal Reserve System, if required. Prior redemption is permitted under certain circumstances, such as changes in tax or regulatory capital rules. In connection with this offering, the balance of deferred issuance costs included in other assets was $14 thousand as of December 31, 2005. These deferred costs are amortized on a straight-line basis over the life of the debentures.

Heartland has an irrevocable obligation to repurchase the common shares of Arizona Bank & Trust owned by minority shareholders on August 18, 2008. The minority shareholders are obligated to sell their shares to Heartland on that same date. The minimum amount payable is the amount originally paid by the minority shareholders plus a compounded annual return of 6%. The maximum amount payable will be based on the greater of the fair value of those shares based upon an appraisal performed by an independent third party or a predetermined range of multiples of the bank's trailing twelve month earnings. Through December 31, 2005, Heartland accrued the amount due to the minority shareholders at 6%. The obligation to repay the original investment is payable in cash or Heartland stock or a combination of cash and stock at the option of the minority shareholder. The remainder of the obligation to the minority shareholders is payable in cash or Heartland stock or a combination of cash and stock at the option of Heartland. Additionally, the minority shareholders may put their shares to Heartland at any time through August 18, 2008, at an amount equal to the amount originally paid plus 6% compounded annually. The amount of the obligation as of December 31, 2005, included in other borrowings is $2.2 million.

On October 10, 2003, Heartland completed an offering of $20.0 million of 8.25% fixed rate cumulative capital securities representing undivided beneficial interests in Heartland Statutory Trust III. The proceeds from the offering were used by Heartland Statutory Trust III to purchase junior subordinated debentures from Heartland. The proceeds will be used for general corporate purposes including future acquisitions or the retirement of debt. Interest is payable quarterly on March 31, June 30, September 30 and December 31 of each year. The debentures will mature and the capital securities must be redeemed on October 10, 2033. Heartland has the option to shorten the maturity date to a date not earlier than October 10, 2008. Heartland may not shorten the maturity date without prior approval of the Board of Governors of the Federal Reserve System, if required. Prior redemption is permitted under certain circumstances, such as changes in tax or regulatory capital rules. In connection with this offering, the balance of deferred issuance costs included in other assets was $208 thousand as of December 31, 2005. These deferred costs are amortized on a straight-line basis over the life of the debentures.

On June 27, 2002, Heartland completed an offering of $5.0 million of variable rate cumulative capital securities representing undivided beneficial interests in Heartland Financial Capital Trust II. The proceeds from the offering were used by the trust to purchase junior subordinated debentures from Heartland. The proceeds are being used for general corporate purposes. Interest is payable quarterly on March 30, June 30, September 30 and December 30 of each year. The debentures will mature and the capital securities must be redeemed on June 30, 2032. Heartland has the option to shorten the maturity date to a date not earlier than June 30, 2007. Heartland may not shorten the maturity date without prior approval of the Board of Governors of the Federal Reserve System, if required. Prior redemption is permitted under certain circumstances, such as changes in tax or regulatory capital rules. In connection with this offering, the balance of deferred issuance costs included in other assets was $146 thousand as of December 31, 2005. These deferred costs are amortized on a straight-line basis over the life of the debentures.

On December 18, 2001, Heartland completed an offering of $8.0 million of variable rate cumulative capital securities representing undivided beneficial interests in Heartland Statutory Trust II. The proceeds from the offering were used by Heartland Statutory Trust II to purchase junior subordinated debentures from Heartland. The proceeds are being used for general corporate purposes, including the repayment of $8.0 million of indebtedness on the revolving credit lines. Interest is payable quarterly on March 18, June 18, September 18 and December 18 of each year. The debentures will mature and the capital securities must be redeemed on December 18, 2031. Heartland has the option to shorten the maturity date to a date not earlier than December 18, 2006. Heartland may not shorten the maturity date without prior approval of the Board of Governors of the Federal Reserve System, if required. Prior redemption is permitted under certain circumstances, such as changes in tax or regulatory capital rules. In connection with this offering, the balance of deferred issuance costs included in other assets was $212 thousand as of December 31, 2005. These deferred costs are amortized on a straight-line basis over the life of the debentures.

For regulatory purposes, $62.9 and $57.5 million of the capital securities qualified as Tier 1 capital for regulatory purposes as of December 31, 2005 and 2004, respectively.

Future payments at December 31, 2005, for all other borrowings were as follows:

(Dollars in thousands)

2006	$	83,301
2007		10,179
2008		14,167
2009		497
2010		23,455
Thereafter		89,272
	$	220,871

TWELVE
DERIVATIVE FINANCIAL INSTRUMENTS

On occasion, Heartland uses derivative financial instruments as part of its interest rate risk management, including interest rate swaps, caps, floors and collars. On September 19, 2005, Heartland entered into a five-year interest rate collar transaction on a notional amount of $50.0 million to further reduce the potentially negative impact a downward movement in interest rates would have on its net interest income. The collar has an effective date of September 21, 2005, and a maturity date of September 21, 2010. This collar transaction is designated as a cash flow hedge of the overall changes in the cash flows above and below the collar strike rates associated with interest payments on certain Heartland prime-based loans that reset whenever prime changes. Heartland is the payer on prime at a cap strike rate of 9.00% and the counterparty is the payer on prime at a floor strike rate of 6.00%. As of December 31, 2005, the fair market value of this collar transaction was recorded as a liability of $143 thousand and was accounted for as a cash flow hedge.

Heartland also has an interest rate swap contract to effectively convert $25.0 million of its variable interest rate debt to fixed interest rate debt. As of December 31, 2005, Heartland had an interest rate swap contract with a notional amount of $25.0 million to pay a fixed interest rate of 4.35% and receive a variable interest rate of 4.09% based on $25.0 million of indebtedness. Payments under the interest rate swap contract are made monthly. This contract expires on November 1, 2006. The fair market value of the interest rate swap contract was recorded as an asset of $55 thousand as of December 31, 2005 and is accounted for as a cash flow hedge.

There was no ineffectiveness recognized on these two cash flow hedge transactions for the years ending December 31, 2005, 2004 or 2003. All components of the derivative instrument’s gain or loss were included in the assessment of hedge effectiveness.

As of December 31, 2005, $55 thousand of the net unrealized gain on derivative instruments included in other comprehensive income was expected to be reclassified as a realized reduction of interest expense during 2006.

On July 8, 2005, Heartland entered into a two-year interest rate floor transaction on prime at a strike level of 5.5% on a notional amount of

$100.0 million. All changes in the fair market value of this hedge transaction of $43 thousand flowed through Heartland's income statement under the other noninterest income category since it is accounted for as a free-standing derivative. The fair market value of this floor contract was recorded as an asset of $1 thousand as of December 31, 2005.

By using derivatives, Heartland is exposed to credit risk if counterparties to derivative instruments do not perform as expected. Heartland minimizes this risk by entering into derivative contracts with large, stable financial institutions and Heartland has not experienced any losses from counterparty nonperformance on derivative instruments.

THIRTEEN
INCOME TAXES

Income taxes for the years ended December 31, 2005, 2004 and 2003, were as follows:

(Dollars in thousands)

	Current	Deferred	Total
2005			
Federal	$ 9,396	$ (1,490)	$ 7,906
State	1,081	1,163	2,244
Total	$ 10,477	$ (327)	$ 10,150
2004:			
Federal	$ 7,691	$ (802)	$ 6,889
State	1,027	21	1,048
Total	$ 8,718	$ (781)	$ 7,937
2003:			
Federal	$ 4,200	$ 2,467	$ 6,667
State	1,472	(2)	1,470
Total	$ 5,672	$ 2,465	$ 8,137

The income tax provisions above do not include the effects of income tax deductions resulting from exercises of stock options in the amounts of $476 thousand, $463 thousand and $119 thousand in 2005, 2004 and 2003, respectively, which were recorded as increases to stockholder's equity. Additionally, the income tax provisions do not include federal rehabilitation tax credits of $313 thousand in 2005 and $1.1 million in 2004, state rehabilitation tax credits of $392 thousand in 2005 and $1.4 million in 2004 and a state investment tax credit of $400 thousand in 2004, all of which were recorded as a reduction in the depreciable basis of the capitalized asset. A deferred tax asset had been recorded for the $1.4 million ($915 thousand, net of federal tax) state rehabilitation tax credits as they initially were not available until tax years 2011 and 2013. During 2005, state legislation provided for earlier availability of these credits with $489 thousand available in tax year 2005 and the remaining $1.3 million available in tax year 2006. Additionally, during 2004, $222 thousand of the $400 thousand investment tax credit was recorded as a deferred tax asset as the amount of estimated tax in the applicable state did not allow for full utilization of this credit. For tax year 2005, it is estimated that the amount of tax in the applicable state will provide for utilization of $222 thousand of the investment tax credits and $253 thousand of the state rehabilitation credits. Temporary differences between the amounts reported in the financial statements and the tax basis of assets and liabilities result in deferred taxes. No valuation allowance was required for deferred tax assets at December 31, 2005 and 2004. Based upon Heartland's level of historical taxable income and anticipated future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that Heartland will realize the benefits of these deductible differences. Deferred tax assets and liabilities at December 31, 2005 and 2004, were as follows:

(Dollars in thousands)

	2005	2004
Deferred tax assets:		
Tax effect of net unrealized loss on derivatives reflected in stockholders' equity	$ 86	$ 211
Tax effect of net unrealized loss on securities available for sales reflected in stockholders' equity	528	-
Allowance for loan and lease losses	10,157	8,875
Deferred compensation	1,336	2,112
Organization and acquisitions costs	526	635
Net operating loss carryforwards	596	496
State rehabilitation tax credits	1,577	999
Other	33	191
Gross deferred tax assets	$ 14,839	$ 13,519
Deferred tax liabilities:		
Tax effect of net unrealized gain on securities available for sale reflected in stockholders' equity	$ -	$ (1,934)
Securities	(965)	(1,001)
Premises, furniture and equipment	(9,255)	(8,027)
Lease financing	(2,495)	(2,907)

Tax bad debt reserves	(517)	(503)
Purchase accounting	(3,424)	(3,539)
Prepaid expenses	(651)	(473)
Mortgage servicing rights	(1,218)	(1,183)
Other	(143)	(129)
Gross deferred tax liabilities	$ (18,668)	$ (19,696)
Net deferred tax liability	$ (3,830)	$ (6,177)

The deferred tax liabilities related to net unrealized gains on securities available for sale and the deferred tax assets related to net unrealized losses on derivatives had no effect on income tax expense as these gains and losses, net of taxes, were recorded in other comprehensive income.

The actual income tax expense differs from the expected amounts (computed by applying the U.S. federal corporate tax rate of 35% for 2005, 2004 and 2003, to income before income taxes) as follows:

(Dollars in thousands)

	2005	**2004**	**2003**
Computed "expected" amount	$ 11,507	$ 9,866	$ 9,050
Increase (decrease) resulting from:			
Nontaxable interest income	(1,923)	(1,683)	(1,360)
State income taxes, net of federal tax benefit	1,459	681	954
Nondeductible goodwill and other intangibles	57	77	64
Tax credits	(419)	(525)	(442)
Other	(530)	(479)	(129)
Income taxes	$ 10,150	$ 7,937	$ 8,137
Effective tax rates	30.9%	28.2%	31.5%

Heartland had investments in certain low-income housing projects totaling $5.4 million as of December 31, 2005, $5.8 million as of December 31, 2004, and $4.5 million as of December 31, 2003, the majority of which have been fully consolidated in the consolidated financial statements. These investments are expected to generate federal income tax credits of approximately $225 thousand for each year through 2014. A 99.9% ownership in a limited liability company was acquired in 2004 that provided a federal historic rehabilitation credit totaling $675 thousand for the tax year 2004 and state historic rehabilitation credits totaling $843 thousand for the tax years 2004, 2005 and 2007. In 2002, Heartland had acquired a 99.9% ownership in a similarly structured limited liability company that provided a federal historic rehabilitation credit totaling $389 thousand for the 2002 tax year and state historic rehabilitation credits totaling $450 thousand for the tax years 2002 and 2006.

FOURTEEN
EMPLOYEE BENEFIT PLANS

Heartland sponsors a defined contribution retirement plan covering substantially all employees. Contributions to this plan are subject to approval by the Heartland Board of Directors. The Heartland subsidiaries fund and record as an expense all approved contributions. Costs charged to operating expenses were $2.4 million, $2.1 million, and $1.9 million for 2005, 2004, and 2003, respectively. This plan includes an employee savings program, under which the Heartland subsidiaries make matching contributions of up to 2% of the participants' wages. Costs charged to operating expenses with respect to the matching contributions were $547 thousand, $410 thousand, and $325 thousand for 2005, 2004, and 2003, respectively. Rocky Mountain Bank had a defined contribution employee savings program, under which Rocky Mountain Bank made matching contributions of up to 6% of the participants' wages. Costs charged to operating expenses with respect to the matching contributions were $122 thousand for 2004. The plan assets were merged into the Heartland employee savings plan in 2005.

FIFTEEN
COMMITMENTS AND CONTINGENT LIABILITIES

Heartland leases certain land and facilities under operating leases. Minimum future rental commitments at December 31, 2005, for all non-cancelable leases were as follows:

(Dollars in thousands)

2006	$ 901
2007	667
2008	587

2009		510
2010		290
Thereafter		1,183
	$	4,138

Rental expense for premises and equipment leased under operating leases was $1.6 million, $1.3 million, and $1.1 million for 2005, 2004, and 2003, respectively. Occupancy expense is presented net of rental income of $1.0 million, $829 thousand and $178 thousand for 2005, 2004 and 2003, respectively.

In the normal course of business, the Heartland banks make various commitments and incur certain contingent liabilities that are not presented in the accompanying consolidated financial statements. The commitments and contingent liabilities include various guarantees, commitments to extend credit and standby letters of credit.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Heartland banks evaluate each customer’s creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Heartland banks upon extension of credit, is based upon management’s credit evaluation of the counterparty. Collateral held varies but may include accounts receivable, inventory, property, plant and equipment and income-producing commercial properties. Standby letters of credit and financial guarantees written are conditional commitments issued by the Heartland banks to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. At December 31, 2005 and 2004, commitments to extend credit aggregated $556.9 and $513.5 million, and standby letters of credit aggregated $25.7 and $19.2 million, respectively. Heartland enters into commitments to sell mortgage loans to reduce interest rate risk on certain mortgage loans held for sale and loan commitments. At December 31, 2005 and 2004, Heartland had commitments to sell residential real estate loans totaling $6.5 and $6.3 million, respectively. Heartland does not anticipate any material loss as a result of the commitments and contingent liabilities.

Heartland established a loss reserve for unfunded commitments, including loan commitments and letters of credit, during 2005 by reclassifying $319 thousand of the allowance for loan losses. At December 31, 2005, the reserve for unfunded commitments, which is included in other liabilities on the consolidated balance sheet, was approximately $340 thousand. The adequacy of the reserve for unfunded commitments is reviewed on a quarterly basis, based upon changes in the amounts of commitments, loss experience and economic conditions.

In December 2005, Heartland and Wisconsin Community Bank were parties to a trial in which it was alleged that the contract relating to the 2002 sale of Wisconsin Community Bank’s Eau Claire branch was breached. The plaintiff alleged damages of $2.4 million, while Heartland and Wisconsin Community Bank alleged damages of $600 thousand in a counterclaim. The judge requested written arguments from both parties by January 27, 2006, and has indicated that he intends to decide the case shortly thereafter. Heartland believes the claims against it and Wisconsin Community Bank are without merit and continues to defend their positions vigorously.

There are other certain legal proceedings pending against Heartland and its subsidiaries at December 31, 2005, that are ordinary routine litigation incidental to business. While the ultimate outcome of current legal proceedings cannot be predicted with certainty, it is the opinion of management that the resolution of these legal actions should not have a material effect on Heartland's consolidated financial position or results of operations.

SIXTEEN
STOCK PLANS

On May 18, 2005, the Heartland 2005 Long-Term Incentive Plan was adopted, replacing the 2003 Stock Option Plan. Under the 2005 Long-Term Incentive Plan, 1,000,000 shares have been reserved for issuance. The 2005 Long-Term Incentive Plan is administered by the Nominating and Compensation Committee (“Compensation Committee”) of the Board of Directors. All employees and directors of, and service providers to, Heartland or its subsidiaries are eligible to become participants in the 2005 Long-Term Incentive Plan, except that non-employees may not be granted incentive stock options. The 2005 Long-Term Incentive Plan provides for the grant of non-qualified and incentive stock options, stock appreciation rights (“SARS”), stock awards and cash incentive awards. The Compensation Committee determines the specific employees who will be granted awards under the 2005 Long-Term Incentive Plan and the type and amount of any such awards. Options may be granted that are either intended to be "incentive stock options" as defined under Section 422 of the Internal Revenue Code or not intended to be incentive stock options ("non-qualified stock options"). The exercise price of stock options granted will be established by the Compensation Committee, but the exercise price for the stock options may not be less than the fair market value of the shares on the date that the option is granted or, if greater, the par value of a share of stock. Each option granted is exercisable in full at any time or from time to time, subject to vesting provisions, as determined by the Compensation Committee and as provided in the option agreement, but such time may not exceed ten years from the grant date. At December 31, 2005, there were 865,710 shares available for issuance under the 2005 Long-Term Incentive Plan. At December 31, 2004, there were 804,250 shares available for issuance under the 2003 Stock Option Plan. Shares available for options forfeited under the 2003 Option Plan are transferable to shares available under the 2005 Long-Term Incentive Plan. Shares available for options forfeited under the 1993 Stock Option Plan are not transferable to shares available under the 2003 Stock Option Plan or the 2005 Long-Term Incentive Plan.

Under the 2005 Long-Term Incentive Plan, SARS may also be granted. A SAR entitles the participant to receive stock equal in value to the amount by which the fair market value of a specified number of shares on the exercise date exceeds the exercise price as established by the Compensation Committee. SARS may be exercisable for up to ten years after the date of grant. No SARS have been granted under the 2005 Long-Term Incentive Plan, the 2003 Stock Option Plan or the 1993 Stock Option Plan.

Under the 2005 Long-Term Incentive Plan, stock awards may be granted as determined by the Compensation Committee. In 2005, stock awards totaling 136,500 were granted to key policy-making employees. These stock awards were granted at no cost to the employees, and $493 thousand of compensation expense was recorded in 2005 related to these awards. These awards are contingent upon the achievement of performance objectives through December 31, 2010, and additional compensation expense will be recorded through 2010. In addition, 1,390 shares of stock were awarded to Heartland directors in return for services performed, and $30 thousand was recorded as compensation expense in 2005.

As of December 31, 2005, no options have been awarded under the 2005 Long-Term Incentive Plan. A summary of the status of the 2003 and 1993 Stock Option Plans as of December 31, 2005, 2004 and 2003, and changes during the years ended follows:

		2005		2004		2003
	Shares (000)	Weighted-Average Exercise Price	Shares (000)	Weighted-Average Exercise Price	Shares (000)	Weighted-Average Exercise Price
Outstanding at beginning of year	808	$ 11	832	$ 10	918	$ 9
Granted	106	21	97	19	110	12
Exercised	(113)	8	(119)	9	(188)	6
Forfeited	(3)	20	(2)	18	(8)	9
Outstanding at end of year	798	$ 13	808	$ 11	832	$ 10
Options exercisable at end of year	431	$ 10	475	$ 10	499	$ 10
Weighted-average fair value of options granted during the year	$6.13		$5.68		$4.08	

As of December 31, 2005 and 2004, options outstanding under the 2003 and 1993 Stock Option Plans had exercise prices ranging from $6 to $21 per share and a weighted-average remaining contractual life of 5.04 and 5.13 years, respectively.

The fair value of stock options granted was determined utilizing the Black Scholes valuation model. Significant assumptions include:

	2005	2004	2003
Risk-free interest rate	4.00%	4.13%	4.01%
Expected option life	10 years	10 years	10 years
Expected volatility	19.75%	20.67%	17.69%
Expected dividends	1.52%	1.66%	2.25%

At Heartland’s annual meeting of stockholders on May 18, 2005, the 2006 Employee Stock Purchase Plan (the “2006 ESPP”), was adopted, effective January 1, 2006. The 2006 ESPP replaced the 1996 Employee Stock Purchase Plan (the “1996 ESPP”) continuing to permit all eligible employees to purchase shares of Heartland common stock at a price of not less than 85% of the fair market value on the determination date (as determined by the Committee). A maximum of 500,000 shares is available for sale under the 2006 ESPP. For the years ended December 31, 2005 and 2004, Heartland approved a price of 100% of fair market value as determined by averaging the closing price of the last five trading days in 2004 and 2003, respectively. At December 31, 2005, 14,268 shares were purchased under the 2006 ESPP at no charge to Heartland’s earnings. At December 31, 2004, 23,308 shares were purchased under the 1996 ESPP at no charge to Heartland’s earnings.

During each of the years ended December 31, 2005, 2004 and 2003, Heartland acquired shares for use in the 2005 Long-Term Incentive Plan, 2003 Stock Option Plan, the 2006 ESPP and the 1996 ESPP. Shares acquired totaled 290,651, 290,994 and 427,344 for 2005, 2004 and 2003, respectively.

SEVENTEEN
STOCKHOLDER RIGHTS PLAN

On June 7, 2002, Heartland adopted a stockholders' rights plan (the "Rights Plan"). Under the terms of the Rights Plan, on June 26, 2002, the Board of Directors distributed one purchase right for each share of common stock outstanding as of June 24, 2002. Upon becoming exercisable, each right entitles the registered holder thereof, under certain limited circumstances, to purchase one-thousandth of a share of Series A Junior Participating preferred stock at an exercise price of $85.00. Rights do not become exercisable until ten business days after any person or group has acquired, commenced, or announced its intention to commence a tender or exchange offer to acquire 15% or more of Heartland's common stock. If the rights become exercisable, holders of each right, other than the acquirer, upon payment of the exercise price, will have the right to purchase Heartland's common stock (in lieu of preferred shares) having a value equal to two times the exercise price. If Heartland is acquired in a merger, share exchange or other business combination or 50% or more of its consolidated assets or earning power are sold, rights holders, other than the acquiring or adverse person or group, will be entitled to purchase the acquirer's shares at a similar discount. If the rights become exercisable, Heartland may also exchange rights, other than those held by the acquiring or adverse person or group, in whole or in part, at an exchange ratio of one share of Heartland's common stock per right held. Rights are redeemable by Heartland at any time until they are exercisable at the exchange rate of $.01 per right. Issuance of the rights has no immediate dilutive effect, does not currently affect reported earnings per share, is not taxable to Heartland or its shareholders, and will not change the way in which Heartland's shares are traded. The rights expire on June 7, 2012.

In connection with the Rights Plan, Heartland designated 16,000 shares, par value $1.00 per share, of Series A Junior Participating preferred stock. These shares, if issued, will be entitled to receive quarterly dividends and a liquidation preference. There are no shares issued and outstanding and Heartland does not anticipate issuing any shares of Series A Junior Participating preferred stock except as may be required under the Rights Plan.

EIGHTEEN
REGULATORY CAPITAL REQUIREMENTS AND RESTRICTIONS ON SUBSIDIARY DIVIDENDS

The Heartland banks are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Heartland banks' financial statements. The regulations prescribe specific capital adequacy guidelines that involve quantitative measures of a bank's assets, liabilities and certain off balance sheet items as calculated under regulatory accounting practices. Capital classification is also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Heartland banks to maintain minimum amounts and ratios (set forth in the table below) of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier 1 capital (as defined) to average assets (as defined). Management believes, as of December 31, 2005 and 2004, that the Heartland banks met all capital adequacy requirements to which they were subject.

As of December 31, 2005, the most recent notification from the FDIC categorized each of the Heartland banks as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Heartland banks must maintain minimum total risk-based, Tier 1 risk-based and Tier 1 leverage ratios as set forth in the following table. There are no conditions or events since that notification that management believes have changed each institution's category.

The Heartland banks' actual capital amounts and ratios are also presented in the table below.
(Dollars in thousands)

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2005						
Total Capital (to Risk-Weighted Assets)						
Consolidated	**$ 240,152**	**10.61%**	**181,028**	**8.0%**	**N/A**	
Dubuque Bank and Trust Company	71,477	10.80	52,969	8.0	66,212	10.0%
Galena State Bank and Trust Company	19,739	10.68	14,787	8.0	18,484	10.0
First Community Bank	10,372	11.41	7,271	8.0	9,088	10.0
Riverside Community Bank	16,451	11.02	11,937	8.0	14,922	10.0
Wisconsin Community Bank	33,895	11.11	24,400	8.0	30,500	10.0
New Mexico Bank & Trust	41,749	10.41	32,096	8.0	40,120	10.0
Arizona Bank & Trust	13,647	11.97	9,123	8.0	11,404	10.0
Rocky Mountain Bank	35,564	11.35	25,063	8.0	31,328	10.0
Tier 1 Capital (to Risk-Weighted Assets)						
Consolidated	**$ 209,968**	**9.28%**	**90,514**	**4.0%**	**N/A**	
Dubuque Bank and Trust Company	63,987	9.66	26,485	4.0	39,727	6.0%
Galena State Bank and Trust Company	17,535	9.49	7,394	4.0	11,091	6.0
First Community Bank	9,235	10.16	3,635	4.0	5,453	6.0
Riverside Community Bank	14,755	9.89	5,969	4.0	8,953	6.0
Wisconsin Community Bank	30,041	9.85	12,200	4.0	18,300	6.0
New Mexico Bank & Trust	37,178	9.27	16,048	4.0	24,072	6.0
Arizona Bank & Trust	12,445	10.91	4,561	4.0	6,842	6.0
Rocky Mountain Bank	31,647	10.10	12,531	4.0	18,797	6.0
Tier 1 Capital (to Average Assets)						
Consolidated	**$ 209,968**	**7.66%**	**$ 109,637**	**4.0%**	**N/A**	
Dubuque Bank and Trust Company	63,987	7.80	32,795	4.0	40,993	5.0%
Galena State Bank and Trust Company	17,535	7.34	9,562	4.0	11,952	5.0
First Community Bank	9,235	7.69	4,806	4.0	6,007	5.0
Riverside Community Bank	14,755	7.52	7,850	4.0	9,813	5.0
Wisconsin Community Bank	30,041	7.85	15,314	4.0	19,142	5.0
New Mexico Bank & Trust	37,178	7.12	20,900	4.0	26,125	5.0
Arizona Bank & Trust	12,445	9.74	5,113	4.0	6,392	5.0
Rocky Mountain Bank	31,647	8.34	15,185	4.0	18,981	5.0

(Dollars in thousands)

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2004						
Total Capital (to Risk-Weighted Assets)						
Consolidated	**$ 219,839**	**10.82%**	**$ 162,503**	**8.0%**	**N/A**	
Dubuque Bank and Trust Company	64,371	10.63	48,446	8.0	60,558	10.0%
Galena State Bank and Trust Company	19,288	12.31	12,530	8.0	15,662	10.0
First Community Bank	10,687	13.34	6,410	8.0	8,012	10.0
Riverside Community Bank	14,999	10.49	11,441	8.0	14,302	10.0
Wisconsin Community Bank	31,095	10.67	23,317	8.0	29,146	10.0
New Mexico Bank & Trust	37,716	10.55	28,607	8.0	35,759	10.0
Arizona Bank & Trust	13,017	17.90	5,817	8.0	7,271	10.0
Rocky Mountain Bank	33,295	11.97	22,250	8.0	27,813	10.0
Tier 1 Capital (to Risk-Weighted Assets)						
Consolidated	**$ 187,424**	**9.23%**	**$ 81,251**	**4.0%**	**N/A**	

Dubuque Bank and Trust Company	57,787	9.54	24,223	4.0	36,335	6.0%
Galena State Bank and Trust Company	17,539	11.20	6,265	4.0	9,397	6.0
First Community Bank	9,688	12.09	3,205	4.0	4,807	6.0
Riverside Community Bank	13,447	9.40	5,721	4.0	8,581	6.0
Wisconsin Community Bank	27,448	9.42	11,658	4.0	17,488	6.0
New Mexico Bank & Trust	33,484	9.36	14,304	4.0	21,456	6.0
Arizona Bank & Trust	12,246	16.84	2,908	4.0	4,363	6.0
Rocky Mountain Bank	29,811	10.72	11,125	4.0	16,688	6.0
Tier 1 Capital (to Average Assets)						
Consolidated	**$ 187,424**	**7.26%**	**$ 103,211**	**4.0%**	**N/A**	
Dubuque Bank and Trust Company	57,787	7.47	30,934	4.0	38,668	5.0%
Galena State Bank and Trust Company	17,539	7.70	9,116	4.0	11,395	5.0
First Community Bank	9,688	8.38	4,623	4.0	5,779	5.0
Riverside Community Bank	13,447	7.02	7,661	4.0	9,576	5.0
Wisconsin Community Bank	27,448	7.29	15,062	4.0	18,828	5.0
New Mexico Bank & Trust	33,484	7.51	17,840	4.0	22,300	5.0
Arizona Bank & Trust	12,246	13.98	3,503	4.0	4,379	5.0
Rocky Mountain Bank	29,811	8.19	14,567	4.0	18,209	5.0

The ability of Heartland to pay dividends to its stockholders is dependent upon dividends paid by its subsidiaries. The Heartland banks are subject to certain statutory and regulatory restrictions on the amount they may pay in dividends. To maintain acceptable capital ratios in the Heartland banks, certain portions of their retained earnings are not available for the payment of dividends. Retained earnings that could be available for the payment of dividends to Heartland totaled approximately $65.2 million as of December 31, 2005, under the most restrictive minimum capital requirements. Heartland's revolving credit agreement requires our bank subsidiaries to remain well capitalized. Retained earnings that could be available for the payment of dividends to Heartland totaled approximately $20.8 million as of December 31, 2005, under the capital requirements to remain well capitalized.

NINETEEN
FAIR VALUE OF FINANCIAL INSTRUMENTS

Following are disclosures of the estimated fair value of Heartland's financial instruments. The estimated fair value amounts have been determined using available market information and appropriate valuation methodologies. However, considerable judgment is necessarily required to interpret market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts Heartland could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

(Dollars in thousands)

	December 31, 2005		December 31, 2004	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets:				
Cash and cash equivalents	$ 81,021	$ 81,021	$ 73,749	$ 73,749
Time deposits in other financial institutions	-	-	1,178	1,178
Trading securities	515	515	521	521
Securities available for sale	527,252	527,252	552,763	552,763
Loans and leases, net of unearned	1,993,811	1,992,933	1,805,115	1,805,169
Derivatives	56	56	-	-
Financial Liabilities:				
Demand deposits	$ 352,707	$ 352,707	$ 323,014	$ 323,014
Savings deposits	754,360	754,360	750,870	750,870
Time deposits	1,011,111	1,011,111	909,962	911,672
Short-term borrowings	255,623	255,623	231,475	231,475
Other borrowings	220,871	220,584	196,193	204,232
Derivatives	143	143	566	566

Cash and Cash Equivalents and Time Deposits in Other Financial Institutions **-** The carrying amount is a reasonable estimate of fair value.

Securities **-** For securities either available for sale or trading, fair value equals quoted market price if available. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities.

Loans and Leases **-** The fair value of loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. The fair value of loans held for sale is estimated using quoted market prices.

Deposits - The fair value of demand deposits, savings accounts and certain money market deposits is the amount payable on demand at the reporting date. The fair value of fixed maturity certificates of deposit is estimated using the rates currently offered for deposits of similar remaining maturities.

Short-term and Other Borrowings **-** Rates currently available to Heartland for debt with similar terms and remaining maturities are used to estimate fair value of existing debt.

Commitments to Extend Credit, Unused Lines of Credit and Standby Letters of Credit - Based upon management’s analysis of the off balance sheet financial instruments, there are no significant unrealized gains or losses associated with these financial instruments based upon our review of the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties.

Derivatives - The fair value of all derivatives was estimated based on the amount that Heartland would pay or would be paid to terminate the contract or agreement, using current rates and, when appropriate, the current creditworthiness of the counter-party.

TWENTY
PARENT COMPANY ONLY FINANCIAL INFORMATION

Condensed financial information for Heartland Financial USA, Inc. is as follows:

BALANCE SHEETS
(Dollars in thousands)

	December 31, 2005	December 31, 2004
Assets:		
Cash and interest bearing deposits	$ 508	$ 1,311
Trading securities	515	521
Securities available for sale	2,164	1,155
Investment in subsidiaries	267,751	256,440
Other assets	13,518	7,837
Due from subsidiaries	35,000	24,400
Total assets	$ 319,456	$ 291,664
Liabilities and stockholders' equity:		
Short-term borrowings	$ 60,750	$ 43,000
Other borrowings	67,485	67,884
Accrued expenses and other liabilities	3,409	4,998
Total liabilities	131,644	115,882
Stockholders' equity:		
Common stock	16,547	16,547
Capital surplus	40,256	40,446
Retained earnings	135,112	117,800
Accumulated and other comprehensive income (loss)	(1,011)	2,889
Treasury stock	(3,092)	(1,900)
Total stockholders' equity	187,812	175,782
Total liabilities & stockholders equity	$ 319,456	$ 291,664

INCOME STATEMENTS
(Dollars in thousands)

	For the years ended December 31, 2005	2004	2003
Operating revenues:			
Dividends from subsidiaries	$ 12,250	$ 11,912	$ 13,310
Securities gains (losses), net	(5)	711	99
Gain (loss) on trading account securities	(11)	54	453
Impairment loss on equity securities	-	-	(317)
Other	2,197	865	853
Total operating revenues	14,431	13,542	14,398
Operating expenses:			
Interest	7,505	7,153	4,998
Salaries and benefits	798	48	617
Outside services	806	667	427
Other operating expenses	663	1,534	544
Minority interest expense	119	120	30
Total operating expenses	9,891	9,522	6,616
Equity in undistributed earnings	15,667	13,811	8,551
Income before income tax benefit	20,207	17,831	16,333
Income tax benefit	2,519	2,421	1,386
Net income	$ 22,726	$ 20,252	$ 17,719

STATEMENTS OF CASH FLOWS
(Dollars in thousands)

	For the years ended December 31, 2005	2004	2003
Cash flows from operating activities:			
Net income	$ 22,726	$ 20,252	$ 17,719
Adjustments to reconcile net income to net cash provided (used) by operating activities:			
Undistributed earnings of subsidiaries	(15,667)	(13,811)	(8,551)
(Increase) decrease in due from subsidiaries	(10,600)	(11,400)	4,250
Decrease in other liabilities	(1,589)	(386)	(4)
(Increase) decrease in other assets	(5,681)	979	(3,618)
(Increase) decrease in trading account securities	6	552	(158)
Other, net	2,336	1,093	825
Net cash provided (used) by operating activities	(8,469)	(2,721)	10,463
Cash flows from investing activities:			
Capital contributions to subsidiaries	-	(12,701)	(13,119)
Purchases of available for sale securities	(1,093)	(30)	(2,537)
Proceeds from sales of available for sale securities	200	3,451	2,093
Net cash used by investing activities	(893)	(9,280)	(13,563)
Cash flows from financing activities:			
Net change in short-term borrowings	17,750	18,000	-
Proceeds from other borrowings	-	26,074	21,119
Payments on other borrowings	-	(30,907)	(627)
Cash dividends paid	(5,414)	(5,036)	(4,096)
Purchase of treasury stock	(5,784)	(5,254)	(7,999)
Proceeds from sale of treasury stock	2,007	1,814	1,339
Net cash provided by financing activities	8,559	4,691	9,736
Net increase (decrease) in cash and cash equivalents	(803)	(7,310)	6,636
Cash and cash equivalents at beginning of year	1,311	8,621	1,985
Cash and cash equivalents at end of year	$ 508	$ 1,311	$ 8,621

TWENTY-ONE

SUMMARY OF QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

(Dollars in thousands, except per share data)

2005	**Dec. 31**	**Sept. 30**	**June 30**	**March 31**
Net interest income	$ 24,082	$ 23,677	$ 23,101	$ 22,007
Provision for loan and lease losses	2,169	1,395	1,636	1,364
Net interest income after provision for loan and lease losses	21,913	22,282	21,465	20,643
Noninterest income	10,687	11,143	10,040	9,715
Noninterest expense	24,612	24,190	23,459	22,751
Income taxes	2,224	2,943	2,640	2,343
Net income	$ 5,764	$ 6,292	$ 5,406	$ 5,264
Per share:				
Earnings per share-basic	$ 0.35	$ 0.38	$ 0.33	$ 0.32
Earnings per share-diluted	0.35	0.38	0.32	0.32
Cash dividends declared on common stock	0.09	0.08	0.08	0.08
Book value per common share	11.46	11.31	11.11	10.68
Market price - high	21.74	20.99	21.22	21.31
Market price - low	18.84	19.04	19.06	18.37
Weighted average common shares outstanding	16,367,210	16,398,747	16,420,073	16,479,244
Weighted average diluted common shares outstanding	16,659,995	16,693,661	16,722,383	16,704,808
Ratios:				
Return on average assets	0.82%	0.91%	0.81%	0.81%
Return on average equity	12.35	13.65	12.12	12.06
Net interest margin	3.97	3.99	4.03	3.97
Efficiency ratio	69.22	67.96	69.02	70.12

2004	**Dec. 31**	**Sept. 30**	**June 30**	**March 31**
Net interest income	$ 22,533	$ 20,467	$ 17,287	$ 16,843
Provision for loan and lease losses	1,446	1,053	991	1,356
Net interest income after provision for loan and lease losses	21,087	19,414	16,296	15,487
Noninterest income	9,851	8,681	9,588	9,721
Noninterest expense	22,015	22,693	19,212	18,016
Income taxes	2,330	1,384	2,097	2,126
Net income	$ 6,593	$ 4,018	$ 4,575	$ 5,066
Per share:				
Earnings per share-basic	$ 0.40	$ 0.24	$ 0.29	$ 0.33
Earnings per share-diluted	0.40	0.24	0.29	0.33
Cash dividends declared on common stock	0.08	0.08	0.08	0.08
Book value per common share	10.69	10.44	9.98	9.63
Market price - high	22.07	18.99	18.95	20.13
Market price - low	18.26	16.73	16.75	18.06
Weighted average common shares outstanding	16,339,343	16,420,197	15,597,584	15,167,212
Weighted average diluted common shares outstanding	16,579,602	16,663,051	15,836,341	15,425,803
Ratios:				
Return on average assets	1.00%	0.64%	0.84%	1.02%
Return on average equity	15.18	9.65	12.23	14.26
Net interest margin	3.99	3.81	3.71	3.94
Efficiency ratio	66.49	75.81	71.19	71.02

KPMG

KPMG LLP
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Des Moines, IA 50309

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders Heartland Financial USA,
Inc.:

We have audited the accompanying consolidated balance sheets of Heartland Financial, USA Inc. and subsidiaries (the Company) as of December 31, 2005 and 2004, and the related consolidated statements of income, changes. in stockholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2005. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Heartland Financial USA, Inc. and subsidiaries as of December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2005, in conformity with U.S, generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control---Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 8, 2006 expressed an unqualified opinion on management's assessment of, and the effective operation of, internal control over financial reporting.

KPMG LLP

Des Moines, Iowa
March 8, 2006

ITEM 9.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 9A.

CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Under the direction of our Chief Executive Officer and Chief Financial Officer, Heartland has evaluated the effectiveness of the design and operation of Heartland's disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) promulgated under the Securities and Exchange Act of 1934, as amended) as of December 31, 2005. Based on that evaluation, Heartland's management, including the Chief Executive Officer and Chief Financial Officer, concluded that Heartland's disclosure controls and procedures were effective in providing reasonable assurances that material information required to be disclosed is included on a timely basis in the reports we file with the Securities and Exchange Commission.

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Heartland's management is responsible for establishing and maintaining adequate internal control over financial reporting. Heartland's internal control system was designed to provide reasonable assurance to Heartland's management, board of directors and stockholders regarding the reliability of financial reporting and the preparation and fair presentation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. All internal control systems, no matter how well designed have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Heartland's management, under the supervision and with the participation of Heartland's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of Heartland's internal control over financial reporting based upon the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control -Integrated Framework* . Based on our assessment, Heartland's internal control over financial reporting was effective as of December 31, 2005.

KPMG LLP, the independent registered public accounting firm that audited Heartland's consolidated financial statements as of and for the year ended December 31, 2005, included herein, has issued an attestation report on management's assessment of Heartland's internal control over financial reporting. This report follows management's report.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes to Heartland's internal control over financial reporting during the quarter ended December 31, 2005, that materially affected, or are reasonably likely, to affect Heartland's internal control over financial reporting.

KPMG

KPMG LLP
2500 Ruan Center
666 Grand Avenue
Des Moines, IA 50309

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders Heartland Financial USA,
Inc.:

We have audited management's assessment, included in the accompanying Management's Report on Internal Control over Financial Reporting, that Heartland Financial USA, Inc, and subsidiaries (the Company) maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that Heartland Financial USA, Inc. and subsidiaries maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Also, in our opinion, Heartland Financial USA, Inc, maintained, in all material respects, effective internal control over financial reporting as of December 31, 20005, based on criteria established *in Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Heartland Financial USA, Inc. and subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of income, changes in stockholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2005, and our report dated March 8, 2006 expressed an unqualified opinion on those consolidated financial statements,

KPMG LLP

Des Moines, Iowa
March 8, 2006

ITEM 9B.

OTHER INFORMATION

None

PART III

ITEM 10.

DIRECTORS AND EXECUTIVE OFFICERS

The information in the Heartland Proxy Statement for the 2006 Annual Meeting of Stockholders to be held on May 17, 2006 (the "2006 Proxy Statement") under the caption "Election of Directors" and under the caption, "Security Ownership of Directors and Executive Officers and Certain Beneficial Owners" is incorporated by reference. The information regarding executive officers is included pursuant to Instruction 3 to Item 401 (b) and (c) of Regulation S-K and is noted below.

EXECUTIVE OFFICERS

The term of office for the executive officers of Heartland is from the date of election until the next annual organizational meeting of the board of directors. The names and ages of the executive officers of Heartland as of December 31, 2005, offices held by these officers on that date and other positions held with Heartland and its subsidiaries are set forth below.

Name	Age	Position with Heartland and Subsidiaries and Principal Occupation
Lynn B. Fuller	56	Chairman, President and Chief Executive Officer of Heartland; Vice Chairman of Dubuque Bank and Trust Company, Wisconsin Community Bank, New Mexico Bank & Trust, Arizona Bank & Trust, and Rocky Mountain Bank; Chairman of Citizens Finance Co., ULTEA, Inc. and HTLF Capital Corp.
John K. Schmidt	46	Director, Executive Vice President, Chief Operating Officer and Chief Financial Officer of Heartland; Vice Chairman of Dubuque Bank and Trust Company, Galena State Bank and Trust Company, First Community Bank and Riverside Community Bank; Director and Treasurer of Citizens Finance Co.; Treasurer of ULTEA, Inc.
Kenneth J. Erickson	54	Executive Vice President, Chief Credit Officer of Heartland; Executive Vice President, Lending, of Dubuque Bank and Trust Company; Vice Chairman of Citizens Finance Co. and ULTEA, Inc.
Edward H. Everts	54	Senior Vice President, Operations and Retail Banking, of Heartland; Senior Vice President, Operations and Retail Banking of Dubuque Bank and Trust Company
Douglas J. Horstmann	52	Senior Vice President, Lending, of Heartland; Director, President and Chief Executive Officer of Dubuque Bank and Trust Company
Paul J. Peckosh	60	Senior Vice President, Trust, of Heartland; Executive Vice President, Trust, of Dubuque Bank and Trust Company

Mr. Lynn B. Fuller is the brother-in-law of Mr. James F. Conlan, who is a director of Heartland. There are no other family relationships among any of the directors or executive officers of Heartland.

Lynn B. Fuller has been a Director of Heartland and of Dubuque Bank and Trust Company since 1984 and has been President of Heartland since 1987. Until 2004, Mr. Fuller had been a Director of Galena State Bank and Trust Company since its acquisition by Heartland in 1992, First Community Bank since the merger in 1994 and Riverside Community Bank since the opening of this *de novo* operation in 1995. He has been a Director of Wisconsin Community Bank since the purchase of Cottage Grove State Bank in 1997, New Mexico Bank & Trust since the opening of this *de novo* bank in 1998 and Arizona Bank & Trust since the opening of this *de novo* bank in 2003. Mr. Fuller joined Dubuque Bank and

Trust Company in 1971 as a consumer loan officer and was named Dubuque Bank and Trust Company's Executive Vice President and Chief Executive Officer in 1985. Mr. Fuller was President of Dubuque Bank and Trust Company from 1987 until 1999 at which time he was named Chief Executive Officer of Heartland.

John K. Schmidt has been a Director of Heartland since 2001. Mr. Schmidt has been Heartland's Executive Vice President and Chief Financial Officer since 1991. He has been employed by Dubuque Bank and Trust Company since 1984 and became Dubuque Bank and Trust Company's Vice President, Finance in 1986, Senior Vice President and Chief Financial Officer in January 1991, President and Chief Executive Officer in 1999 and Vice Chairman in 2004. Mr. Schmidt also was named Vice Chairman of Galena State Bank and Trust Company, First Community Bank and Riverside Community Bank in 2004. He is a certified public accountant and worked at KPMG LLP in Des Moines, Iowa, from 1982 until joining Dubuque Bank and Trust Company.

Kenneth J. Erickson was named Executive Vice President, Chief Credit Officer, of Heartland in 1999. Mr. Erickson has been employed by Dubuque Bank and Trust Company since 1975, and was appointed Vice President, Commercial Loans in 1985, Senior Vice President, Lending in 1989 and Executive Vice President in 2000. He was named Vice Chairman of Citizens Finance Co. and ULTEA, Inc. in 2004. Prior to 2004, Mr. Erickson was Senior Vice President at Citizens Finance Co. and ULTEA, Inc.

Edward H. Everts was appointed as Senior Vice President of Heartland in 1996. Mr. Everts has been employed by Dubuque Bank and Trust Company as Senior Vice President, Operations and Retail Banking since 1992. Prior to his service with Dubuque Bank and Trust Company, Mr. Everts was Vice President and Lead Retail Banking Manager of First Bank, Duluth, Minnesota.

Douglas J. Horstmann was named Senior Vice President of Heartland in 1999. Mr. Horstmann has been employed by Dubuque Bank and Trust Company since 1980, was appointed Vice President, Commercial Loans in 1985, Senior Vice President, Lending in 1989, Executive Vice President, Lending in 2000 and Director, President and Chief Executive Officer in 2004. Prior to joining Dubuque Bank and Trust Company, Mr. Horstmann was an examiner for the Iowa Division of Banking.

Paul J. Peckosh was appointed Senior Vice President of Heartland in 1999. Mr. Peckosh has been employed by Dubuque Bank and Trust Company since 1975, was appointed Assistant Vice President, Trust, in 1975, Vice President, Trust in 1980, Senior Vice President, Trust in 1991 and Executive Vice President, Trust in 2000. Mr. Peckosh is an attorney and graduated from the Marquette University of Law School in 1970.

ITEM 11.

EXECUTIVE COMPENSATION

The information in our 2006 Proxy Statement, under the caption "Executive Compensation" is incorporated by reference.

ITEM 12.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information in our 2006 Proxy Statement, under the caption "Security Ownership of Certain Beneficial Owners and Management" is incorporated by reference.

The table below sets forth the following information as of December 31, 2005 for (i) all compensation plans previously approved by Heartland's shareholders and (ii) all compensation plans not previously approved by Heartland's shareholders:

(a) the number of securities to be issued upon the exercise of outstanding options, warrants and rights;
(b) the weighted-average exercise price of such outstanding options, warrants and rights;
(c) other than securities to be issued upon the exercise of such outstanding options, warrants and rights, the number of securities remaining available for future issuance under the plans.

EQUITY COMPENSATION PLAN INFORMATION

	Number of securities to be issued upon exercise of outstanding options	Weighted-average exercise price of outstanding options	Number of securities available for future issuance
Equity compensation plans approved by	797,650	$12.82	1,365,710

security holders			
Equity compensation plans not approved by security holders	-	-	-
Total	797,650	$12.82	1,365,710 [1]

[1] Includes 865,710 shares available for use under the Heartland Long-Term Incentive Plan and 500,000 shares available for use under the Heartland Employee Stock Purchase Plan.

ITEM 13.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information in the 2006 Proxy Statement under the caption "Transactions with Management" is incorporated by reference.

ITEM 14.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information in the 2006 Proxy Statement under the caption “Relationship with Independent Auditors” is incorporated by reference.

PART IV

ITEM 15.

EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The documents filed as a part of this report are listed below:

3. Exhibits

The exhibits required by Item 601 of Regulation S-K are included along with this Form 10-K and are listed on the “Index of Exhibits” immediately following the signature page.

SIGNATURES

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on March 10, 2006.

Heartland Financial USA, Inc.

By:	/s/ Lynn B. Fuller	/s/ John K. Schmidt
	Lynn B. Fuller Principal Executive Officer	John K. Schmidt Executive Vice President and Principal Financial and Accounting Officer

Date: March 10, 2006

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on March 10, 2006.

/s/ Lynn B. Fuller	/s/ John K. Schmidt
Lynn B. Fuller President, CEO, Chairman and Director	John K. Schmidt Executive Vice President, CFO and Director
/s/ James F. Conlan	/s/ Mark C. Falb
James F. Conlan Director	Mark C. Falb Director
/s/ Thomas L. Flynn	/s/ John W. Cox, Jr.
Thomas L. Flynn Director	John W. Cox, Jr. Director
/s/ Ronald A. Larson	
Ronald A. Larson Director	

INDEX OF EXHIBITS

3.1 Certificate of Incorporation of Heartland Financial USA, Inc. (Filed as Exhibit 3.1 to the Registrant’s Form 10K filed on March 15, 2004, and incorporated by reference herein.)

3.2 Bylaws of Heartland Financial USA, Inc. (Filed as Exhibit 3.2 to the Registrant’s Form 10K filed on March 15, 2004, and incorporated by reference herein.)

4.1 Specimen Stock Certificate of Heartland Financial USA, Inc. (Filed as Exhibit 4.1 to the Registration Statement on Form S-4 filed with the Commission May 4, 1994, as amended (SEC File No. 33-76228) and incorporated by reference herein.)

10.1 Form of Split-Dollar Life Insurance Plan effective November 13, 2001, between the Heartland subsidiaries and their selected officers who have met the three years of service requirement. These plans are in place at Dubuque Bank and Trust Company, Galena State Bank and Trust Company, First Community Bank, Riverside Community Bank, Wisconsin Community Bank, New Mexico Bank & Trust and ULTEA, Inc. (Filed as Exhibit 10.4 to the Registrant’s Form 10K for the year ended December 31, 2002, and incorporated by reference herein.)

10.2 Indenture between Heartland Financial USA, Inc. and State Street Bank and Trust Company of Connecticut, National Association, dated as of December 18, 2001. (Filed as Exhibit 10.17 to Registrant’s Form 10K for the year ended December 31, 2001, and incorporated by reference herein.)

10.3 Indenture between Heartland Financial USA, Inc. and Wells Fargo Bank, National Association, dated as of June 27, 2002. (Filed as Exhibit 10.1 to the Registrant’s Form 10Q for the six months ended June 30, 2002, and incorporated by reference herein.)

10.4 Dividend Reinvestment Plan dated as of January 24, 2002. (Filed as Form S-3D on January 25, 2002, and incorporated by reference herein.)

10.5 Stockholder Rights Agreement between Heartland Financial USA, Inc., and Dubuque Bank and Trust Company, as Rights Agent, dated as of June 7, 2002. (Filed as Form 8-K on June 11, 2002, and incorporated by reference herein.)

10.6 Agreement to Organize and Stockholder Agreement between Heartland Financial USA, Inc. and Investors in the Proposed Arizona Bank dated February 1, 2003. (Filed as Exhibit 10.24 to Registrant’s Form 10K for the year ended December 31, 2002, and incorporated by reference herein.)

10.7 Supplemental Initial Investor Agreement between Heartland Financial USA, Inc. and Initial Investors in the Proposed Arizona Bank dated February 1, 2003. (Filed as Exhibit 10.25 to Registrant’s Form 10K for the year ended December 31, 2002, and incorporated by reference herein.)

10.8 Indenture by and between Heartland Financial USA, Inc. and U.S. Bank National Association, dated as of October 10, 2003. (Filed as Exhibit 10.1 to the Registrant’s Form 10Q for the nine months ended September 30, 2003, and incorporated by reference herein.)

10.9 Form of Executive Supplemental Life Insurance Plan effective January 20, 2004, between the Heartland subsidiaries and their selected officers. These plans are in place at Dubuque Bank and Trust Company, Galena State Bank and Trust Company, First Community Bank, Riverside Community Bank, Wisconsin Community Bank, New Mexico Bank & Trust and ULTEA, Inc. (Filed as Exhibit 10.16 to the Registrant’s Form 10K filed on March 15, 2004, and incorporated by reference herein.)

10.10 Credit Agreement among Heartland Financial USA, Inc., The Northern Trust Company, Harris Trust and Savings Bank and U.S. Bank National Association, dated as of January 31, 2004. (Filed as Exhibit 10.17 to the Registrant’s Form 10K filed on March 15, 2004, and incorporated by reference herein.)

10.11 First Amendment to Credit Agreement among Heartland Financial USA, Inc., The Northern Trust Company, Harris Trust and Savings Bank and U.S. Bank National Association, dated as of March 9, 2004.

10.12 Second Amendment to Credit Agreement among Heartland Financial USA, Inc., The Northern Trust Company, Harris Trust and Savings Bank and U.S. Bank National Association, dated as of July 1, 2004.

10.13 Third Amendment to Credit Agreement among Heartland Financial USA, Inc., The Northern Trust Company, Harris Trust and Savings

Bank and U.S. Bank National Association, dated as of January 30, 2005.

10.14 Heartland Financial USA, Inc. Policy on Director Fees and Policy on Expense Reimbursement For Directors. (Filed as Exhibit 10.14 to Registrant's Form 10K filed on March 15, 2005, and incorporated by reference herein.)

10.15 Fourth Amendment and Waiver to Credit Agreement among Heartland Financial USA, Inc., Harris Trust and Savings Bank and U.S. Bank National Association, dated as of March 1, 2005. (Filed as Exhibit 10.15 to Registrant's Form 10K filed on March 15, 2005, and incorporated by reference herein.)

10.16 Heartland Financial USA, Inc. 2005 Long-Term Incentive Plan. (Filed as Exhibit 10.01 to Registrant's Form 8K filed on May 19, 2005, and incorporated by reference herein.)

10.17 Heartland Financial USA, Inc. 2006 Employee Stock Purchase Plan effective January 1, 2006. (Filed as Exhibit 10.02 to Registrant's Form 8K filed on May 19, 2005, and incorporated by reference herein.)

10.18 Fifth Amendment and Waiver to Credit Agreement among Heartland Financial USA, Inc., Harris Trust and Savings Bank and U.S. Bank National Association, dated as of July 18, 2005.

10.19 Indenture by and between Heartland Financial USA, Inc. and Wells Fargo Bank, National Association, dated as of January 31, 2006.

10.20 Form of Agreement for Heartland Financial USA, Inc. 2005 Long-Term Incentive Plan Non-Qualified Stock Option Awards. (Filed as Exhibit 10.1 to Registrant's Form 8K filed on February 10, 2006, and incorporated by reference herein.)

10.21 Form of Agreement for Heartland Financial USA, Inc. 2005 Long-Term Incentive Plan Performance Restricted Stock Agreement.

10.22 Sixth Amendment and Waiver to Credit Agreement among Heartland Financial USA, Inc., Harris Trust and Savings Bank and U.S. Bank National Association, dated as of February 28, 2006.

10.23 Seventh Amendment and Waiver to Credit Agreement among Heartland Financial USA, Inc., Harris Trust and Savings Bank and U.S. Bank National Association, dated as of March 10, 2006.

11. Statement re Computation of Per Share Earnings

21.1 Subsidiaries of the Registrant

23.1 Consent of KPMG LLP

31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a).

31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a).

32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

FIRST AMENDMENT TO CREDIT AGREEMENT

THIS FIRST AMENDMENT TO CREDIT AGREEMENT (this "Amendment") dated as of March 9, 2004 is among HEARTLAND FINANCIAL USA, INC., a corporation formed under the laws of the State of Delaware (the "Borrower"), each of the banks party hereto (individually, a "Bank" and collectively, the "Banks") and THE NORTHERN TRUST COMPANY, as agent for the Banks (in such capacity, together with its successors in such capacity, the "Agent").

WHEREAS, the Borrower, the Agent and the Banks have entered into a Credit Agreement dated as of January 31, 2004 (the "Credit Agreement"); and

WHEREAS, the Borrower, the Agent and the Banks wish to amend the Credit Agreement to allow for an increase in the permitted Indebtedness in connection with an offering of Trust Preferred Securities by one of the Borrower's Subsidiaries (which is a Trust Issuer) and the incurrence of the Trust Indebtedness and Trust Guarantee by the Borrower relating to such Trust Preferred Securities, all as provided herein;

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Definitions. Terms defined in the Credit Agreement and not otherwise defined herein shall have the respective meanings given to them in the Credit Agreement and terms defined in the introductory paragraphs or other provisions of this Amendment shall have the respective meanings attributed to them therein. In addition, the following terms shall have the following meanings (terms defined in the singular having a correlative meaning when used in the plural and vice versa):

"Effective Date" shall mean March 9, 2004, if (i) this Amendment shall have been executed and delivered by the Borrower, the Agent and the Banks and (ii) the Borrower shall have performed its obligations under Section 3 hereof,

2. Amendment to Section 7.5(a) of the Credit Agreement. Section 7.5(a) of the Credit Agreement is hereby amended as of the Effective Date by deleting the dollar amount "$65,000,000" appearing in clause (vi) thereof and inserting in its place the dollar amount "$88,000,000".

3. Conditions to Effective Date, The occurrence of the Effective Date shall be subject to the satisfaction, on and as of the Effective Date, of the following conditions precedent:

(a) The Borrower, the Agent and the Majority Banks shall have executed and delivered this Amendment,

(b) No Default shall *have* occurred and be continuing under the Credit Agreement, and the representations and warranties of the Borrower in Section 6 of the Credit Agreement and in Section 7 hereof shall be true and correct on and as of the Effective Date and the Borrower shall have provided to the Agent a certificate of a senior officer of the Borrower to that effect.

(c) Each Guarantor shall acknowledge and consent to this Amendment for purposes of its Guaranty Agreement as evidenced by its signed acknowledgment of this Amendment on the signature page hereof.

(d) The Borrower shall have delivered to the Agent, on behalf of the Banks, such other documents as the Agent may reasonably request.

4. Effective Date Notice. Promptly following the occurrence of the Effective Date, the Agent shall give notice to the parties of the occurrence of the Effective Date, which notice shall be conclusive, and the parties may rely thereon; provided, that such notice shall not waive or otherwise limit any right or remedy of the Agent or the Banks arising out of any failure of any condition precedent set forth in Section 3 to be satisfied.

5. Termination, If the Effective Date shall not have occurred on or before March 19, 2004, the Agent on instruction of the Majority Banks may terminate this Amendment by notice in writing to the Borrower at any time before the occurrence of the Effective Date; provided, that the Borrower's obligations under Section 11 , shall survive any such termination,

6. Ratification, The parties agree that the Credit Agreement, as amended hereby, and the Notes have not lapsed or terminated, are in full force and effect, and are and from and after the Effective Date shall remain binding in accordance with their terms.

7. Representations and Warranties, The Borrower represents and warrants to the Agent and the Banks that:

(a) No Breach, The execution, delivery and performance of this Amendment will not conflict with or result in a breach of, or cause the creation of a Lien or require any consent under, the articles of incorporation or bylaws of the Borrower, or any applicable law or regulation, or any order, injunction or decree of any court or governmental authority or agency, or any agreement or instrument to which the Borrower is a party or by which it or its property is bound,

(b) Power and Action, Binding Effect. The Borrower has been duly incorporated and is validly existing as a corporation under the laws of the State of Delaware and has all necessary power and authority to execute, deliver and perform its obligations under this Amendment and the Credit Agreement, as amended by this Amendment; the execution, delivery and performance by the Borrower of this Amendment and the Credit Agreement, as amended by this Amendment, have been duly authorized by all necessary action on its part; and this Amendment and the Credit Agreement, as amended by this Amendment, have been duly and validly executed and delivered by the Borrower and constitute legal, valid and binding obligations, enforceable in accordance with their respective terms,

(c) Approvals, No authorizations, approvals or consents of, and no filings or registrations with, any governmental or regulatory authority or agency or any other person are necessary for the execution, delivery or performance by the Borrower of this Amendment or the Credit Agreement, as amended by this Amendment, or for the validity or enforceability thereof,

8. Successors and Assigns. This Amendment shall be binding upon and inure to the benefit of the Borrower, the Agent and the Banks and their respective successors and assigns, except that the Borrower may not transfer or assign any of its rights or interest hereunder.

9. Governing Law. This Amendment shall be governed by, and construed and interpreted in accordance with, the internal laws of the State of Illinois.

10. Counterparts. This Amendment may be executed in any number of counterparts and each party hereto may execute any one or more of such counterparts, all of which shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Amendment by telecopy shall be as effective as delivery of a manually executed counterpart of this Amendment.

11. Expenses. Whether or not the Effective Date shall occur, without limiting the obligations of the Borrower under the Credit Agreement, the Borrower agrees to pay, or to reimburse on demand, all reasonable costs and expenses incurred by the Agent in connection with the negotiation, preparation, execution, delivery, modification, amendment or enforcement of this Amendment, the Credit Agreement and the other agreements, documents and instruments referred to. herein, including the reasonable fees and expenses of Gardner Carton & Douglas LLP, special counsel to the Agent, and any other counsel engaged by the Agent.

[Signature Page Follows]

IN WITNESS WHEREOF, this Amendment has been executed as of the date first above written.

HEARTLAND FINANCIAL USA, INC.
By: /s/ John K. Schmidt
Name: John K. Schmidt
Title: EVP, CFO, COO

THE NORTHERN TRUST COMPANY,
As Agent

By: /s/ Thomas E. Bernhardt
Name: Thomas E. Bernhardt
Title: Vice President

BANKS:

THE NORTHERN TRUST COMPANY
By: /s/ Thomas E. Bernhardt
Name: Thomas E. Bernhardt
Title: Vice President

HARRIS TRUST AND SAVINGS BANK
By: /s/ Michael S. Cameli
Name: Michael S. Cameli
Title: Vice President

U.S. BANK NATIONAL ASSOCIATION
By: /s/ Jason R. Hall
Name: Jason R. Hall
Title: Assistant Vice President

GUARANTOR ACKNOWLEDGEMENT

Each of the undersigned Guarantors hereby acknowledges and consents to the Borrower's execution of this Amendment.

CITIZENS FINANCE CO.	**ULTEA, INC.**
By: /s/ John K. Schmidt	By: /s/ John K. Schmidt
Title: Treasurer	Title: Treasurer

CERTIFICATE

The undersigned as Executive Vice President, Chief Financial Officer and Chief Operating Officer of Heartland Financial USA, Inc., hereby certifies as follows:

1. No Default, as defined in the Credit Agreement among Heartland Financial USA, Inc. (the "Borrower"), certain banks and The Northern Trust Company as agent, as amended ("Credit Agreement") has occurred and is continuing.

2. The representations and warranties of the Borrower in Section 6 of the Credit Agreement and in Section 7 of the Fourth Amendment and Waiver to Credit Agreement dated as of March 1, 2005, are true and correct on and as of the date hereof.

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of March 1, 2005.

HEARTLAND FINANCIAL USA, INC.
By: /s/ John K. Schmidt
Name: John K. Schmidt
Title: EVP, CFO, COO

SECOND AMENDMENT TO CREDIT AGREEMENT

THIS SECOND AMENDMENT TO CREDIT AGREEMENT (this "Amendment") dated as of July 1, 2004 is among HEARTLAND FINANCIAL USA, INC., a corporation formed under the laws of the State of Delaware (the "Borrower"), each of the banks party hereto (individually, a "Bank" and collectively, the "Banks") and THE NORTHERN TRUST COMPANY, as agent for the Banks (in such capacity, together with its successors in such capacity, the "Agent").

WHEREAS, the Borrower, the Agent and the Banks have entered into a Credit Agreement dated as of January 31, 2004, as amended by that First Amendment to Credit Agreement dated as of March 9, 2004 (as so amended, the "Credit Agreement "); and

WHEREAS, the Borrower, the Agent and the Banks wish to amend the Credit Agreement in order to permit the Borrower to incur a $300,000 low interest loan from the City of Dubuque to fund certain building;

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Definitions. Terms defined in the Credit Agreement and not otherwise defined herein shall have the respective meanings given to them in the Credit Agreement and terms defined in the introductory paragraphs or other provisions of this Amendment shall have the respective meanings attributed to them therein.. In addition, the following terms shall have the following meanings (terms defined in the singular having a. correlative meaning when used in the plural and vice versa):

"Effective Date" shall mean July 1, 2004, if (i) this Amendment shall have been executed and delivered by the Borrower, the Agent and the Banks and (ii) the Borrower shall have performed its obligations under Section 3 , hereof.

2. Amendment to Section 7.5(a) of the Credit Agreement. Section 7.5(a) , of the Credit Agreement is hereby amended as of the Effective Date by the addition of the following new sub-section (viii) thereto:

(viii) in the case of the Borrower, indebtedness to the City of Dubuque, Iowa, in an amount not to exceed $300,000, to be used for the purpose of funding building improvements,

3. Conditions to Effective Date. The occurrence of the .Effective Date shall be subject to the satisfaction, on and as of the Effective Date, of the following conditions precedent:

(a) The Borrower, the Agent and the Majority Banks shall have executed and delivered this Amendment.

(b) No Default shall have occurred and be continuing under the Credit Agreement, and the representations and warranties of the Borrower in Section 6 of the Credit Agreement and in Section 7 hereof shall be true and correct on and as of the Effective Date and the Borrower shall have provided to the Agent a certificate of a senior officer of the Borrower to that effect,

(c) Each Guarantor shall acknowledge and consent to this Amendment for purposes of its Guaranty Agreement as evidenced by its signed acknowledgment of this Amendment on the signature page hereof.

(d) The Borrower shall have delivered to the Agent, on behalf of the Banks, such other documents as the Agent may reasonably request.

4. Effective Date Notice. Promptly following the occurrence of the Effective Date, the Agent shall give notice to the parties of the occurrence of the Effective Date, which notice shall be conclusive, and the parties may rely thereon; provided, that such notice shall not waive or otherwise limit any right or remedy of the Agent or the Banks arising out of any failure of any condition precedent set forth in Section 3 to be satisfied.

5. Termination. If the *Effective* Date shall not have occurred on or before August 31, 2004, the Agent on instruction of the Majority Banks may terminate this Amendment by notice in writing to the Borrower at any time, before the occurrence of the Effective Date; provided, that the Borrower's obligations under Section 11 shall survive any such termination.

6. Ratification, The parties agree that the Credit Agreement, as amended hereby, and the Notes have not lapsed or terminated, are in full force and effect, and are and from and after the Effective Date shall remain binding in accordance with their terms. .

7. Representations and Warranties. The Borrower represents and warrants to the Agent and the Banks that:

(a) No Breach. The execution, delivery and performance of this Amendment will not conflict with or result in a breach of, or cause the creation. of a Lien or require any consent under, the articles of incorporation or bylaws of the Borrower, or any applicable law or regulation, or any order, injunction or decree of any court or governmental authority or agency, or any agreement or instrument to which the Borrower is a party or by which it or its property is bound.

(b) Power and Action, Binding Effect. The Borrower has been duly incorporated and is validly existing as a corporation under the laws of the State of Delaware and has all necessary power and authority to execute, deliver and perform its obligations under this Amendment. and the Credit Agreement, as amended by this Amendment; the execution, delivery and performance by the Borrower of this Amendment and the Credit Agreement, as amended by this Amendment, have been duly authorized by all necessary action on its part; and this Amendment and the Credit Agreement, as amended by this Amendment, have been duly and validly executed and delivered by the Borrower and constitute legal, valid and binding obligations, enforceable in accordance with their respective terms.

(c) Approvals. No authorizations, approvals or consents of, and no filings or registrations with, any governmental or regulatory authority or agency or any other person are necessary for the execution, delivery or performance by the Borrower of this Amendment or the Credit Agreement, as amended by this Amendment, or for the validity or enforceability thereof.

8. Successors and Assigns. This Amendment shall be binding upon and inure to the benefit of the Borrower, the Agent and the Banks and their respective successors and assigns, except that the Borrower may not transfer or assign any of its rights or interest hereunder.

9. Governing Law. **This Amendment shall be governed by, and construed and interpreted in accordance with, the internal laws of the State of Illinois.**

10. Counterparts. This Amendment may be executed in any number of counterparts and each party hereto may execute any one or more of such counterparts, all of which shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Amendment by telecopy shall be as effective as delivery of a manually executed counterpart of this Amendment.

11. Expenses. Whether or not the Effective Date shall occur, without limiting the obligations of the Borrower under the Credit Agreement, the Borrower agrees to pay, or to reimburse on demand, all reasonable costs and expenses incurred by the Agent in connection with the negotiation, preparation, execution, delivery, modification, amendment or enforcement of this Amendment, the Credit Agreement and the other agreements, documents and instruments referred to herein, including the reasonable fees and expenses of Gardner Carton & Douglas LLP, special counsel to the Agent, and any other counsel engaged by the Agent.

[Signature Page Follows]

IN WITNESS WHEREOF, this Amendment has been executed as of the date first above written.

HEARTLAND FINANCIAL USA, INC.
By: /s/ John K. Schmidt
Name: John K. Schmidt
Title: EVP, CFO, COO

THE NORTHERN TRUST COMPANY,
As Agent

By: /s/ Thomas E. Bernhardt
Name: Thomas E. Bernhardt
Title: Vice President

BANKS:

THE NORTHERN TRUST COMPANY
By: /s/ Thomas E. Bernhardt
Name: Thomas E. Bernhardt
Title: Vice President

HARRIS TRUST AND SAVINGS BANK
By: /s/ Michael S. Cameli
Name: Michael S. Cameli
Title: Vice President

U.S. BANK NATIONAL ASSOCIATION
By: /s/ Jay Strunk
Name: Jay Strunk
Title: Assistant Vice President

GUARANTOR ACKNOWLEDGEMENT

Each of the undersigned Guarantors hereby acknowledges and consents to the Borrower's execution of this Amendment.

CITIZENS FINANCE CO.
By: /s/ John K. Schmidt
Title: Treasurer

ULTEA, INC.
By: /s/ John K. Schmidt
Title: Treasurer

CERTIFICATE

The undersigned as Executive Vice President, Chief Financial Officer and Chief Operating Officer of Heartland Financial USA, Inc., hereby certifies as follows:

1. No Default, as defined in the Credit Agreement among Heartland Financial USA, Inc. (the "Borrower"), certain banks and The Northern Trust Company as agent, as amended ("Credit Agreement") has occurred and is continuing.

2. The representations and warranties of the Borrower in Section 6 of the Credit Agreement and in Section 7 of the Fourth Amendment and Waiver to Credit Agreement dated as of March 1, 2005, are true and correct on and as of the date hereof.

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of March 1, 2005.

HEARTLAND FINANCIAL USA, INC.
By: /s/ John K. Schmidt
Name: John K. Schmidt
Title: EVP, CFO, COO

THIRD AMENDMENT AND WAIVER TO CREDIT AGREEMENT

THIS THIRD AMENDMENT AND WAIVER TO CREDIT AGREEMENT (this "Amendment") dated as of January 30, 2005 is among HEARTLAND FINANCIAL, USA, INC., a corporation formed under the laws of the State of Delaware (the "Borrower"), each of the banks party hereto (individually, a "Bank" and collectively, the "Banks") and THE NORTHERN TRUST COMPANY, as agent for the Banks (in such capacity, together with its successors in such capacity, the "Agent").

WHEREAS, the Borrower, the Agent and the Banks have entered into a Credit Agreement dated as of January 31, 2004 (as hereto amended, the "Credit Agreement"); and

WHEREAS, the Borrower, the Agent and the Banks wish to extend the maturity of the Credit Agreement;

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Definitions. Terms defined in the Credit Agreement and not otherwise defined herein shall have the respective meanings given to them in the Credit Agreement and terms defined in the introductory paragraphs or other provisions of this Amendment shall have the respective meanings attributed to them therein. In addition, the following terms shall have :the.. following meanings (terms defined in the singular having a correlative meaning when used in the plural and vice versa):

"Effective Date" shall mean January 30, 2005, if (1) this Amendment shall have been executed and delivered by the Borrower, the Agent and the Banks and (ii) the Borrower shall have performed its obligations under Section 4 hereof.

2. Amendment to Section 9 of the Credit Agreement. The definition of "Revolving Credit Commitment Termination Date" is hereby amended by the deletion of the date "January 30, 2005" and the substitution of the date "March 1, 2005" thereof.

3. Waiver. The Banks hereby waives any right to take action as a result of any breach of Section 7.5(a) of the Credit Agreement arising from the incurrence of Indebtedness under the Agreement to Organize and Stockholder Agreement dated February 1, 2003 and the Supplemental Initial Investor Agreement dated February 1, 2003.. This waiver shall he limited to its terms and shall not constitute a waiver of any other rights the Agent or the Banks may have from time to time.

4.. Conditions to Effective Date, The occurrence of the Effective Date shall be subject to the satisfaction of the following conditions precedent:

(a) The Borrower, the Agent and the Banks shall have executed and delivered this Amendment.

(b) No Default shall have occurred and be continuing under the Credit Agreement, and the representations and warranties of the Borrower in Section 6 of the Credit Agreement and in Section 7 hereof shall be true and correct on and as of the Effective Date and the Borrower shall have provided to the Agent a certificate of a senior officer of the Borrower to that effect.

(c) Each Guarantor shall acknowledge and consent to this Amendment for purposes of its Guaranty Agreement as evidenced by its signed acknowledgment of this Amendmént on the signature page hereof.

(d) The Borrower shall have delivered to the Agent, on behalf of the Banks, such other documents as the Agent may reasonably request.

5. Effective Date Notice. Promptly following the occurrence of the Effective Date, the Agent shall give notice to the parties of the occurrence of the Effective Date, which notice shall be conclusive, and the parties may rely thereon; provided, that such notice shall not waive or otherwise limit any right or remedy of the Agent or the Banks arising out of any failure of any condition precedent set forth in Section 4 to be satisfied.

6. Ratification. The parties agree that the Credit Agreement, as amended hereby, and the notes have not lapsed or terminated, are in full force and effect, and are and from and after., the Effective Date shall remain binding in accordance with their terms.

7. Representations and Warranties. The Borrower represents and warrants to the Agent and the Banks that:

(a) No Breach. The execution, delivery and performance of this Amendment will not conflict with or result in a breach of, or cause the creation of a Lien or require any consent under, the articles of incorporation or bylaws of the Borrower, or any applicable law or regulation, or any order, injunction or decree of any court or governmental authority or agency, or any agreement or instrument to which the Borrower is a party or by which it or its property is bound.

(b) Power and Action, Binding Effect. The Borrower has been duly incorporated and is validly existing as a corporation under the laws of the State of Delaware and has all necessary power and authority to execute, deliver and perform its obligations under this Amendment and the Credit Agreement, as amended by this Amendment; the execution, delivery and performance by the Borrower of this Amendment and the Credit Agreement, as amended by this Amendment, have been duly authorized by all necessary action on its part; and this Amendment and the Credit Agreement, as amended by this Amendment, have been. duly and validly executed and delivered by the Borrower and constitute. legal, valid and binding obligations, enforceable in accordance with their respective terms.

(c) Approvals. No authorizations, approvals or consents of, and no filings or registrations with, any governmental or regulatory authority or agency or any other person are necessary for the execution, delivery or performance by the Borrower of this Amendment or the Credit Agreement, as amended by this Amendment, or for the validity or enforceability thereof.

8. Successors and Assigns. This Amendment shall be binding upon and inure to the benefit of the Borrower, the Agent and the Banks and their respective successors and assigns, except that the Borrower may not transfer or assign any of its rights or interest hereunder.

9. Governing Law. This Amendment shall be governed by, and construed and interpreted in accordance with, the internal laws of the State of Illinois.

10. Counterparts. This Amendment may be executed in any number of counterparts and each party hereto may execute any one or more of such counterparts, all of which shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Amendment by telecopy shall be as effective as delivery of a manually executed counterpart of this amendment.

11. Expenses. Whether or not the effective date shall occur, without limiting the obligations of the Borrower under the Credit Agreement, the Borrower agrees to pay, or to reimburse on demand, all reasonable costs and expenses incurred by the Agent in connection with the negotiation, preparation, execution, delivery, modification, amendment or enforcement of this Amendment, the Credit Agreement and the other agreements, documents and instruments referred to herein, including the reasonable fees and expenses of Mayer, Brown, Rowe & Maw LLP, special counsel to the Agent, and any other counsel engaged by the Agent.

[Signature Page Follows]

IN WITNESS WHEREOF, this Amendment has been executed as of the date first above written.

HEARTLAND FINANCIAL USA, INC.
By: /s/ John K. Schmidt
Name: John K. Schmidt
Title: EVP, CFO, COO

THE NORTHERN TRUST COMPANY,
As Agent

By: /s/ Thomas E. Bernhardt
Name: Thomas E. Bernhardt
Title: Vice President

BANKS:

THE NORTHERN TRUST COMPANY
By: /s/ Thomas E. Bernhardt
Name: Thomas E. Bernhardt
Title: Vice President

HARRIS TRUST AND SAVINGS BANK
By: /s/ Michael S. Cameli
Name: Michael S. Cameli
Title: Vice President

U.S. BANK NATIONAL ASSOCIATION
By: /s/ Jay Strunk
Name: Jay Strunk
Title: Assistant Vice President

GUARANTOR ACKNOWLEDGEMENT

Each of the undersigned Guarantors hereby acknowledges and consents to the Borrower's execution of this Amendment.

CITIZENS FINANCE CO.
By: /s/ John K. Schmidt
Title: Treasurer

ULTEA, INC.
By: /s/ John K. Schmidt
Title: Treasurer

CERTIFICATE

The undersigned as Executive Vice President, Chief Financial Officer and Chief Operating Officer of Heartland Financial USA, Inc., hereby certifies as follows:

1. No Default, as defined in the Credit Agreement among Heartland Financial USA, Inc. (the "Borrower"), certain banks and The Northern Trust Company as agent, as amended ("Credit Agreement") has occurred and is continuing.

2. The representations and warranties of the Borrower in Section 6 of the Credit Agreement and in Section 7 of the Fourth Amendment and Waiver to Credit Agreement dated as of March 1, 2005, are true and correct on and as of the date hereof.

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of March 1, 2005.

HEARTLAND FINANCIAL USA, INC.
By: /s/ John K. Schmidt
Name: John K. Schmidt
Title: EVP, CFO, COO

FOURTH AMENDMENT AND WAIVER TO CREDIT AGREEMENT

THIS FOURTH AMENDMENT TO CREDIT AGREEMENT (this "Amendment") dated as of March 1, 2005 is among HEARTLAND FINANCIAL USA, INC., a corporation formed under the laws of the State of Delaware (the "Borrower"), each of the banks party hereto (individually, a "Bank" and collectively, the "Banks") and THE NORTHERN TRUST COMPANY, as agent for the Banks (in such capacity, together with its successors in such capacity, the "Agent").

WHEREAS, the Borrower, the Agent and the Banks have entered into a Credit Agreement dated as of January 31, 2004 (as hereto amended, the "Credit Agreement"); and

WHEREAS, the Borrower, the Agent and the Banks wish to extend the maturity of the Credit Agreement and make certain other amendments to the Credit Agreement;

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Definitions. Terms defined in the Credit Agreement and not otherwise defined herein shall have the respective meanings given to them in the Credit Agreement and terms defined in the introductory paragraphs or other provisions of this Amendment shall have the respective meanings attributed to them therein. In addition, the following terms shall have the following meanings (terms defined in the singular having a correlative meaning when used in the plural and vice versa):

"Effective Date" shall mean March 1, 2005, if (i) this Amendment shall have been executed and delivered by the Borrower, the Agent and the Banks and (ii) the Borrower shall have performed its obligations under Section 4 hereof.

2. Return on Assets. Section 7.4(e) of the Credit Agreement is hereby amended to state in its entirety as follows:

"(e) Return on Average Assets -Borrower. The Borrower's consolidated income shall be at least 0.70% of its average assets, calculated as at the last day of each fiscal quarter for the four fiscal quarter period ending on that date."

3. Indebtedness. Section 7.5 of the Credit Agreement is hereby amended to state in its entirety as follows:

"7.5 Indebtedness, Liens And Taxes, The Borrower and each Subsidiary shall:

(a) Indebtedness , . Not incur, permit to remain outstanding, assume or in any way become committed for Indebtedness (specifically including but not limited to Indebtedness in respect of money borrowed from financial institutions but excluding deposits), except: (i) in the case of the Borrower, Indebtedness incurred hereunder, and in the case of the Guarantors, under their respective Guaranty Agreement; (ii) Indebtedness existing on the date of this Agreement and described on Schedule *7.5(a)* hereof; (iii) Indebtedness of any Subsidiary arising in the ordinary course of the business of such Subsidiary; (iv) in the case of ULTEA, the US Bank Indebtedness outstanding on the date hereof in the principal amount of $11,418,871.69, less the aggregate amount of all repayments thereunder after the date of this Agreement; (v) in the case of CFC, Indebtedness under commercial paper issued by CFC which, together with any other commercial paper identified on Schedule 7,5(a) hereto, shall not exceed an aggregate principal amount of $20,000,000; (vu) in the case of the Borrower, Trust Indebtedness and Trust Guarantees, and in the case of any Trust Issuer, Trust Preferred Securities, provided, that the aggregate of such Trust Indebtedness (and the related Trust Guarantees and Trust Preferred Securities) shall not exceed $88,000,000 at any time outstanding; (vii) in the event any transfer or contribution of accounts receivable of ULTEA to a special purpose vehicle in accordance with Section 7,1(d is deemed to constitute a secured financing, Indebtedness of ULTEA to such special purpose vehicle, secured by the account receivables and related rights transferred to such special purpose vehicle only (the "Factored Receivables"), provided, that such Indebtedness shall not exceed an amount equal to $30,000,000 in the aggregate during the term of this Agreement; (viii) in the case of the Borrower, Indebtedness to the City of Dubuque, Iowa, in an amount not to exceed $300,000 to be used for the purpose 6f funding building improvements; (ix) in the case of the Borrower, Indebtedness in an aggregate amount not in excess of $2,750,000 under the Agreement to Organize and Stockholder Agreement dated February 1, 2003 and the Supplemental Initial Investor Agreement dated February I, 2003 and (x) additional Indebtedness not to exceed $1,000,00 at any time outstanding.

4. Revolving Credit Termination Date. The definition of "Revolving Credit Commitment Termination Date" is hereby amended by the deletion of the date "March 1, 2005" and the substitution of the date "February 28, 2006" thereof.

5. Conditions to Effective Date. The occurrence of the Effective Date shall be subject to the satisfaction of the following conditions precedent:

(a) The Borrower, the Agent and. the Banks shall have . executed and delivered, this Amendment.

(b) No Default shall have occurred and be continuing under the Credit Agreement, and the representations and warranties of the Borrower in Section 6 of the Credit Agreement and in Section 7 hereof shall be true and correct on and as of the Effective Date and the Borrower shall have provided to the Agent a certificate of a senior officer of the Borrower to that effect.

(e) Each Guarantor shall acknowledge and consent to this Amendment for purposes of its Guaranty Agreement as evidenced by its signed acknowledgment of this Amendment on the signature page hereof,

(d) The Borrower shall have delivered to the Agent, on behalf of the Banks, such other documents as the Agent may reasonably request.

6. Effective Date Notice. Promptly following the occurrence of the Effective Date, the Agent shall give notice to the parties of the occurrence of' the Effective Date, which notice shall be conclusive, and the parties may rely thereon; provided, that such notice shall not waive or otherwise limit any right or remedy of the Agent or the Banks arising out of any failure of any condition precedent set forth in Section 5 to be satisfied.

7. Ratification, The parties agree that the Credit Agreement, as amended hereby, and the notes have not lapsed or terminated, are in full force and effect, and are and from and after the Effective Date shall remain binding in accordance with their terms.

8. Representations and Warranties. The Borrower represents and warrants to the Agent and the Banks that:

(a) No Breach. The execution, delivery and performance of this Amendment will not conflict with or result in a breach of, or cause the creation of a Lien or require any consent under, the articles of incorporation or bylaws of the Borrower, or any applicable law or regulation, or any order, injunction or decree of any court or governmental authority or agency, or any agreement or instrument to which the Borrower is a party or by which it or its property is bound.

(b) Power and Action, Binding Effect. The Borrower has been duly incorporated and is validly existing as a corporation under the laws of the State of Delaware and has all necessary power and authority to execute, deliver and perform its obligations under this Amendment and the Credit Agreement, as amended by this Amendment; the execution, delivery and performance by the Borrower of this Amendment and the Credit Agreement, as amended by this Amendment, have been duly authorized by all necessary action on its part; and this Amendment and the Credit Agreement, as amended by this Amendment, have been duly and validly executed and delivered by the Borrower and constitute legal, valid and binding obligations, enforceable in accordance with their respective terms.

(c) Approvals. No authorizations, approvals or consents of, and no filings or registrations with, any governmental or regulatory authority or agency or any other person are necessary for the execution, delivery or performance by the Borrower of this Amendment or the Credit Agreement, as amended by this Amendment, or for the validity or enforceability thereof.

9. Successors and Assigns. This Amendment shall be binding upon and inure to the benefit of the Borrower, the Agent and the Banks and their respective successors and assigns, except that the Borrower may not transfer or assign any of its rights or interest hereunder.

10. Governing Law. **This Amendment shall be governed by, and construed and interpreted in accordance with, the internal laws of the State of Illinois.**

11. Counterparts . This Amendment may be executed in any number of counterparts and each party hereto may execute any one or more of such. counterparts, all of which shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Amendment by telecopy shall be as effective as delivery of a manually executed counterpart of this amendment.

12. Expenses. Whether or not the effective date shall occur, without limiting the obligations of the Borrower under the Credit Agreement, the Borrower agrees to pay, or to reimburse on demand, all reasonable costs and expenses incurred by the Agent in connection with the negotiation, preparation, execution, delivery, modi e Lion, amendment or enforcement of this Amendment, the Credit Agreement and the other agreements, documents and instruments referred to herein, including the reasonable fees and expenses of Mayer, Brown, Rowe & Maw LLP, special counsel to the Agent, and any other counsel engaged by the Agent,

[Signature Page Follows]

IN WITNESS WHEREOF, this Amendment has been executed as of the date first above written.

HEARTLAND FINANCIAL USA, INC.
By: /s/ John K. Schmidt
Name: John K. Schmidt
Title: EVP, CFO, COO

THE NORTHERN TRUST COMPANY
As Agent

By: /s/ Thomas E. Bernhardt
Name: Thomas E. Bernhardt
Title: Vice President

BANKS:

THE NORTHERN TRUST COMPANY
By: /s/ Thomas E. Bernhardt
Name: Thomas E. Bernhardt
Title: Vice President

HARRIS TRUST AND SAVINGS BANK
By: /s/ Michael S. Cameli
Name: Michael S. Cameli
Title: Vice President

U.S. BANK NATIONAL ASSOCIATION
By: /s/ Jay Strunk
Name: Jay Strunk
Title: Assistant Vice President

GUARANTOR ACKNOWLEDGEMENT

Each of the undersigned Guarantors hereby acknowledges and consents to the Borrower's execution of this Amendment.

CITIZENS FINANCE CO.	**ULTEA, INC.**
By: /s/ John K. Schmidt	By: /s/ John K. Schmidt
Title: Treasurer	Title: Treasurer

CERTIFICATE

The undersigned as Executive Vice President, Chief Financial Officer and Chief Operating Officer of Heartland Financial USA, Inc., hereby certifies as follows:

1. No Default, as defined in the Credit Agreement among Heartland Financial USA, Inc. (the "Borrower"), certain banks and The Northern Trust Company as agent, as amended ("Credit Agreement") has occurred and is continuing.

2. The representations and warranties of the Borrower in Section 6 of the Credit Agreement and in Section 7 of the Fourth Amendment and Waiver to Credit Agreement dated as of March 1, 2005, are true and correct on and as of the date hereof.

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of March 1, 2005.

HEARTLAND FINANCIAL USA, INC.
By: /s/ John K. Schmidt
Name: John K. Schmidt
Title: EVP, CFO, COO

FIFTH AMENDMENT AND WAIVER TO CREDIT AGREEMENT

THIS FIFTH AMENDMENT TO CREDIT AGREEMENT (this "Amendment") dated as of July I8, 2005 is among HEARTLAND FINANCIAL USA, INC., a corporation formed under the laws of the State of Delaware (the "Borrower"), each of the banks party hereto (individually, a "Bank" and collectively, the "Banks") and THE NORTHERN TRUST OMPANY, as agent for the Banks (in such capacity, together with its successors in such capacity, the "Agent").

WHEREAS, the Borrower, the Agent and the Banks have entered into a Credit Agreement dated as of January 31, 2004 (as hereto amended, the "Credit Agreement"); and

WHEREAS, the Borrower, the Agent and the Banks wish to make certain amendments to the Credit Agreement;

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Definitions. Terms defined in the Credit Agreement and not otherwise defined herein shall have the respective meanings given to them in the Credit Agreement and terms defined in the introductory paragraphs or other provisions of this Amendment shall have the respective meanings attributed to them therein. In addition, the following terms shall have the following meanings (terms defined in the singular having a correlative meaning when used in the plural and vice versa):

"Effective Date" shall mean July 18, 2005, if (i) this Amendment shall have been executed and delivered by the Borrowers the Agent and the Banks and (ii) the Borrower shall have performed its obligations under Section 5 hereof.

2. Indebtedness. ! Section 7.5 of the Credit Agreement is hereby amended to state in its entirety as follows:

"7,5 Indebtedness, Liens And Taxes, The Borrower and each Subsidiary shall:

(a) Indebtedness, Not incur, permit to remain outstanding, assume or in any way become committed for Indebtedness (specifically including but not limited to Indebtedness in respect of money borrowed from financial institutions but excluding deposits), except: (i) in the case of the Borrower, Indebtedness incurred hereunder, and in the case of the Guarantors, under their respective Guaranty Agreement; (ii) Indebtedness existing on the date of this Agreement and described on Schedule 7.5(a) hereof; (iii) Indebtedness of any Subsidiary arising in the ordinary course of the business of such Subsidiary; (iv) Indebtedness of any Subsidiary to the Borrower or any other Subsidiary; .(v) in the case of ULTEA, the US Bank Indebtedness outstanding on the date hereof in the principal amount of $11,418,871.69, less the aggregate amount of all repayments thereunder after the date of this Agreement; (vi). in. the case of CFC, Indebtedness under commercial paper issued by CFC which, together with any other commercial paper identified on Schedule 7.5(a) , hereto, shall not exceed an aggregate principal amount of $20,000,000; (vii) in the case of the Borrower, Trust Indebtedness and Trust Guarantees, and in the ease of any Trust Issuer, Trust Preferred Securities, provided, that the aggregate of such Trust Indebtedness (and the related Trust Guarantees and Trust Preferred Securities) shall not exceed $88,000,000 at any time outstanding; (viii) in the event any transfer or contribution of accounts receivable of ULTEA to a special purpose vehicle in accordance with Section 7.1(d) is deemed to constitute a secured financing, Indebtedness of ULTEA to such special purpose vehicle, secured by the account receivables and related rights transferred to such special purpose vehicle only (the "Factored Receivables"), provided, that such Indebtedness shall not exceed an amount equal to $30,000,000 in the aggregate during the term of this Agreement; (ix) in the case of the Borrower, Indebtedness to the City of Dubuque, Iowa, in an amount not to exceed $300,000 to be used for the purpose of funding building improvements; (x) in the case of the Borrower, Indebtedness in an aggregate amount not in excess of $2,750,000 under the Agreement to Organize and Stockholder Agreement dated February 1, 2003 and the Supplemental Initial Investor Agreement dated February 1, 2003 and (xi) additional Indebtedness not to exceed $1,000,000 at any time outstanding."

3 . Investments and Loans. Section 7.6 of the Credit Agreement is hereby amended to state in its entirety as follows:

"7.6 Investments and Loans. Neither the Borrower nor *any* Subsidiary shall make any loan, advance, extension of credit or capital contribution to, or purchase or otherwise acquire for a consideration, evidences of Indebtedness, capital stock or other securities of any Person, except that the Borrower and any Subsidiary may:

(a) purchase or otherwise acquire and own short-term money market items (specifically including but not limited to preferred. stock mutual funds);

(b) invest, by way of purchase of securities or capital contributions, in the Subsidiary Banks or any other bank or banks, and upon the Borrower's purchase or other acquisition of fifty percent (50%) or more of the stock of any bank, such bank shall thereupon become a "Subsidiary Bank" for all purposes under this Agreement;

(c) invest, by way of loan, advance, extension of credit (whether in the form of lease, conditional sales agreement, or otherwise), purchase of securities, capital contributions, or otherwise, in Subsidiaries other than banks or Subsidiary Banks, except that in no event shall the Borrower's aggregate equity investment in CFC and ULTEA exceed 15% of its Tangible Net Worth;

(d) invest, by way of purchase of securities or capital contributions, in other Persons so long as before and giving effect thereto no Default shall have occurred and be continuing and the investment is in compliance with the Bank Holding Company Act of 1956, as amended, and the existing regulations of the Board of Governors of the Federal Reserve System relating to bank holding companies;

(e) make any investment permitted by applicable governmental laws and regulations;

(f) with respect to DBT, issue a letter of credit for the benefit of the city of Dubuque for the purposes permitted in Section 7.5(d) hereof; and

(g) in the case of any Trust Issuer, purchase any Trust Indebtedness and, in the case of the Borrower, purchase any common securities of any Trust Issuer and issue any Trust Guarantees (in each case, in accordance with the other applicable provisions of this Agreement). .

Nothing in this Section 7.6 shall prohibit the Borrower or any Subsidiary Bank from making loans, advances, or other extensions of credit in the ordinary course of banking upon substantially the same terms as heretofore extended by them in such business or upon such terms as may at the time be customary in the banking business."

4. Waiver, The Banks hereby waive any rights they may have to take action arising from any breach by the Borrower, prior to the effectiveness of this Amendment, of its obligations under Sections .7.5 and 7,6 of the Credit Agreement, so long as such breach shall not be continuing after giving effect to this Amendment. This. waiver shall be limited to its terms and shall not constitute a waiver of any other. rights the Banks may have from time to time.

5. Conditions to Effective Date. The occurrence of the Effective Date shall be subject to the satisfaction of the following conditions precedent:

(a) The Borrower, the Agent and the Majority Banks shall have executed and delivered this Amendment,

(b) After giving effect to the waiver in Section 4 above, no Default shall have occurred and be continuing under the Credit Agreement, and the representations and warranties of the Borrower in Section 6 of the Credit Agreement and in Section 7 hereof shall be true and correct on and as of the Effective Date and the Borrower shall have provided to the Agent a certificate of a senior officer of the Borrower to that effect.

(c) Each Guarantor shall acknowledge and consent to this Amendment. for purposes of its Guaranty Agreement as evidenced by its signed acknowledgment of this Amendment on the signature page hereof.

(d) The Borrower shall have delivered to the. Agent, on behalf of the Banks, such other documents as the Agent may reasonably request.

6. Effective Date Notice. Promptly following the occurrence of the Effective Date, the Agent shall give notice to the parties of the occurrence of the Effective Date, which notice shall be conclusive, and the parties may rely thereon; provided, that such notice shall not waive or otherwise limit any right or remedy of the Agent or the Banks arising out of any failure of any condition precedent set forth in Section 5 to be satisfied.

7. Ratification. The parties agree that the Credit Agreement, as amended hereby, and the notes have not lapsed or terminated, are in full force and effect, and are and from and after the Effective. Date shall remain binding in accordance with their terms.

8. Representations and Warranties. The Borrower represents and warrants to the Agent and the Banks that:

(a) No Breach. The execution, delivery and performance of this Amendment will not conflict with or result in a breach of, or cause the creation of a Lien or require any consent under, the articles of incorporation or bylaws of the Borrower, or any applicable law or regulation, or any order, injunction or decree of any court or governmental authority or agency, or any agreement or instrument to which the Borrower is a party or by which it or its property is bound.

(b) Power and Action, Binding Effect. The Borrower has been duly incorporated and is validly existing as a corporation under the laws of the State of Delaware and has all necessary power and authority to execute, deliver. and perform its obligations under this Amendment and the Credit Agreement, as amended by this Amendment; the execution, delivery and performance by the Borrower of this Amendment. and the Credit Agreement, as amended by this Amendment, have been duly authorized by all necessary action on its part; and this Amendment and the Credit Agreement, as amended by this Amendment, have been duly and validly executed and delivered by the Borrower and constitute legal, valid and binding. obligations, enforceable in accordance with their respective terms.

(c) Approvals, No authorizations, approvals or consents of, and no filings or registrations with, any governmental or regulatory authority or agency or any other person are necessary for the execution, delivery or performance by the Borrower of this Amendment or the Credit Agreement, as amended by this Amendment, or for the validity or enforceability thereof.

9. Successors and Assigns. This Amendment shall be binding upon and inure to the benefit of the Borrower, the Agent and the Banks and their respective successors and assigns, except that the Borrower may not transfer or assign any of its rights or interest hereunder.

10. Governing Law. **This Amendment shall be governed by, and construed and interpreted in accordance with, the internal laws of the State of Illinois.**

11. Counterparts, This Amendment may be executed in any number of counterparts and each party hereto may execute any one or more of such counterparts, all of which shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Amendment by telecopy shall be as effective as delivery of a manually executed counterpart of this amendment.

12. Expenses. Whether or not the effective date shall occur, without limiting the obligations of the Borrower under the Credit Agreement, the Borrower agrees to pay, or to reimburse on demand, all reasonable costs and expenses incurred by the Agent in connection with the negotiation, preparation, execution, delivery, modification, amendment or enforcement of this Amendment, the Credit Agreement and the other agreements, documents and instruments referred to herein, including the reasonable fees and expenses of Mayer, Brown, Rowe & Maw LLP, special counsel to the Agent, and any other counsel engaged by the Agent.

[Signature Page Follows]

IN WITNESS WHEREOF, this Amendment has been executed as of the date first above written.

HEARTLAND FINANCIAL USA, INC.
By: /s/ John K. Schmidt
Name: John K. Schmidt
Title: EVP, CFO, COO

THE NORTHERN TRUST COMPANY,
As Agent

By: /s/ Lisa McDermott
Name: Lisa McDermott
Title: Vice President

BANKS:

THE NORTHERN TRUST COMPANY
By: /s/ Lisa McDermott
Name: Lisa McDermott
Title: Vice President

HARRIS N.A. (successor by merger with Harris Trust and Savings Bank)
By: /s/ Thomas J. Wilson
Name: Thomas J. Wilson
Title: Vice President

U.S. BANK NATIONAL ASSOCIATION
By: /s/ Neil J. Havlik
Name: Neil J. Havlik
Title: Correspondent Officer

GUARANTOR ACKNOWLEDGEMENT

Each of the undersigned Guarantors hereby acknowledges and consents to the Borrower's execution of this Amendment.

CITIZENS FINANCE CO.
By: /s/ John K. Schmidt
Title: Treasurer

ULTEA, INC.
By: /s/ John K. Schmidt
Title: Treasurer

CERTIFICATE

The undersigned as Executive Vice President, Chief Financial Officer and Chief Operating Officer of Heartland Financial USA, Inc., hereby certifies as follows:

1. No Default, as defined in the Credit Agreement among Heartland Financial USA, Inc. (the "Borrower"), certain banks and The Northern Trust Company as agent, as amended ("Credit Agreement") has occurred and is continuing.

2. The representations and warranties of the Borrower in Section 6 of the Credit Agreement and in Section 7 of the Fourth Amendment and Waiver to Credit Agreement dated as of March 1, 2005, are true and correct on and as of the date hereof.

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of March 1, 2005.

HEARTLAND FINANCIAL USA, INC.
By: /s/ John K. Schmidt
Name: John K. Schmidt
Title: EVP, CFO, COO

HEARTLAND FINANCIAL USA, INC .

as Issuer

INDENTURE

Dated as of January 31, 2006

WELLS FARGO BANK, NATIONAL ASSOCIATION

As Trustee

JUNIOR SUBORDINATED DEBT SECURITIES

Due April 7, 2036

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ARTICLE XIV

MISCELLANEOUS PROVISIONS

THIS INDENTURE, dated as of January 31, 2006, between Heartland Financial USA, Inc., a bank holding company incorporated in Delaware (hereinafter sometimes called the "Company"), and Wells Fargo Bank, National Association, a national banking association with its principal place of business in the State of Delaware, as trustee (hereinafter sometimes called the "Trustee").

W I T N E S S E T H:

WHEREAS, for its lawful corporate purposes, the Company has duly authorized the issuance of its Junior Subordinated Debt Securities due April 7, 2036 (the "Debt Securities") under this Indenture and to provide, among other things, for the execution and authentication, delivery and administration thereof, the Company has duly authorized the execution of this Indenture.

NOW, THEREFORE, in consideration of the premises, and the purchase of the Debt Securities by the holders thereof, the Company covenants and agrees with the Trustee for the equal and proportionate benefit of the respective holders from time to time of the Debt Securities as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01. Definitions .

The terms defined in this Section 1.01 (except as herein otherwise expressly provided or unless the context otherwise requires) for all purposes of this Indenture and of any indenture supplemental hereto shall have the respective meanings specified in this Section 1.01. All accounting terms used herein and not expressly defined shall have the meanings assigned to such terms in accordance with generally accepted accounting principles and the term "generally accepted accounting principles" means such accounting principles as are generally accepted in the United States at the time of any computation. The words "herein," "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

"Acceleration Event" shall have the meaning set forth in Section 5.01.

"Additional Interest" shall have the meaning set forth in Section 3.06.

"Additional Provisions" shall have the meaning set forth in Section 15.01.

"Applicable Depository Procedures" means, with respect to any transfer or transaction involving a Global Debenture or beneficial interest therein, the rules and procedures of the Depositary for such Global Debenture, in each case to the extent applicable to such transaction and as in effect from time to time.

"Authenticating Agent" means any agent or agents of the Trustee which at the time shall be appointed and acting pursuant to Section 6.12.

"Bankruptcy Law" means Title 11, U.S. Code, or any similar federal or state law for the relief of debtors.

"Board of Directors" means the board of directors or the executive committee or any other duly authorized designated officers of the Company.

"Board Resolution" means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification and delivered to the Trustee.

"Business Day" means any day other than a Saturday, Sunday or any other day on which banking institutions in Wilmington, Delaware or New York City are permitted or required by any applicable law or executive order to close.

"Calculation Agent" means the Person identified as "Trustee" in the first paragraph hereof with respect to the Debt Securities and the Institutional Trustee with respect to the Trust Securities.

"Capital Securities" means undivided beneficial interests in the assets of the Trust which are designated as "Capital Securities" and rank pari passu with Common Securities issued by the Trust; provided, however, that if an Event of Default has occurred and is continuing, the rights of holders of such Common Securities to payment in respect of distributions and payments upon liquidation, redemption and otherwise are subordinated to the rights of holders of such Capital Securities.

"Capital Securities Guarantee" means the guarantee agreement that the Company will enter into with Wells Fargo Bank, National Association or other Persons that operates directly or indirectly for the benefit of holders of Capital Securities of the Trust.

"Capital Treatment Event" means the receipt by the Company and the Trust of an Opinion of Counsel experienced in such matters to the effect that, as a result of any amendment to, or change in, the laws, rules or regulations of the United States or any political subdivision thereof or therein, or as the result of any official or administrative pronouncement or action or decision interpreting or applying such laws, rules or regulations, which amendment or change is effective or which pronouncement, action or decision is announced on or after the date of original issuance of the Debt Securities, there is more than an insubstantial risk that, within 90 days of the receipt of such opinion, the aggregate Liquidation Amount of the Capital Securities will not be eligible to be treated by the Company as "Tier 1 Capital" (or the then equivalent thereof) for purposes of the capital adequacy guidelines of the Federal Reserve or OTS, as applicable (or any successor regulatory authority with jurisdiction over bank, savings & loan or financial holding companies), as then in effect and applicable to the Company; provided , however , that the inability of the Company to treat all or any portion of the Liquidation Amount of the Capital Securities as Tier 1 Capital shall not constitute the basis for a Capital Treatment Event, if such inability results from the Company having cumulative preferred stock, minority interests in consolidated subsidiaries, or any other class of security or interest which the Federal Reserve or OTS, as applicable, may now or hereafter accord Tier 1 Capital treatment in excess of the amount which may now or hereafter qualify for treatment as Tier 1 Capital under applicable capital adequacy guidelines; provided further , however , that the distribution of the Debt Securities in connection with the liquidation of the Trust by the Company shall not in and of itself constitute a Capital Treatment Event unless such liquidation shall have occurred in connection with a Tax Event or an Investment Company Event.

"Certificate" means a certificate signed by any one of the principal executive officer, the principal financial officer or the principal accounting officer of the Company.

"Common Securities" means undivided beneficial interests in the assets of the Trust which are designated as "Common Securities" and rank pari passu with Capital Securities issued by the Trust; provided, however, that if an Event of Default has occurred and is continuing, the rights of holders of such Common Securities to payment in respect of distributions and payments upon liquidation, redemption and otherwise are subordinated to the rights of holders of such Capital Securities.

"Company" means Heartland Financial USA, Inc., a bank holding company incorporated in Delaware, and, subject to the provisions of Article XI, shall include its successors and assigns.

"Debt Security" or "Debt Securities" has the meaning stated in the first recital of this Indenture.

"Debt Security Register" has the meaning specified in Section 2.05.

"Declaration" means the Amended and Restated Declaration of Trust of the Trust dated as of January 31, 2006, as amended or supplemented from time to time.

"Default" means any event, act or condition that with notice or lapse of time, or both, would constitute an Event of Default.

"Defaulted Interest" has the meaning set forth in Section 2.08.

"Deferred Interest" has the meaning set forth in Section 2.11.

"Depositary" means an organization registered as a clearing agency under the Securities Exchange Act of 1934 that is designated as Depositary by the Company or any successor thereto. DTC will be the initial Depositary.

"Depositary Participant" means a broker, dealer, bank, other financial institution or other Person for whom from time to time the Depositary effects book-entry transfers and pledges of securities deposited with the Depositary.

"DTC" means The Depository Trust Company, a New York corporation.

"Event of Default" means any event specified in Section 5.01, which has continued for the period of time, if any, and after the giving of the notice, if any, therein designated.

"Extension Period" has the meaning set forth in Section 2.11.

"Federal Reserve" means the Board of Governors of the Federal Reserve System.

"Global Debenture" means a security that evidences all or part of the Debt Securities, the ownership and transfers of which shall be made through book entries by a Depositary.

"Indenture" means this instrument as originally executed or, if amended or supplemented as herein provided, as so amended or supplemented, or both.

"Initial Purchaser" means the initial purchaser of the Capital Securities.

"Institutional Trustee" has the meaning set forth in the Declaration.

"Interest Payment Date" means January 7, April 7, July 7 and October 7 of each year, commencing on April 7, 2006, during the term of this Indenture.

"Interest Payment Period" means the period from and including an Interest Payment Date, or in the case of the first Interest Payment Period, the original date of issuance of the Debt Securities, to, but excluding, the next succeeding Interest Payment Date or, in the case of the last Interest Payment Period, the Redemption Date, Special Redemption Date or Maturity Date, as the case may be.

"Interest Rate" means a per annum rate of interest, reset quarterly, equal to LIBOR, as determined on the LIBOR Determination Date immediately preceding each Interest Payment Date, plus 1.33%; provided, however, that the Interest Rate for any Interest Payment Period may not exceed the highest rate permitted by New York law, as the same may be modified by United States law of general application.

"Investment Company Event" means the receipt by the Company and the Trust of an Opinion of Counsel experienced in such matters to the effect that, as a result of a change in law or regulation or written change in interpretation or application of law or regulation by any legislative body, court, governmental agency or regulatory authority, there is more than an insubstantial risk that the Trust is or, within 90 days of the date of such opinion will be, considered an "investment company" that is required to be registered under the Investment Company Act of 1940, as amended, which change or prospective change becomes effective or would become effective, as the case may be, on or after the date of the original issuance of the Debt Securities.

"LIBOR" means the London Interbank Offered Rate for U.S. Dollar deposits in Europe as determined by the Calculation Agent according to Section 2.10(b).

"LIBOR Banking Day" has the meaning set forth in Section 2.10(b)(1).

"LIBOR Business Day" has the meaning set forth in Section 2.10(b)(1).

"LIBOR Determination Date" has the meaning set forth in Section 2.10(b).

"Liquidation Amount" means the liquidation amount of $1,000 per Trust Security.

"Maturity Date" means April 7, 2036.

"Notice" has the meaning set forth in Section 2.11.

"Officers' Certificate" means a certificate signed by the Chairman of the Board, the Vice Chairman, the President or any Vice President, and by the Chief Financial Officer, the Treasurer, an Assistant Treasurer, the Comptroller, an Assistant Comptroller, the Secretary or an Assistant Secretary of the Company, and delivered to the Trustee. Each such certificate shall include the statements provided for in Section 14.06 if and to the extent required by the provisions of such Section.

"Opinion of Counsel" means an opinion in writing signed by legal counsel, who may be an employee of or counsel to the Company, or may be other counsel reasonably satisfactory to the Trustee. Each such opinion shall include the statements provided for in Section 14.06 if and to the extent required by the provisions of such Section.

"OTS" means the Office of Thrift Supervision and any successor federal agency that is primarily responsible for regulating the activities of savings and loan holding companies.

"Outstanding" means when used with reference to Debt Securities, subject to the provisions of Section 7.04, means, as of any particular time, all Debt Securities authenticated and delivered by the Trustee or the Authenticating Agent under this Indenture, except

(a) Debt Securities theretofore canceled by the Trustee or the Authenticating Agent or delivered to the Trustee for cancellation;

(b) Debt Securities, or portions thereof, for the payment or redemption of which moneys in the necessary amount shall have been deposited in trust with the Trustee or with any Paying Agent (other than the Company) or shall have been set aside and segregated in trust by the Company (if the Company shall act as its own Paying Agent); provided , that, if such Debt Securities, or portions thereof, are to be redeemed prior to maturity thereof, notice of such redemption shall have been given as provided in Articles X and XIV or provision satisfactory to the Trustee shall have been made for giving such notice; and

(c) Debt Securities paid pursuant to Section 2.06 or in lieu of or in substitution for which other Debt Securities shall have been authenticated and delivered pursuant to the terms of Section 2.06 unless proof satisfactory to the Company and the Trustee is presented that any such Debt Securities are held by bona fide holders in due course.

"Paying Agent" has the meaning set forth in Section 3.04(e).

"Person" means any individual, corporation, limited liability company, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Predecessor Security" of any particular Debt Security means every previous Debt Security evidencing all or a portion of the same debt as that evidenced by such particular Debt Security; and, for the purposes of this definition, any Debt Security authenticated and delivered under Section 2.06 in lieu of a lost, destroyed or stolen Debt Security shall be deemed to evidence the same debt as the lost, destroyed or stolen Debt Security.

"Principal Office of the Trustee" means the office of the Trustee, at which at any particular time its corporate trust business shall be principally administered, which at all times shall be located within the United States and at the time of the execution of this Indenture shall be 919 Market Street, Suite 700, Wilmington, DE 19801.

"Redemption Date" has the meaning set forth in Section 10.01.

"Redemption Price" means 100% of the principal amount of the Debt Securities being redeemed plus accrued and unpaid interest on such Debt Securities to the Redemption Date or, in the case of a redemption due to the occurrence of a Special Event to the Special Redemption Date if such Special Redemption Date is on or after April 7, 2011.

"Responsible Officer" means, with respect to the Trustee, any officer within the Principal Office of the Trustee with direct responsibility for the administration of the Indenture, including any vice-president, any assistant vice-president, any secretary, any assistant secretary, the treasurer, any assistant treasurer, any trust officer or other officer of the Principal Office of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of that officer's knowledge of and familiarity with the particular subject.

"Securityholder," "holder of Debt Securities" or other similar terms, means any Person in whose name at the time a particular Debt Security is registered on the Debt Security Register.

"Senior Indebtedness" means, with respect to the Company, (i) the principal, premium, if any, and interest in respect of (A) indebtedness of the Company for money borrowed and (B) indebtedness evidenced by securities, debentures, notes, bonds or other similar instruments issued by the Company; (ii) all capital lease obligations of the Company; (iii) all obligations of the Company issued or assumed as the deferred purchase price of property, all conditional sale obligations of the Company and all obligations of the Company under any title retention agreement (but excluding trade accounts payable arising in the ordinary course of business); (iv) all obligations of the Company for the reimbursement of any letter of credit, any banker's acceptance, any security purchase facility, any repurchase agreement or similar arrangement, any interest rate swap, any other hedging arrangement, any obligation under options or any similar credit or other transaction; (v) all obligations of the type referred to in clauses (i) through (iv) above of other Persons for the payment of which the Company is responsible or liable as obligor, guarantor or otherwise; and (vi) all obligations of the type referred to in clauses (i) through (v) above of other Persons secured by any lien on any property or asset of the Company (whether or not such obligation is assumed by the Company), whether incurred on or prior to the date of this Indenture or thereafter incurred, unless (1) with the prior approval of the Federal Reserve or OTS, as applicable, if not otherwise generally approved, in the instrument creating or evidencing the same or pursuant to which the same is outstanding, it is provided that such obligations are not superior or are *pari passu* in right of payment to the Debt Securities; or (2) the Federal Reserve or OTS, as applicable, shall hereafter classify or otherwise recognize any such obligation as *pari passu* or subordinate to the Debt Securities.

"Special Event" means any of a Tax Event, an Investment Company Event or a Capital Treatment Event.

"Special Redemption Date" has the meaning set forth in Section 10.02.

"Special Redemption Price" means (1) if the Special Redemption Date is before April 7, 2011, One Hundred Five Percent (105%) of the principal amount of the Debt Securities to be redeemed plus any accrued and unpaid interest thereon to the date of such redemption or (2) if the Special Redemption Date is on or after April 7, 2011, the Redemption Price for such Special Redemption Date.

"Subsidiary" means, with respect to any Person, (i) any corporation, at least a majority of the outstanding voting stock of which is owned, directly or indirectly, by such Person or by one or more of its Subsidiaries, or by such Person and one or more of its Subsidiaries, (ii) any general partnership, joint venture or similar entity, at least a majority of the outstanding partnership or similar interests of which shall at the time be owned by such Person, or by one or more of its Subsidiaries, or by such Person and one or more of its Subsidiaries, and (iii) any limited partnership of which such Person or any of its Subsidiaries is a general partner. For the purposes of this definition, "voting stock" means shares, interests, participations or other equivalents in the equity interest (however designated) in such Person having ordinary voting power for the election of a majority of the directors (or the equivalent) of such Person, other than shares, interests, participations or other equivalents having such power only by reason of the occurrence of a contingency.

"Tax Event" means the receipt by the Company and the Trust of an Opinion of Counsel experienced in such matters to the effect that, as a result of any amendment to or change (including any announced prospective change) in the laws or any regulations thereunder of the United States or any political subdivision or taxing authority thereof or therein, or as a result of any official administrative pronouncement (including any private letter ruling, technical advice memorandum, regulatory procedure, notice or announcement (an "Administrative Action")) or judicial decision interpreting or applying such laws or regulations, regardless of whether such Administrative Action or judicial decision is issued to or in connection with a proceeding involving the Company or the Trust and whether or not subject to review or appeal, which amendment, clarification, change, Administrative Action or decision is enacted, promulgated or announced, in each case on or after the date of original issuance of the Debt Securities, there is more than an insubstantial risk that: (i) the Trust is, or will be within 90 days of the date of such opinion, subject to United States federal income tax with respect to income received or accrued on the Debt Securities; (ii) interest payable by the Company on the Debt Securities is not, or within 90 days of the date of such opinion, will not be, deductible by the Company, in whole or in part, for United States federal income tax purposes; or (iii) the Trust is, or will be within 90 days of the date of such opinion, subject to or otherwise required to pay, or required to withhold from distributions to holders of Trust Securities, more than a de minimis amount of other taxes (including withholding taxes), duties, assessments or other governmental charges.

"Trust" means Heartland Statutory Trust V, the Delaware statutory trust, or any other similar trust created for the purpose of issuing Capital Securities in connection with the issuance of Debt Securities under this Indenture, of which the Company is the sponsor.

"Trust Indenture Act" means the Trust Indenture Act of 1939, as amended from time-to-time, or any successor legislation.

"Trust Securities" means Common Securities and Capital Securities of Heartland Statutory Trust V.

"Trustee" means the Person identified as "Trustee" in the first paragraph hereof, and, subject to the provisions of Article VI hereof, shall also include its successors and assigns as Trustee hereunder.

"United States" means the United States of America and the District of Columbia.

"U.S. Person" has the meaning given to United States Person as set forth in Section 7701(a)(30) of the Internal Revenue Code of 1986, as amended.

ARTICLE II

DEBT SECURITIES

SECTION 2.01. Authentication and Dating .

Upon the execution and delivery of this Indenture, or from time to time thereafter, Debt Securities in an aggregate principal amount not in excess of $20,619,000 may be executed and delivered by the Company to the Trustee for authentication, and the Trustee shall thereupon authenticate and make available for delivery said Debt Securities to or upon the written order of the Company, signed by its Chairman of the Board of Directors, Vice Chairman, President or Chief Financial Officer or one of its Vice Presidents, without any further action by the Company hereunder. In authenticating such Debt Securities, and accepting the additional responsibilities under this Indenture in relation to such Debt Securities, the Trustee shall be entitled to receive, and (subject to Section 6.01) shall be fully protected in relying upon a copy of any Board Resolution or Board Resolutions relating thereto and, if applicable, an appropriate record of any action taken pursuant to such resolution, in each case certified by the Secretary or an Assistant Secretary or other officers with appropriate delegated authority of the Company as the case may be.

The Trustee shall have the right to decline to authenticate and deliver any Debt Securities under this Section if the Trustee, being advised by counsel, determines that such action may not lawfully be taken or if a Responsible Officer of the Trustee in good faith shall determine that such action would expose the Trustee to personal liability to existing Securityholders.

The definitive Debt Securities shall be typed, printed, lithographed or engraved on steel engraved borders or may be produced in any other manner, all as determined by the officers executing such Debt Securities, as evidenced by their execution of such Debt Securities.

SECTION 2.02. Form of Trustee's Certificate of Authentication.

The Trustee's certificate of authentication on all Debt Securities shall be in substantially the following form:

This is one of the Debt Securities referred to in the within-mentioned Indenture.

WELLS FARGO BANK, NATIONAL ASSOCIATION, not in its individual capacity but solely as trustee

By

Authorized Officer

SECTION 2.03. Form and Denomination of Debt Securities.

The Debt Securities shall be substantially in the form of Exhibit A hereto. The Debt Securities shall be in registered, certificated form without coupons and in minimum denominations of $100,000 and any multiple of $1,000 in excess thereof. The Debt Securities shall be numbered, lettered, or otherwise distinguished in such manner or in accordance with such plans as the officers executing the same may determine with the approval of the Trustee as evidenced by the execution and authentication thereof.

SECTION 2.04. Execution of Debt Securities.

The Debt Securities shall be signed in the name and on behalf of the Company by the manual or facsimile signature of its Chairman of the Board of Directors, Vice Chairman, President or Chief Financial Officer or one of its Executive Vice Presidents, Senior Vice Presidents or Vice Presidents, by facsimile or otherwise, and which need not be attested. Only such Debt Securities as shall bear thereon a certificate of authentication substantially in the form herein before recited, executed by the Trustee or the Authenticating Agent by the manual signature of an authorized officer, shall be entitled to the benefits of this Indenture or be valid or obligatory for any purpose. Such certificate by the Trustee or the Authenticating Agent upon any Debt Security executed by the Company shall be conclusive evidence that the Debt Security so authenticated has been duly authenticated and delivered hereunder and that the holder is entitled to the benefits of this Indenture.

In case any officer of the Company who shall have signed any of the Debt Securities shall cease to be such officer before the Debt Securities so signed shall have been authenticated and delivered by the Trustee or the Authenticating Agent, or disposed of by the Company, such Debt Securities nevertheless may be authenticated and delivered or disposed of as though the Person who signed such Debt Securities had not ceased to be such officer of the Company; and any Debt Security may be signed on behalf of the Company by such Persons as, at the actual date of the execution of such Debt Security, shall be the proper officers of the Company, although at the date of the execution of this Indenture any such person was not such an officer.

Every Debt Security shall be dated the date of its authentication.

SECTION 2.05. Exchange and Registration of Transfer of Debt Securities.

The Company shall cause to be kept, at the office or agency maintained for the purpose of registration of transfer and for exchange as provided in Section 3.02, a register (the "Debt Security Register") for the Debt Securities issued hereunder in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration and transfer of all Debt Securities as provided in this Article II. Such register shall be in written form or in any other form capable of being converted into written form within a reasonable time.

Debt Securities to be exchanged may be surrendered at the Principal Office of the Trustee or at any office or agency to be maintained by the Company for such purpose as provided in Section 3.02, and the Company shall execute, the Company or the Trustee shall register and the Trustee or the Authenticating Agent shall authenticate and make available for delivery in exchange therefor the Debt Security or Debt Securities which the Securityholder making the exchange shall be entitled to receive. Upon due presentment for registration of transfer of any Debt Security at the Principal Office of the Trustee or at any office or agency of the Company maintained for such purpose as provided in Section 3.02, the Company shall execute, the Company or the Trustee shall register and the Trustee or the Authenticating Agent shall authenticate and make available for delivery in the name of the transferee or transferees a new Debt Security for a like aggregate principal amount. Registration or registration of transfer of any Debt Security by the Trustee or by any agent of the Company appointed pursuant to Section 3.02, and delivery of such Debt Security, shall be deemed to complete the registration or registration of transfer of such Debt Security.

All Debt Securities presented for registration of transfer or for exchange or payment shall (if so required by the Company or the Trustee or the Authenticating Agent) be duly endorsed by, or be accompanied by, a written instrument or instruments of transfer in form satisfactory to the Company and either the Trustee or the Authenticating Agent duly executed by, the holder or such holder's attorney duly authorized in writing.

No service charge shall be made for any exchange or registration of transfer of Debt Securities, but the Company or the Trustee may require payment of a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in connection therewith.

The Company or the Trustee shall not be required to exchange or register a transfer of any Debt Security for a period of 15 days immediately preceding the date of selection of Debt Securities for redemption.

Notwithstanding the foregoing, Debt Securities may not be transferred except in compliance with the restricted securities legend set forth below, unless otherwise determined by the Company in accordance with applicable law, which legend shall be placed on each Debt Security:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS OR ANY OTHER APPLICABLE SECURITIES LAWS. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY ONLY (A) TO THE COMPANY, (B) PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON THE HOLDER REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (C) PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT TO AN "ACCREDITED INVESTOR" WITHIN THE MEANING OF SUBPARAGRAPH (a) (1), (2), (3) OR (7) OF RULE 501 UNDER THE SECURITIES ACT THAT IS ACQUIRING THE SECURITY FOR ITS OWN ACCOUNT, OR FOR THE ACCOUNT OF AN "ACCREDITED INVESTOR," FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO, OR FOR OFFER OR SALE IN CONNECTION WITH, ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT, OR (D) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE COMPANY'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSES (C) OR (D) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO IT IN ACCORDANCE WITH THE INDENTURE, A COPY OF WHICH MAY BE OBTAINED FROM THE COMPANY. THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES THAT IT WILL COMPLY WITH THE FOREGOING RESTRICTIONS.

THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES, REPRESENTS AND WARRANTS THAT IT WILL NOT ENGAGE IN HEDGING TRANSACTIONS INVOLVING THIS SECURITY UNLESS SUCH TRANSACTIONS ARE IN COMPLIANCE WITH THE SECURITIES ACT.

THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF ALSO AGREES, REPRESENTS AND WARRANTS THAT IT IS NOT AN EMPLOYEE BENEFIT, INDIVIDUAL RETIREMENT ACCOUNT OR OTHER PLAN OR ARRANGEMENT SUBJECT TO TITLE I OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), OR SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), (EACH A "PLAN"), OR

AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" BY REASON OF ANY PLAN'S INVESTMENT IN THE ENTITY AND NO PERSON INVESTING "PLAN ASSETS" OF ANY PLAN MAY ACQUIRE OR HOLD THIS SECURITY OR ANY INTEREST THEREIN, UNLESS SUCH PURCHASER OR HOLDER IS ELIGIBLE FOR THE EXEMPTIVE RELIEF AVAILABLE UNDER U.S. DEPARTMENT OF LABOR PROHIBITED TRANSACTION CLASS EXEMPTION 96-23,95-60,91-38,90-1 OR 84-14 OR ANOTHER APPLICABLE EXEMPTION OR ITS PURCHASE AND HOLDING OF THIS SECURITY IS NOT PROHIBITED BY SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE WITH RESPECT TO SUCH PURCHASE OR HOLDING. ANY PURCHASER OR HOLDER OF THIS SECURITY OR ANY INTEREST THEREIN WILL BE DEEMED TO HAVE REPRESENTED BY ITS PURCHASE AND HOLDING THEREOF THAT EITHER (i) IT IS NOT AN EMPLOYEE BENEFIT PLAN WITHIN THE MEANING OF SECTION 3(3) OF ERISA, OR A PLAN TO WHICH SECTION 4975 OF THE CODE IS APPLICABLE, A TRUSTEE OR OTHER PERSON ACTING ON BEHALF OF AN EMPLOYEE BENEFIT PLAN OR PLAN, OR ANY OTHER PERSON OR ENTITY USING THE ASSETS OF ANY EMPLOYEE BENEFIT PLAN OR PLAN TO FINANCE SUCH PURCHASE, OR (ii) SUCH PURCHASE WILL NOT RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE FOR WHICH THERE IS NO APPLICABLE STATUTORY OR ADMINISTRATIVE EXEMPTION.

IN CONNECTION WITH ANY TRANSFER, THE HOLDER OF THIS SECURITY WILL DELIVER TO THE COMPANY AND TRUSTEE SUCH CERTIFICATES AND OTHER INFORMATION AS MAY BE REQUIRED BY THE INDENTURE TO CONFIRM THAT THE TRANSFER COMPLIES WITH THE FOREGOING RESTRICTIONS.

THIS SECURITY WILL BE ISSUED AND MAY BE TRANSFERRED ONLY IN BLOCKS HAVING A PRINCIPAL AMOUNT OF NOT LESS THAN $100,000 AND MULTIPLES OF $1,000 IN EXCESS THEREOF. ANY ATTEMPTED TRANSFER OF THIS SECURITY IN A BLOCK HAVING A PRINCIPAL AMOUNT OF LESS THAN $100,000 SHALL BE DEEMED TO BE VOID AND OF NO LEGAL EFFECT WHATSOEVER. ANY SUCH PURPORTED TRANSFEREE SHALL BE DEEMED NOT TO BE THE HOLDER OF THIS SECURITY FOR ANY PURPOSE, INCLUDING, BUT NOT LIMITED TO, THE RECEIPT OF DISTRIBUTIONS ON THIS SECURITY, AND SUCH PURPORTED TRANSFEREE SHALL BE DEEMED TO HAVE NO INTEREST WHATSOEVER IN THIS SECURITY.

THIS OBLIGATION IS NOT A DEPOSIT AND IS NOT INSURED BY THE UNITED STATES OR ANY AGENCY OR FUND OF THE UNITED STATES, INCLUDING THE FEDERAL DEPOSIT INSURANCE CORPORATION (THE "FDIC"). THIS OBLIGATION IS SUBORDINATED TO THE CLAIMS OF DEPOSITORS AND THE CLAIMS OF GENERAL AND SECURED CREDITORS OF THE COMPANY, IS INELIGIBLE AS COLLATERAL FOR A LOAN BY THE COMPANY OR ANY OF ITS SUBSIDIARIES AND IS NOT SECURED.

SECTION 2.06. Mutilated, Destroyed, Lost or Stolen Debt Securities .

In case any Debt Security shall become mutilated or be destroyed, lost or stolen, the Company shall execute, and upon its written request the Trustee shall authenticate and deliver, a new Debt Security bearing a number not contemporaneously outstanding, in exchange and substitution for the mutilated Debt Security, or in lieu of and in substitution for the Debt Security so destroyed, lost or stolen. In every case the applicant for a substituted Debt Security shall furnish to the Company and the Trustee such security or indemnity as may be required by them to save each of them harmless, and, in every case of destruction, loss or theft, the applicant shall also furnish to the Company and the Trustee evidence to their satisfaction of the destruction, loss or theft of such Debt Security and of the ownership thereof.

The Trustee may authenticate any such substituted Debt Security and deliver the same upon the written request or authorization of any officer of the Company. Upon the issuance of any substituted Debt Security, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses connected therewith. In case any Debt Security which has matured or is about to mature or has been called for redemption in full shall become mutilated or be destroyed, lost or stolen, the Company may, instead of issuing a substitute Debt Security, pay or authorize the payment of the same (without surrender thereof except in the case of a mutilated Debt Security) if the applicant for such payment shall furnish to the Company and the Trustee such security or indemnity as may be required by them to save each of them harmless and, in case of destruction, loss or theft, evidence satisfactory to the Company and to the Trustee of the destruction, loss or theft of such Security and of the ownership thereof.

Every substituted Debt Security issued pursuant to the provisions of this Section 2.06 by virtue of the fact that any such Debt Security is destroyed, lost or stolen shall constitute an additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Debt Security shall be found at any time, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Debt Securities duly issued hereunder. All Debt Securities shall be held and owned upon the express condition that, to the extent permitted by applicable law, the foregoing provisions are exclusive with respect to the replacement or payment of mutilated, destroyed, lost or stolen Debt Securities and shall preclude any and all other rights or remedies notwithstanding any law or statute existing or hereafter enacted to the contrary with respect to the replacement or payment of negotiable instruments or other securities without their surrender.

SECTION 2.07. Temporary Debt Securities .

Pending the preparation of definitive Debt Securities, the Company may execute and the Trustee shall authenticate and make available for delivery temporary Debt Securities that are typed, printed or lithographed. Temporary Debt Securities shall be issuable in any authorized denomination, and substantially in the form of the definitive Debt Securities but with such omissions, insertions and variations as may be appropriate for temporary Debt Securities, all as may be determined by the Company. Every such temporary Debt Security shall be executed by the Company and be authenticated by the Trustee upon the same conditions and in substantially the same manner, and with the same effect, as the definitive Debt Securities. Without unreasonable delay, the Company will execute and deliver to the Trustee or the Authenticating Agent definitive Debt Securities and thereupon any or all temporary Debt Securities may be surrendered in exchange therefor, at the Principal Office of the Trustee or at any office or agency maintained by the Company for such purpose as provided in Section 3.02, and the Trustee or the Authenticating Agent shall authenticate and make available for delivery in exchange for such temporary Debt Securities a like aggregate principal amount of such definitive Debt Securities. Such exchange shall be made by the Company at its own expense and without any charge therefor except that in case of any such exchange involving a registration of transfer the Company may require payment of a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto. Until so exchanged, the temporary Debt Securities shall in all respects be entitled to the same benefits under this Indenture as definitive Debt Securities authenticated and delivered hereunder.

SECTION 2.08. Payment of Interest .

Each Debt Security will bear interest at the then applicable Interest Rate from and including each Interest Payment Date or, in the case of the first Interest Payment Period, the original date of issuance of such Debt Security to, but excluding, the next succeeding Interest Payment Date or, in the case of the last Interest Payment Period, the Redemption Date, Special Redemption Date or Maturity Date, as applicable, on the principal thereof, on any overdue principal and (to the extent that payment of such interest is enforceable under applicable law) on Deferred Interest and on any overdue installment of interest (including Defaulted Interest), payable (subject to the provisions of Article XV) on each Interest Payment Date commencing on April 7, 2006. Interest and any Deferred Interest on any Debt Security that is payable, and is punctually paid or duly provided for by the Company, on any Interest Payment Date shall be paid to the Person in whose name said Debt Security (or one or more Predecessor Securities) is registered at the close of business on the regular record date for such interest installment, except that interest and any Deferred Interest payable on the Maturity Date, the Redemption Date or the Special Redemption Date, as the case may be, shall be paid to the Person to whom principal is paid. In (i) case the Maturity Date of any Debt Security or (ii) the event that any Debt Security or portion thereof is called for redemption and the redemption date is subsequent to a regular record date with respect to any Interest Payment Date and either on or prior to such Interest Payment Date, interest on such Debt Security will be paid upon presentation and surrender of such Debt Security.

Any interest on any Debt Security, other than Deferred Interest, that is payable, but is not punctually paid or duly provided for by the Company, on any Interest Payment Date (herein called "Defaulted Interest") shall forthwith cease to be payable to the registered holder on the relevant regular record date by virtue of having been such holder, and such Defaulted Interest shall be paid by the Company to the Persons in whose names such Debt Securities (or their respective Predecessor Securities) are registered at the close of business on a special record date for the payment of such Defaulted Interest, which shall be fixed in the following manner: the Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each such Debt Security and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements reasonably satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this clause provided. Thereupon the Trustee shall fix a special record date for the payment of such Defaulted Interest which shall not be more than fifteen nor less than ten days prior to the date of the proposed payment and not less than ten days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such special record date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the special record date therefor to be mailed, first class postage prepaid, to each Securityholder at his or her address as it appears in the Debt Security Register, not less than ten days prior to such special record date. Notice of the proposed payment of such Defaulted Interest and the special record date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the Persons in whose names such Debt Securities (or their respective Predecessor Securities) are registered on such special record date and thereafter the Company shall have no further payment obligation in respect of the Defaulted Interest.

Any interest scheduled to become payable on an Interest Payment Date occurring during an Extension Period shall not be Defaulted Interest and shall be payable on such other date as may be specified in the terms of such Debt Securities.

The term "regular record date" as used in this Section shall mean the fifteenth day prior to the applicable Interest Payment Date, whether or not such date is a Business Day.

Subject to the foregoing provisions of this Section, each Debt Security delivered under this Indenture upon registration of transfer of or in exchange for or in lieu of any other Debt Security shall carry the rights to interest accrued and unpaid, and to accrue, that were carried by such other Debt Security.

SECTION 2.09. Cancellation of Debt Securities Paid, etc.

All Debt Securities surrendered for the purpose of payment, redemption, exchange or registration of transfer, shall, if surrendered to the Company or any Paying Agent, be surrendered to the Trustee and promptly canceled by it, or, if surrendered to the Trustee or any Authenticating Agent, shall be promptly canceled by it, and no Debt Securities shall be issued in lieu thereof except as expressly permitted by any of the provisions of this Indenture. All Debt Securities canceled by any Authenticating Agent shall be delivered to the Trustee. The Trustee shall destroy all canceled Debt Securities unless the Company otherwise directs the Trustee in writing, in which case the Trustee shall dispose of such Debt Securities as directed by the Company. If the Company shall acquire any of the Debt Securities, however, such acquisition shall not operate as a redemption or satisfaction of the indebtedness represented by such Debt Securities unless and until the same are surrendered to the Trustee for cancellation.

SECTION 2.10. Computation of Interest .

(a) The amount of interest payable for any Interest Payment Period will be computed on the basis of a 360-day year and the actual number of days elapsed in the relevant interest period; provided , however , that upon the occurrence of a Special Event Redemption pursuant to Section 10.02 the amounts payable pursuant to this Indenture shall be calculated as set forth in the definition of Special Redemption Price.

(b) LIBOR, for any Interest Payment Period, shall be determined by the Calculation Agent in accordance with the following provisions:

(1) On the second LIBOR Business Day (provided, that on such day commercial banks are open for business (including dealings in foreign currency deposits) in London (a "LIBOR Banking Day"), and otherwise the next preceding LIBOR Business Day that is also a LIBOR Banking Day) prior to the January 15, April 15, July 15 and October 15 immediately succeeding the commencement of such Interest Payment Period (or, with respect to the first Interest Payment Period, on January 27, 2006) (each such day, a "LIBOR Determination Date" for such Interest Payment Period), the Calculation Agent shall obtain the rate for three-month U.S. Dollar deposits in Europe, which appears on Telerate Page 3750 (as defined in the International Swaps and Derivatives Association, Inc. 2000 Interest Rate and Currency Exchange Definitions) or such other page as may replace such Telerate Page 3750 on the Moneyline Telerate, Inc. service (or such other service or services as may be nominated by the British Banker's Association as the information vendor for the purpose of displaying London interbank offered rates for U.S. dollar deposits), as of 11:00 a.m. (London time) on such LIBOR Determination Date, and the rate so obtained shall be LIBOR for such Interest Payment Period. "LIBOR Business Day" means any day that is not a Saturday, Sunday or other day on which commercial banking institutions in The City of New York or Wilmington, Delaware are authorized or obligated by law or executive order to be closed. If such rate is superseded on Telerate Page 3750 by a corrected rate before 12:00 noon (London time) on the same LIBOR Determination Date, the corrected rate as so substituted will be LIBOR for that Interest Payment Period.

(2) If, on any LIBOR Determination Date, such rate does not appear on Telerate Page 3750 or such other page as may replace such Telerate Page 3750 on the Moneyline Telerate, Inc. service (or such other service or services as may be nominated by the British Banker's Association as the information vendor for the purpose of displaying London interbank offered rates for U.S. dollar deposits), the Calculation Agent shall determine the arithmetic mean of the offered quotations of the Reference Banks (as defined below) to leading banks in the London Interbank market for three-month U.S. Dollar deposits in Europe (in an amount determined by the Calculation Agent) by reference to requests for quotations as of approximately 11:00 a.m. (London time) on the LIBOR Determination Date made by the Calculation Agent to the Reference Banks. If, on any LIBOR Determination Date, at least two of the Reference Banks provide such quotations, LIBOR shall equal the arithmetic mean of such quotations. If, on any LIBOR Determination Date, only one or none of the Reference Banks provide such a quotation, LIBOR shall be deemed to be the arithmetic mean of the offered quotations that at least two leading banks in the City of New York (as selected by the Calculation Agent) are quoting on the relevant LIBOR Determination Date for three-month U.S. Dollar deposits in Europe at approximately 11:00 a.m. (London time) (in an amount determined by the Calculation Agent). As used herein, "Reference Banks" means four major banks in the London Interbank market selected by the Calculation Agent.

(3) If the Calculation Agent is required but is unable to determine a rate in accordance with at least one of the procedures provided above, LIBOR for the applicable Interest Payment Period shall be LIBOR in effect for the immediately preceding Interest Payment Period.

(c) All percentages resulting from any calculations on the Debt Securities will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with five one-millionths of a percentage point rounded upward (e.g., 9.876545% (or .09876545) being rounded to 9.87655% (or .0987655)), and all dollar amounts used in or resulting from such calculation will be rounded to the nearest cent (with one-half cent being rounded upward).

(d) On each LIBOR Determination Date, the Calculation Agent shall notify, in writing, the Company and the Paying Agent of the applicable Interest Rate in effect for the related Interest Payment Period. The Calculation Agent shall, upon the request of the holder of any Debt Securities, provide the Interest Rate then in effect. All calculations made by the Calculation Agent in the absence of manifest error shall be conclusive for all purposes and binding on the Company and the holders of the Debt Securities. The Paying Agent shall be entitled to rely on information received from the Calculation Agent or the Company as to the Interest Rate. The Company shall, from time to time, provide any necessary information to the Paying Agent relating to any original issue discount and interest on the Debt Securities that is included in any payment and reportable for taxable income calculation purposes.

SECTION 2.11. Extension of Interest Payment Period.

So long as no Event of Default has occurred and is continuing, the Company shall have the right, from time to time and without causing an Event of Default, to defer payments of interest on the Debt Securities by extending the interest distribution period on the Debt Securities at any time and from time to time during the term of the Debt Securities, for up to twenty consecutive quarterly periods (each such extended interest distribution period, an "Extension Period"), during which Extension Period no interest shall be due and payable (except any Additional Interest that may be due and payable). No Extension Period may end on a date other than an Interest Payment Date or extend beyond the Maturity Date, any Redemption Date or any Special Redemption Date, as the case may be. During any Extension Period, interest will continue to accrue on the Debt Securities, and interest on such accrued interest (such accrued interest and interest thereon referred to herein as "Deferred Interest") will accrue at an annual rate equal to the Interest Rate applicable during such Extension Period, compounded quarterly from the date such Deferred Interest would have been payable were it not for the Extension Period, to the extent permitted by law. No interest or Deferred Interest shall be due and payable during an Extension Period, except at the end thereof. At the end of any such Extension Period the Company shall pay all Deferred Interest then accrued and unpaid on the Debt Securities; provided, however, that no Extension Period may extend beyond the Maturity Date; and provided further, however, that during any such Extension Period, the Company shall be subject to the restrictions set forth in Section 3.08 of this Indenture. Prior to the termination of any Extension Period, the Company may further extend such period, provided, that such period together with all such previous and further consecutive extensions thereof shall not exceed twenty consecutive quarterly periods, or extend beyond the Maturity Date. Upon the termination of any Extension Period and upon the payment of all Deferred Interest, the Company may commence a new Extension Period, subject to the foregoing requirements. The Company must give the Trustee notice of its election to begin such Extension Period ("Notice") at least five Business Days prior to the next succeeding Interest Payment Date on which interest on the Debt Securities would have been payable except for the election to begin such Extension Period. The Notice shall describe, in reasonable detail, why the Company has elected to begin an Extension Period. The Notice shall acknowledge and affirm the Company's understanding that it is prohibited from issuing dividends and other distributions during the Extension Period. Upon receipt of the Notice, an Initial Purchaser shall have the right, at its sole discretion, to disclose the name of the Company, the fact that the Company has elected to begin an Extension Period and other information that such Initial Purchaser, at its sole discretion, deems relevant to the Company's election to begin an Extension Period. The Trustee shall give notice of the Company's election to begin a new Extension Period to the Securityholders.

SECTION 2.12. CUSIP Numbers.

The Company in issuing the Debt Securities may use a "CUSIP" number (if then generally in use), and, if so, the Trustee shall use a "CUSIP" number in notices of redemption as a convenience to Securityholders; provided, that any such notice may state that no representation is made as to the correctness of such number either as printed on the Debt Securities or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Debt Securities, and any such redemption shall not be affected by any defect in or omission of such numbers. The Company will promptly notify the Trustee in writing of any change in the CUSIP number.

SECTION 2.13. Global Debentures.

(a) Upon the election of the holder of Outstanding Debt Securities, which election need not be in writing, the Debt Securities owned by such holder shall be issued in the form of one or more Global Debentures registered in the name of the Depositary or its nominee. Each Global Debenture issued under this Indenture shall be registered in the name of the Depositary designated by the Company for such Global Debenture or a nominee thereof and delivered to such Depositary or a nominee thereof or custodian therefor, and each such Global Debenture shall constitute a single Debt Security for all purposes of this Indenture.

(b) Notwithstanding any other provision in this Indenture, no Global Debenture may be exchanged in whole or in part for Debt Securities registered, and no transfer of a Global Debenture in whole or in part may be registered, in the name of any Person other than the Depositary for such Global Debenture or a nominee thereof unless (i) such Depositary advises the Trustee and the Company in writing that such Depositary is no longer willing or able to properly discharge its responsibilities as Depositary with respect to such Global Debenture, and no qualified successor is appointed by the Company within ninety (90) days of receipt by the Company of such notice, (ii) such Depositary ceases to be a clearing agency registered under the Exchange Act and no successor is appointed by the Company within ninety (90) days after obtaining knowledge of such event, (iii) the Company executes and delivers to the Trustee a Company Order stating that the Company elects to terminate the book-entry system through the Depositary or (iv) an Event of Default shall have occurred and be continuing. Upon the occurrence of any event specified in clause (i), (ii), (iii) or (iv) above, the Trustee shall notify the Depositary and instruct the Depositary to notify all owners of beneficial interests in such Global Debenture of the occurrence of such event and of the availability of Debt Securities to such owners of beneficial interests requesting the same. Upon the issuance of such Debt Securities and the registration in the Debt Security Register of such Debt Securities in the names of the holders of the beneficial interests therein, the Trustee shall recognize such holders of beneficial interests as holders thereof.

(c) If any Global Debenture is to be exchanged for other Debt Securities or canceled in part, or if another Debt Security is to be exchanged in whole or in part for a beneficial interest in any Global Debenture, then either (i) such Global Debenture shall be so surrendered for exchange or cancellation as provided in this Article II or (ii) the principal amount thereof shall be reduced or increased by an amount equal to the portion thereof to be so exchanged or canceled, or equal to the principal amount of such other Debt Security to be so exchanged for a beneficial interest therein, as the case may be, by means of an appropriate adjustment made on the records of the Debt Security registrar, whereupon the Trustee, in accordance with the Applicable Depository Procedures, shall instruct the Depositary or its authorized representative to make a corresponding adjustment to its records. Upon any such surrender or adjustment of a Global Debenture by the Depositary, accompanied by registration instructions, the Company shall execute and the Trustee shall authenticate and deliver any Debt Securities issuable in exchange for such Global Debenture (or any portion thereof) in accordance with the instructions of the Depositary. The Trustee shall not be liable for any delay in delivery of such instructions and may conclusively rely on, and shall be fully protected in relying on, such instructions.

(d) Every Debt Security authenticated and delivered upon registration of transfer of, or in exchange for or in lieu of, a Global Debenture or any portion thereof shall be authenticated and delivered in the form of, and shall be, a Global Debenture, unless such Debt Security is registered in the name of a Person other than the Depositary for such Global Debenture or a nominee thereof.

(e) Debt Securities distributed to holders of Book-Entry Capital Securities (as defined in the Trust Agreement) upon the dissolution of the Trust shall be distributed in the form of one or more Global Debentures registered in the name of a Depositary or its nominee, and deposited with the Debt Securities registrar, as custodian for such Depositary, or with such Depositary, for credit by the Depositary to the respective accounts of the beneficial owners of the Debt Securities represented thereby (or such other accounts as they may direct). Debt Securities distributed to holders of Capital Securities other than Book-Entry Capital Securities upon the dissolution of the Trust shall not be issued in the form of a Global Debenture or any other form intended to facilitate book-entry trading in beneficial interests in such Debt Securities.

(f) The Depositary or its nominee, as the registered owner of a Global Debenture, shall be the holder of such Global Debenture for all purposes under this Indenture and the Debt Securities, and owners of beneficial interests in a Global Debenture shall hold such interests pursuant to the Applicable Depository Procedures. Accordingly, any such owner's beneficial interest in a Global Debenture shall be shown only on, and the transfer of such interest shall be effected only through, records maintained by the Depositary or its nominee or its Depositary Participants. The Debt Securities registrar and the Trustee shall be entitled to deal with the Depositary for all purposes of this Indenture relating to a Global Debenture (including the payment of principal and interest thereon and the giving of instructions or directions by owners of beneficial interests therein and the giving of notices) as the sole holder of the Debt Security and shall have no obligations to the owners of beneficial interests therein. Neither the Trustee nor the Debt Securities registrar shall have any liability in respect of any transfers affected by the Depositary.

(g) The rights of owners of beneficial interests in a Global Debenture shall be exercised only through the Depositary and shall be limited to those established by law and agreements between such owners and the Depositary and/or its Depositary Participants.

(h) No holder of any beneficial interest in any Global Debenture held on its behalf by a Depositary shall have any rights under this Indenture with respect to such Global Debenture, and such Depositary may be treated by the Company, the Trustee and any agent of the Company or the Trustee as the owner of such Global Debenture for all purposes whatsoever. None of the Company, the Trustee nor any agent of the Company or the Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests of a Global Debenture or maintaining, supervising or reviewing any records relating to such beneficial ownership interests. Notwithstanding the foregoing, nothing herein shall prevent the Company, the Trustee or any agent of the Company or the Trustee from giving effect to any written certification, proxy or other authorization furnished by a Depositary or impair, as between a Depositary and such holders of beneficial interests, the operation of customary practices governing the exercise of the rights of the Depositary (or its nominee) as holder of any Debt Security.

ARTICLE III

PART ICULAR COVENANTS OF THE COMPANY

SECTION 3.01. Payment of Principal, Premium and Interest; Agreed Treatment of the Debt Securities .

(a) The Company covenants and agrees that it will duly and punctually pay or cause to be paid all payments due on the Debt Securities at the place, at the respective times and in the manner provided in this Indenture and the Debt Securities. At the option of the Company, each installment of interest on the Debt Securities may be paid (i) by mailing checks for such interest payable to the order of the holders of Debt Securities entitled thereto as they appear on the Debt Security Register or (ii) by wire transfer to any account with a banking institution located in the United States designated by such Person to the Paying Agent no later than the related record date.

(b) The Company will treat the Debt Securities as indebtedness, and the interest payable in respect of such Debt Securities as interest, for all U.S. federal income tax purposes. All payments in respect of such Debt Securities will be made free and clear of U.S. withholding tax to any beneficial owner thereof that has provided an Internal Revenue Service Form W-8 BEN (or any substitute or successor form) establishing its non-U.S. status for U.S. federal income tax purposes.

(c) As of the date of this Indenture, the Company represents that it has no intention to exercise its right under Section 2.11 to defer payments of interest on the Debt Securities by commencing an Extension Period.

(d) As of the date of this Indenture, the Company represents that the likelihood that it would exercise its right under Section 2.11 to defer payments of interest on the Debt Securities by commencing an Extension Period at any time during which the Debt Securities are outstanding is remote because of the restrictions that would be imposed on the Company's ability to declare or pay dividends or distributions on, or to redeem, purchase or make a liquidation payment with respect to, any of its outstanding equity and on the Company's ability to make any payments of principal of or interest on, or repurchase or redeem, any of its debt securities that rank *pari passu* in all respects with (or junior in interest to) the Debt Securities.

SECTION 3.02. Offices for Notices and Payments, etc.

So long as any of the Debt Securities remain outstanding, the Company will maintain in Wilmington, Delaware an office or agency where the Debt Securities may be presented for payment, an office or agency where the Debt Securities may be presented for registration of transfer and for exchange as provided in this Indenture and an office or agency where notices and demands to or upon the Company in respect of the Debt Securities or of this Indenture may be served. The Company will give to the Trustee written notice of the location of any such office or agency and of any change of location thereof. Until otherwise designated from time to time by the Company in a notice to the Trustee, or specified as contemplated by Section 2.05, such office or agency for all of the above purposes shall be the Principal Office of the Trustee. In case the Company shall fail to maintain any such office or agency in Wilmington, Delaware or shall fail to give such notice of the location or of any change in the location thereof, presentations and demands may be made and notices may be served at the Principal Office of the Trustee.

In addition to any such office or agency, the Company may from time to time designate one or more offices or agencies outside Wilmington, Delaware or where the Debt Securities may be presented for registration of transfer and for exchange in the manner provided in this Indenture, and the Company may from time to time rescind such designation, as the Company may deem desirable or expedient; provided , however , that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain any such office or agency in Wilmington, Delaware for the purposes above mentioned. The Company will give to the Trustee prompt written notice of any such designation or rescission thereof.

SECTION 3.03. Appointments to Fill Vacancies in Trustee's Office .

The Company, whenever necessary to avoid or fill a vacancy in the office of Trustee, will appoint, in the manner provided in Section 6.09, a Trustee, so that there shall at all times be a Trustee hereunder.

SECTION 3.04. Provision as to Paying Agent .

(a) If the Company shall appoint a Paying Agent other than the Trustee, it will cause such Paying Agent to execute and deliver to the Trustee an instrument in which such agent shall agree with the Trustee, subject to the provision of this Section 3.04:

(1) that it will hold all sums held by it as such agent for the payment of all payments due on the Debt Securities (whether such sums have been paid to it by the Company or by any other obligor on the Debt Securities) in trust for the benefit of the holders of the Debt Securities;

(2) that it will give the Trustee prompt written notice of any failure by the Company (or by any other obligor on the Debt Securities) to make any payment on the Debt Securities when the same shall be due and payable;

and

(3) that it will, at any time during the continuance of any Event of Default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent.

(b) If the Company shall act as its own Paying Agent, it will, on or before each due date of the payments due on the Debt Securities, set aside, segregate and hold in trust for the benefit of the holders of the Debt Securities a sum sufficient to pay such payments so becoming due and will notify the Trustee in writing of any failure to take such action and of any failure by the Company (or by any other obligor under the Debt Securities) to make any payment on the Debt Securities when the same shall become due and payable.

Whenever the Company shall have one or more Paying Agents for the Debt Securities, it will, on or prior to each due date of the payments on the Debt Securities, deposit with a Paying Agent a sum sufficient to pay all payments so becoming due, such sum to be held in trust for the benefit of the Persons entitled thereto and (unless such Paying Agent is the Trustee) the Company shall promptly notify the Trustee in writing of its action or failure to act.

(c) Anything in this Section 3.04 to the contrary notwithstanding, the Company may, at any time, for the purpose of obtaining a satisfaction and discharge with respect to the Debt Securities, or for any other reason, pay, or direct any Paying Agent to pay to the Trustee all sums held in trust by the Company or any such Paying Agent, such sums to be held by the Trustee upon the same terms and conditions herein contained.

(d) Anything in this Section 3.04 to the contrary notwithstanding, the agreement to hold sums in trust as provided in this Section 3.04 is subject to Sections 12.03 and 12.04.

(e) The Company hereby initially appoints the Trustee to act as Paying Agent (the "Paying Agent").

SECTION 3.05. Certificate to Trustee .

The Company will deliver to the Trustee on or before 120 days after the end of each fiscal year, so long as Debt Securities are outstanding hereunder, a Certificate stating that in the course of the performance by the signers of their duties as officers of the Company they would normally have knowledge of any default by the Company in the performance of any covenants of the Company contained herein, stating whether or not they have knowledge of any such default and, if so, specifying each such default of which the signers have knowledge and the nature thereof.

SECTION 3.06. Additional Interest .

If and for so long as the Trust is the holder of all Debt Securities and is subject to or otherwise required to pay, or is required to withhold from distributions to holders of Trust Securities, any additional taxes (including withholding taxes), duties, assessments or other governmental charges as a result of a Tax Event, the Company will pay such additional amounts (the "Additional Interest") on the Debt Securities as shall be required so that the net amounts received and retained by the Trust for distribution to holders of Trust Securities after paying all taxes (including withholding taxes on distributions to holders of Trust Securities), duties, assessments or other governmental charges will be equal to the amounts the Trust would have received and retained for distribution to holders of Trust Securities after paying all taxes (including withholding taxes on distributions to holders of Trust Securities), duties, assessments or other governmental charges if no such additional taxes, duties, assessments or other governmental charges had been imposed. Whenever in this Indenture or the Debt Securities there is a reference in any context to the payment of principal of or premium, if any, or interest on the Debt Securities, such mention shall be deemed to include mention of payments of the Additional Interest provided for in this paragraph to the extent that, in such context, Additional Interest is, was or would be payable in respect thereof pursuant to the provisions of this paragraph and express mention of the payment of Additional Interest (if applicable) in any provisions hereof shall not be construed as excluding Additional Interest in those provisions hereof where such express mention is not made, provided , however , that notwithstanding anything to the contrary contained in this Indenture or any Debt Security, the deferral of the payment of interest during an Extension Period pursuant to Section 2.11 shall not defer the payment of any Additional Interest that may be due and payable.

SECTION 3.07. Compliance with Consolidation Provisions .

The Company will not, while any of the Debt Securities remain outstanding, consolidate with, or merge into any other Person, or merge into itself, or sell or convey all or substantially all of its property to any other Person unless the provisions of Article XI hereof are complied with.

SECTION 3.08. Limitation on Dividends .

If Debt Securities are initially issued to the Trust or a trustee of such Trust in connection with the issuance of Trust Securities by the Trust (regardless of whether Debt Securities continue to be held by such Trust) and (i) there shall have occurred and be continuing an Event of Default, (ii) the Company shall be in default with respect to its payment of any obligations under the Capital Securities Guarantee or (iii) the Company shall have given notice of its election to defer payments of interest on the Debt Securities by extending the interest distribution period as provided herein and such period, or any extension thereof, shall have commenced and be continuing, then the Company may not (A) declare or pay any dividends or distributions on, or redeem, purchase, acquire, or make a liquidation payment with respect to, any of the Company's capital stock or (B) make any payment of principal of or interest or premium, if any, on or repay, repurchase or redeem any debt securities of the Company that rank *pari passu* in all respects with or junior in interest to the Debt Securities or (C) make any payment under any guarantees of the Company that rank *pari passu* in all respects with or junior in interest to the Capital Securities Guarantee (other than (a) repurchases, redemptions or other acquisitions of shares of capital stock of the Company (I) in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of one or more employees, officers, directors or consultants, (II) in connection with a dividend reinvestment or stockholder stock purchase plan or (III) in connection with the issuance of capital stock of the Company (or securities convertible into or exercisable for such capital stock), as consideration in an acquisition transaction entered into prior to the occurrence of (i), (ii) or (iii) above, (b) as a result of any exchange, reclassification, combination or conversion of any class or series of the Company's capital stock (or any capital stock of a subsidiary of the Company) for any class or series of the Company's capital stock or of any class or series of the Company's indebtedness for any class or series of the Company's capital stock, (c) the purchase of fractional interests in shares of the Company's capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged, (d) any declaration of a dividend in connection with any stockholder's rights plan, or the issuance of rights, stock or other property under any stockholder's rights plan, or the redemption or repurchase of rights pursuant thereto, or (e) any dividend in the form of stock, warrants, options or other rights where the dividend stock or the stock issuable upon exercise of such warrants, options or other rights is the same stock as that on which the dividend is being paid or ranks *pari passu* with or junior to such stock.

SECTION 3.09. Covenants as to the Trust.

For so long as such Trust Securities remain outstanding, the Company shall maintain 100% ownership of the Common Securities; provided, however, that any permitted successor of the Company under this Indenture that is a U.S. Person may succeed to the Company's ownership of such Common Securities. The Company, as owner of the Common Securities, shall use commercially reasonable efforts to cause the Trust (a) to remain a statutory trust, except in connection with a distribution of Debt Securities to the holders of Trust Securities in liquidation of the Trust, the redemption of all of the Trust Securities or certain mergers, consolidations or amalgamations, each as permitted by the Declaration, (b) to otherwise continue to be classified as a grantor trust for United States federal income tax purposes and (c) to cause each holder of Trust Securities to be treated as owning an undivided beneficial interest in the Debt Securities.

ARTICLE IV

LISTS AND REPORTS BY THE COMPANY AND THE TRUSTEE

SECTION 4.01. Securityholders' Lists.

The Company covenants and agrees that it will furnish or cause to be furnished to the Trustee:

(a) on each regular record date for an Interest Payment Date, a list, in such form as the Trustee may reasonably require, of the names and addresses of the Securityholders of the Debt Securities as of such record date; and

(b) at such other times as the Trustee may request in writing, within 30 days after the receipt by the Company of any such request, a list of similar form and content as of a date not more than 15 days prior to the time such list is furnished;

except that no such lists need be furnished under this Section 4.01 so long as the Trustee is in possession thereof by reason of its acting as Debt Security registrar.

SECTION 4.02. Preservation and Disclosure of Lists.

(a) The Trustee shall preserve, in as current a form as is reasonably practicable, all information as to the names and addresses of the holders of Debt Securities (1) contained in the most recent list furnished to it as provided in Section 4.01 or (2) received by it in the capacity of Debt Securities registrar (if so acting) hereunder. The Trustee may destroy any list furnished to it as provided in Section 4.01 upon receipt of a new list so furnished.

(b) In case three or more holders of Debt Securities (hereinafter referred to as "applicants") apply in writing to the

Trustee and furnish to the Trustee reasonable proof that each such applicant has owned a Debt Security for a period of at least six months preceding the date of such application, and such application states that the applicants desire to communicate with other holders of Debt Securities with respect to their rights under this Indenture or under such Debt Securities and is accompanied by a copy of the form of proxy or other communication which such applicants propose to transmit, then the Trustee shall within five Business Days after the receipt of such application, at its election either:

(1) afford such applicants access to the information preserved at the time by the Trustee in accordance with the provisions of subsection (a) of this Section 4.02, or

(2) inform such applicants as to the approximate number of holders of Debt Securities whose names and addresses appear in the information preserved at the time by the Trustee in accordance with the provisions of subsection (a) of this Section 4.02, and as to the approximate cost of mailing to such Securityholders the form of proxy or other communication, if any, specified in such application.

If the Trustee shall elect not to afford such applicants access to such information, the Trustee shall, upon the written request of such applicants, mail to each Securityholder of Debt Securities whose name and address appear in the information preserved at the time by the Trustee in accordance with the provisions of subsection (a) of this Section 4.02 a copy of the form of proxy or other communication which is specified in such request with reasonable promptness after a tender to the Trustee of the material to be mailed and of payment, or provision for the payment, of the reasonable expenses of mailing, unless within five days after such tender, the Trustee shall mail to such applicants and file with the Securities and Exchange Commission, if permitted or required by applicable law, together with a copy of the material to be mailed, a written statement to the effect that, in the opinion of the Trustee, such mailing would be contrary to the best interests of the holders of all Debt Securities, as the case may be, or would be in violation of applicable law. Such written statement shall specify the basis of such opinion. If said Commission, as permitted or required by applicable law, after opportunity for a hearing upon the objections specified in the written statement so filed, shall enter an order refusing to sustain any of such objections or if, after the entry of an order sustaining one or more of such objections, said Commission shall find, after notice and opportunity for hearing, that all the objections so sustained have been met and shall enter an order so declaring, the Trustee shall mail copies of such material to all such Securityholders with reasonable promptness after the entry of such order and the renewal of such tender; otherwise the Trustee shall be relieved of any obligation or duty to such applicants respecting their application.

(c) Each and every holder of Debt Securities, by receiving and holding the same, agrees with the Company and the Trustee that neither the Company nor the Trustee nor any Paying Agent shall be held accountable by reason of the disclosure of any such information as to the names and addresses of the holders of Debt Securities in accordance with the provisions of subsection (b) of this Section 4.02, regardless of the source from which such information was derived, and that the Trustee shall not be held accountable by reason of mailing any material pursuant to a request made under said subsection (b).

ARTICLE V

REMEDIES OF THE TRUSTEE AND SECURITYHOLDERS UPON AN EVENT OF DEFAULT

SECTION 5.01. Events of Default .

The following events shall be "Events of Default" with respect to Debt Securities:

(a) the Company defaults in the payment of any interest upon any Debt Security when it becomes due and payable, and continuance of such default for a period of 30 days; for the avoidance of doubt, an extension of any interest distribution period by the Company in accordance with Section 2.11 of this Indenture shall not constitute a default under this clause 5.01(a); or

(b) the Company defaults in the payment of all or any part of the principal of (or premium, if any, on) any Debt Securities as and when the same shall become due and payable either at maturity, upon redemption, by declaration of acceleration pursuant to Section 5.01 of this Indenture or otherwise; or

(c) the Company defaults in the performance of, or breaches, any of its covenants or agreements in Sections 3.06, 3.07, 3.08 or 3.09 of this Indenture and continuance of such default or breach for a period of 30 days after there has been given, by registered or certified mail, to the Company by the Trustee or to the Company and the Trustee by the holders of not less than 25% in aggregate principal amount of the outstanding Debt Securities, a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder; or

(d) a court having jurisdiction in the premises shall enter a decree or order for relief in respect of the Company in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appoints a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Company or for any substantial part of its property, or orders the winding-up or liquidation of its affairs and such decree or order shall remain unstayed and in effect for a period of 90 consecutive days; or

(e) the Company shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under any such law, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) of the Company or of any substantial part of its property, or shall make any general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due;

(f) the Trust shall have voluntarily or involuntarily liquidated, dissolved, wound-up its business or otherwise terminated its existence except in connection with (1) the distribution of the Debt Securities to holders of the Trust Securities in liquidation of their interests in the Trust, (2) the redemption of all of the outstanding Trust Securities or (3) certain mergers, consolidations or amalgamations, each as permitted by the Declaration; or

(g) the Company shall cease to be subject to regulation or supervision by the Federal Reserve or OTS, as applicable (or any successor federal regulatory authority having jurisdiction over bank or savings and loan holding companies).

If an Event of Default specified under clause (a), (b), (d), (e), (f), or (g) of this Section 5.01 (each an "Acceleration Event") occurs and is continuing with respect to the Debt Securities, then, and in each and every such case, unless the principal of the Debt Securities shall have already become due and payable, either the Trustee or the holders of not less than 25% in aggregate principal amount of the Debt Securities then outstanding hereunder, by notice in writing to the Company (and to the Trustee if given by Securityholders), may declare the entire principal of the Debt Securities and any premium and the interest accrued, but unpaid, thereon, if any, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable. If the Company shall cease to be subject to the supervision or regulation of the Federal Reserve, or OTS, as the case may be, then the term "Acceleration Event" shall be defined to include clause (c) of this Section 5.01 as an Event of Default resulting in acceleration of payment of the Debt Securities to the same extent provided for clauses (a), (b), (d), (e), (f) and (g) of this Section 5.01.

Anything in this Section 5.01 to the contrary notwithstanding, if an Event of Default specified under clause (c) occurs and is continuing, then, and in each and every such case, the Trustee, in its own name and as trustee of an express trust, shall pursue all available remedies at law and/or equity against the Company. The Company acknowledges and affirms that in the event of breach of such covenants and agreements referenced in clause (c) of this Section 5.01, the damages to the holders of the Debt Securities and the Capital Securities may be difficult or impossible to ascertain. Therefore, in addition to any remedies available at law for breach of any or all of said covenants or agreements, the holders of the Debt Securities and the Capital Securities shall be entitled to injunctive or other equitable relief in connection with the violation of any such covenants or agreements referenced in Section 5.01(c).

The foregoing provisions, however, are subject to the condition that if, at any time after the principal of the Debt Securities shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided, (i) the Company shall pay or shall deposit with the Trustee a sum sufficient to pay all matured installments of interest upon all the Debt Securities and all payments on the Debt Securities which shall have become due otherwise than by acceleration (with interest upon all such payments and Deferred Interest, to the extent permitted by law) and such amount as shall be sufficient to cover reasonable compensation to the Trustee and each predecessor Trustee, their respective agents, attorneys and counsel, and all other amounts due to the Trustee pursuant to Section 6.06, if any, and (ii) all Events of Default under this Indenture, other than the non-payment of the payments on Debt Securities which shall have become due by acceleration, shall have been cured, waived or otherwise remedied as provided herein, then and in every such case the holders of a majority in aggregate principal amount of the Debt Securities then outstanding, by written notice to the Company and to the Trustee, may waive all defaults and rescind and annul such declaration and its consequences, but no such waiver or rescission and annulment shall extend to or shall affect any subsequent default or shall impair any right consequent thereon; provided, however, that if the Debt Securities are held by the Trust or a trustee of the Trust, such waiver or rescission and annulment shall not be effective until the holders of a majority in aggregate liquidation amount of the outstanding Capital Securities of the Trust shall have consented to such waiver or rescission and annulment.

In case the Trustee shall have proceeded to enforce any right under this Indenture and such proceedings shall have been discontinued or abandoned because of such rescission or annulment or for any other reason or shall have been determined adversely to the Trustee, then and in every such case the Company, the Trustee and the holders of the Debt Securities shall be restored respectively to their several positions and rights hereunder, and all rights, remedies and powers of the Company, the Trustee and the holders of the Debt Securities shall continue as though no such proceeding had been taken.

SECTION 5.02. Payment of Debt Securities on Default; Suit Therefor .

The Company covenants that upon the occurrence of an Acceleration Event, the Company will pay to the Trustee, for the benefit of the holders of the Debt Securities, the whole amount that then shall have become due and payable on all Debt Securities including Deferred Interest accrued on the Debt Securities; and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including a reasonable compensation to the Trustee, its agents, attorneys and counsel, and any other amounts due to the Trustee under Section 6.06. In case the Company shall fail forthwith to pay such amounts upon such demand, the Trustee, in its own name and as trustee of an express trust, shall be entitled and empowered to institute any actions or proceedings at law or in equity for the collection of the sums so due and unpaid, and may prosecute any such action or proceeding to judgment or final decree, and may enforce any such judgment or final decree against the Company or any other obligor on such Debt Securities and collect in the manner provided by law out of the property of the Company or any other obligor on such Debt Securities wherever situated the moneys adjudged or decreed to be payable.

In case there shall be pending proceedings for the bankruptcy or for the reorganization of the Company or any other obligor on the Debt Securities under Bankruptcy Law, or in case a receiver or trustee shall have been appointed for the property of the Company or such other obligor, or in the case of any other similar judicial proceedings relative to the Company or other obligor upon the Debt Securities, or to the creditors or property of the Company or such other obligor, the Trustee, irrespective of whether the principal of the Debt Securities shall then be due and payable as therein expressed or by declaration of acceleration or otherwise and irrespective of whether the Trustee shall have made any demand pursuant to the provisions of this Section 5.02, shall be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount of principal and interest owing and unpaid in respect of the Debt Securities and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for reasonable compensation to the Trustee and each predecessor Trustee, and their respective agents, attorneys and counsel, and for reimbursement of all other amounts due to the Trustee under Section 6.06) and of the Securityholders allowed in such judicial proceedings relative to the Company or any other obligor on the Debt Securities, or to the creditors or property of the Company or such other obligor, unless prohibited by applicable law and regulations, to vote on behalf of the holders of the Debt Securities in any election of a trustee or a standby trustee in arrangement, reorganization, liquidation or other bankruptcy or insolvency proceedings or Person performing similar functions in comparable proceedings, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute the same after the deduction of its charges and expenses; and any receiver, assignee or trustee in bankruptcy or reorganization is hereby authorized by each of the Securityholders to make such payments to the Trustee, and, in the event that the Trustee shall consent to the making of such payments directly to the Securityholders, to pay to the Trustee such amounts as shall be sufficient to cover reasonable compensation to the Trustee, each predecessor Trustee and their respective agents, attorneys and counsel, and all other amounts due to the Trustee under Section 6.06.

Nothing herein contained shall be construed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Securityholder any plan of reorganization, arrangement, adjustment or composition affecting the Debt Securities or the rights of any holder thereof or to authorize the Trustee to vote in respect of the claim of any Securityholder in any such proceeding.

All rights of action and of asserting claims under this Indenture, or under any of the Debt Securities, may be enforced by the Trustee without the possession of any of the Debt Securities, or the production thereof at any trial or other proceeding relative thereto, and any such suit or proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall be for the ratable benefit of the holders of the Debt Securities.

In any proceedings brought by the Trustee (and also any proceedings involving the interpretation of any provision of this Indenture to which the Trustee shall be a party) the Trustee shall be held to represent all the holders of the Debt Securities, and it shall not be necessary to make any holders of the Debt Securities parties to any such proceedings.

SECTION 5.03. Application of Moneys Collected by Trustee .

Any moneys collected by the Trustee shall be applied in the following order, at the date or dates fixed by the Trustee for the distribution of such moneys, upon presentation of the several Debt Securities in respect of which moneys have been collected, and stamping thereon the payment, if only partially paid, and upon surrender thereof if fully paid:

First : To the payment of costs and expenses incurred by, and reasonable fees of, the Trustee, its agents, attorneys and counsel, and of all other amounts due to the Trustee under Section 6.06;

Second : To the payment of all Senior Indebtedness of the Company if and to the extent required by Article XV;

Third : To the payment of the amounts then due and unpaid upon Debt Securities, in respect of which or for the benefit of which money has been collected, ratably, without preference or priority of any kind, according to the amounts due on such Debt Securities; and

Fourth : The balance, if any, to the Company.

SECTION 5.04. Proceedings by Securityholders.

No holder of any Debt Security shall have any right to institute any suit, action or proceeding for any remedy hereunder, unless such holder previously shall have given to the Trustee written notice of an Event of Default with respect to the Debt Securities and unless the holders of not less than 25% in aggregate principal amount of the Debt Securities then outstanding shall have given the Trustee a written request to institute such action, suit or proceeding and shall have offered to the Trustee such reasonable indemnity as it may require against the costs, expenses and liabilities to be incurred thereby, and the Trustee for 60 days after its receipt of such notice, request and offer of indemnity shall have failed to institute any such action, suit or proceeding; provided, that no holder of Debt Securities shall have any right to prejudice the rights of any other holder of Debt Securities, obtain priority or preference over any other such holder or enforce any right under this Indenture except in the manner herein provided and for the equal, ratable and common benefit of all holders of Debt Securities.

Notwithstanding any other provisions in this Indenture, however, the right of any holder of any Debt Security to receive payment of the principal of, premium, if any, and interest on such Debt Security when due, or to institute suit for the enforcement of any such payment, shall not be impaired or affected without the consent of such holder. For the protection and enforcement of the provisions of this Section, each and every Securityholder and the Trustee shall be entitled to such relief as can be given either at law or in equity.

SECTION 5.05. Proceedings by Trustee.

In case of an Event of Default hereunder the Trustee may in its discretion proceed to protect and enforce the rights vested in it by this Indenture by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any of such rights, either by suit in equity or by action at law or by proceeding in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Indenture or in aid of the exercise of any power granted in this Indenture, or to enforce any other legal or equitable right vested in the Trustee by this Indenture or by law.

SECTION 5.06. Remedies Cumulative and Continuing.

Except as otherwise provided in Section 2.06, all powers and remedies given by this Article V to the Trustee or to the Securityholders shall, to the extent permitted by law, be deemed cumulative and not exclusive of any other powers and remedies available to the Trustee or the holders of the Debt Securities, by judicial proceedings or otherwise, to enforce the performance or observance of the covenants and agreements contained in this Indenture or otherwise established with respect to the Debt Securities, and no delay or omission of the Trustee or of any holder of any of the Debt Securities to exercise any right or power accruing upon any Event of Default occurring and continuing as aforesaid shall impair any such right or power, or shall be construed to be a waiver of any such default or an acquiescence therein; and, subject to the provisions of Section 5.04, every power and remedy given by this Article V or by law to the Trustee or to the Securityholders may be exercised from time to time, and as often as shall be deemed expedient, by the Trustee or by the Securityholders.

SECTION 5.07. Direction of Proceedings and Waiver of Defaults by Majority of Securityholders.

The holders of a majority in aggregate principal amount of the Debt Securities affected (voting as one class) at the time outstanding and, if the Debt Securities are held by the Trust or a trustee of the Trust, the holders of a majority in aggregate liquidation amount of the outstanding Capital Securities of the Trust shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee with respect to such Debt Securities; provided, however, that if the Debt Securities are held by the Trust or a trustee of the Trust, such time, method and place or such exercise, as the case may be, may not be so directed until the holders of a majority in aggregate liquidation amount of the outstanding Capital Securities of the Trust shall have directed such time, method and place or such exercise, as the case may be; provided, further, that (subject to the provisions of Section 6.01) the Trustee shall have the right to decline to follow any such direction if the Trustee being advised by counsel shall determine that the action so directed would be unjustly prejudicial to the holders not taking part in such direction or if the Trustee being advised by counsel determines that the action or proceeding so directed may not lawfully be taken or if a Responsible Officer of the Trustee shall determine that the action or proceedings so directed would involve the Trustee in personal liability. Prior to any declaration of acceleration, or *ipso facto* acceleration of the maturity of the Debt Securities, the holders of a majority in aggregate principal amount of the Debt Securities at the time outstanding may on behalf of the holders of all of the Debt Securities waive (or modify any previously granted waiver of) any past default or Event of Default and its consequences, except a default (a) in the payment of principal of, premium, if any, or interest on any of the Debt Securities, (b) in respect of covenants or provisions hereof which cannot be modified or amended without the consent of the holder of each Debt Security affected, or (c) in respect of the covenants contained in Section 3.09; provided, however, that if the Debt Securities are held by the Trust or a trustee of the Trust, such waiver or modification to such waiver shall not be effective until the holders of a majority in Liquidation Amount of the Trust Securities of the Trust shall have consented to such waiver or modification to such waiver; provided, further, that if the consent of the holder of each outstanding Debt Security is required, such waiver or modification to such waiver shall not be effective until each holder of the outstanding Capital Securities of the Trust shall have consented to such waiver or modification to such waiver. Upon any such waiver or modification to such waiver, the Default or Event of Default covered thereby shall be deemed to be cured for all purposes of this Indenture and the Company, the

Trustee and the holders of the Debt Securities shall be restored to their former positions and rights hereunder, respectively; but no such waiver or modification to such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereon. Whenever any Default or Event of Default hereunder shall have been waived as permitted by this Section 5.07, said Default or Event of Default shall for all purposes of the Debt Securities and this Indenture be deemed to have been cured and to be not continuing.

SECTION 5.08. Notice of Defaults .

The Trustee shall, within 90 days after a Responsible Officer of the Trustee shall have actual knowledge or received written notice of the occurrence of a Default with respect to the Debt Securities, mail to all Securityholders, as the names and addresses of such holders appear upon the Debt Security Register, notice of all Defaults with respect to the Debt Securities known to the Trustee, unless such defaults shall have been cured before the giving of such notice (the term "defaults" for the purpose of this Section 5.08 being hereby defined to be the events specified in subsections (a), (b), (c), (d) and (e) of Section 5.01, not including periods of grace, if any, provided for therein); provided , that, except in the case of default in the payment of the principal of, premium, if any, or interest on any of the Debt Securities, the Trustee shall be protected in withholding such notice if and so long as a Responsible Officer of the Trustee in good faith determines that the withholding of such notice is in the interests of the Securityholders.

SECTION 5.09. Undertaking to Pay Costs .

All parties to this Indenture agree, and each holder of any Debt Security by such holder's acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees and expenses, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section 5.09 shall not apply to any suit instituted by the Trustee, to any suit instituted by any Securityholder, or group of Securityholders, holding in the aggregate more than 10% in principal amount of the Debt Securities (or, if such Debt Securities are held by the Trust or a trustee of the Trust, more than 10% in liquidation amount of the outstanding Capital Securities) to any suit instituted by any Securityholder for the enforcement of the payment of the principal of (or premium, if any) or interest on any Debt Security against the Company on or after the same shall have become due and payable, or to any suit instituted in accordance with Section 14.12.

ARTICLE VI

CONCERNING THE TRUSTEE

SECTION 6.01. Duties and Responsibilities of Trustee .

With respect to the holders of Debt Securities issued hereunder, the Trustee, prior to the occurrence of an Event of Default with respect to the Debt Securities and after the curing or waiving of all Events of Default which may have occurred, with respect to the Debt Securities, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. In case an Event of Default with respect to the Debt Securities has occurred (which has not been cured or waived) the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(a) prior to the occurrence of an Event of Default with respect to the Debt Securities and after the curing or waiving of all Events of Default which may have occurred

(1) the duties and obligations of the Trustee with respect to the Debt Securities shall be determined solely by the express provisions of this Indenture, and the Trustee shall not be liable except for the performance of such duties and obligations with respect to the Debt Securities as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(2) in the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but, in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a

duty to examine the same to determine whether or not they conform on their face to the requirements of this Indenture;

(b) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer or Officers of the Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts;

(c) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith, in accordance with the direction of the Securityholders pursuant to Section 5.07, relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture;

(d) the Trustee shall not be charged with knowledge of any Default or Event of Default with respect to the Debt Securities unless either (1) a Responsible Officer shall have actual knowledge of such Default or Event of Default or (2) written notice of such Default or Event of Default shall have been given to the Trustee by the Company or any other obligor on the Debt Securities or by any holder of the Debt Securities, except with respect to an Event of Default pursuant to Sections 5.01 (a) or 5.01 (b) hereof (other than an Event of Default resulting from the default in the payment of Additional Interest or premium, if any, if the Trustee does not have actual knowledge or written notice that such payment is due and payable), of which the Trustee shall be deemed to have knowledge; and

(e) in the absence of bad faith on the part of the Trustee, the Trustee may seek and rely on reasonable instructions from the Company.

None of the provisions contained in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.

SECTION 6.02. Reliance on Documents, Opinions, etc.

Except as otherwise provided in Section 6.01:

(a) the Trustee may conclusively rely and shall be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, note, debenture or other paper or document believed by it in good faith to be genuine and to have been signed or presented by the proper party or parties;

(b) any request, direction, order or demand of the Company mentioned herein shall be sufficiently evidenced by an Officers' Certificate (unless other evidence in respect thereof be herein specifically prescribed); and any Board Resolution may be evidenced to the Trustee by a copy thereof certified by the Secretary or an Assistant Secretary of the Company;

(c) the Trustee may consult with counsel of its selection and any advice or Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in accordance with such advice or Opinion of Counsel;

(d) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request, order or direction of any of the Securityholders, pursuant to the provisions of this Indenture, unless such Securityholders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which may be incurred therein or thereby;

(e) the Trustee shall not be liable for any action taken or omitted by it in good faith and reasonably believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture; nothing contained herein shall, however, relieve the Trustee of the obligation, upon the occurrence of an Event of Default with respect to the Debt Securities (that has not been cured or waived) to exercise with respect to the Debt Securities such of the rights and powers vested in it by this Indenture, and to use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs;

(f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval, bond, debenture, coupon or other paper or document, unless requested in writing to do so by the holders of not less than a majority in principal amount of the outstanding Debt Securities affected thereby; provided , however , that if the payment within a reasonable time to the Trustee of the costs, expenses or liabilities likely to be incurred by it in the making of such investigation is, in the opinion of the Trustee, not reasonably assured to the Trustee by the security afforded to it by the terms of this Indenture, the Trustee may require reasonable indemnity against such expense or liability as a condition to so proceeding; and

(g) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents (including any Authenticating Agent) or attorneys, and the Trustee shall not be responsible for any misconduct or negligence on the part of any such agent or attorney appointed by it with due care.

SECTION 6.03. No Responsibility for Recitals, etc.

The recitals contained herein and in the Debt Securities (except in the certificate of authentication of the Trustee or the Authenticating Agent) shall be taken as the statements of the Company and the Trustee and the Authenticating Agent assume no responsibility for the correctness of the same. The Trustee and the Authenticating Agent make no representations as to the validity or sufficiency of this Indenture or of the Debt Securities. The Trustee and the Authenticating Agent shall not be accountable for the use or application by the Company of any Debt Securities or the proceeds of any Debt Securities authenticated and delivered by the Trustee or the Authenticating Agent in conformity with the provisions of this Indenture.

SECTION 6.04. Trustee, Authenticating Agent, Paying Agents, Transfer Agents or Registrar May Own Debt Securities .

The Trustee or any Authenticating Agent or any Paying Agent or any transfer agent or any Debt Security registrar, in its individual or any other capacity, may become the owner or pledgee of Debt Securities with the same rights it would have if it were not Trustee, Authenticating Agent, Paying Agent, transfer agent or Debt Security registrar.

SECTION 6.05. Moneys to be Held in Trust .

Subject to the provisions of Section 12.04, all moneys received by the Trustee or any Paying Agent shall, until used or applied as herein provided, be held in trust for the purpose for which they were received, but need not be segregated from other funds except to the extent required by law. The Trustee and any Paying Agent shall be under no liability for interest on any money received by it hereunder except as otherwise agreed in writing with the Company. So long as no Event of Default shall have occurred and be continuing, all interest allowed on any such moneys, if any, shall be paid from time to time to the Company upon the written order of the Company, signed by the Chairman of the Board of Directors, the President, the Chief Operating Officer, a Vice President, the Treasurer or an Assistant Treasurer of the Company.

SECTION 6.06. Compensation and Expenses of Trustee .

Other than as provided in the Fee Agreement of even date herewith, the Company covenants and agrees to pay to the Trustee from time to time, and the Trustee shall be entitled to, such compensation as shall be agreed to in writing between the Company and the Trustee (which shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust), and the Company will pay or reimburse the Trustee upon its written request for all documented reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any of the provisions of this Indenture (including the reasonable compensation and the reasonable expenses and disbursements of its counsel and of all Persons not regularly in its employ) except any such expense, disbursement or advance that arises from its negligence, willful misconduct or bad faith. The Company also covenants to indemnify each of the Trustee (including in its individual capacity) and any predecessor Trustee (and its officers, agents, directors and employees) for, and to hold it harmless against, any and all loss, damage, claim, liability or expense including taxes (other than taxes based on the income of the Trustee), except to the extent such loss, damage, claim, liability or expense results from the negligence, willful misconduct or bad faith of such indemnitee, arising out of or in connection with the acceptance or administration of this Trust, including the costs and expenses of defending itself against any claim or liability in the premises. The obligations of the Company under this Section 6.06 to compensate and indemnify the Trustee and to pay or reimburse the Trustee for documented expenses, disbursements and advances shall constitute additional indebtedness hereunder. Such additional indebtedness shall be secured by (and the Company hereby grants and pledges to the Trustee) a lien prior to that of the Debt Securities upon all property and funds held or collected by the Trustee as such, except funds held in trust for the benefit of the holders of particular Debt Securities.

Without prejudice to any other rights available to the Trustee under applicable law, when the Trustee incurs expenses or renders services in connection with an Event of Default specified in subsections (d), (e) or (f) of Section 5.01, the expenses (including the reasonable charges and expenses of its counsel) and the compensation for the services are intended to constitute expenses of administration under any applicable federal or state bankruptcy, insolvency or other similar law.

The provisions of this Section shall survive the resignation or removal of the Trustee and the defeasance or other termination of this Indenture.

SECTION 6.07. Officers' Certificate as Evidence .

Except as otherwise provided in Sections 6.01 and 6.02, whenever in the administration of the provisions of this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or omitting any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence, willful misconduct or bad faith on the part of the Trustee, be deemed to be conclusively proved and established by an Officers' Certificate delivered to the Trustee, and such certificate, in the absence of negligence, willful misconduct or bad faith on the part of the Trustee, shall be full warrant to the Trustee for any action taken or omitted by it under the provisions of this Indenture upon the faith thereof.

SECTION 6.08. Eligibility of Trustee.

The Trustee hereunder shall at all times be a U.S. Person that is a banking corporation or national association organized and doing business under the laws of the United States of America or any state thereof or of the District of Columbia and authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least fifty million U.S. dollars ($50,000,000) and subject to supervision or examination by federal, state, or District of Columbia authority. If such corporation or national association publishes reports of condition at least annually, pursuant to law or to the requirements of the aforesaid supervising or examining authority, then for the purposes of this Section 6.08 the combined capital and surplus of such corporation or national association shall be deemed to be its combined capital and surplus as set forth in its most recent records of condition so published.

The Company may not, nor may any Person directly or indirectly controlling, controlled by, or under common control with the Company, serve as Trustee, notwithstanding that such corporation or national association shall be otherwise eligible and qualified under this Article.

In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section 6.08, the Trustee shall resign immediately in the manner and with the effect specified in Section 6.09.

If the Trustee has or shall acquire any "conflicting interest" within the meaning of § 310(b) of the Trust Indenture Act, the Trustee shall either eliminate such interest or resign, to the extent and in the manner provided by, and subject to this Indenture.

SECTION 6.09. Resignation or Removal of Trustee, Calculation Agent, Paying Agent or Debt Security Registrar.

(a) The Trustee, or any trustee or trustees hereafter appointed, the Calculation Agent, the Paying Agent and any Debt Security Registrar may at any time resign by giving written notice of such resignation to the Company and by mailing notice thereof, at the Company's expense, to the holders of the Debt Securities at their addresses as they shall appear on the Debt Security Register. Upon receiving such notice of resignation, the Company shall promptly appoint a successor or successors by written instrument, in duplicate, executed by order of its Board of Directors, one copy of which instrument shall be delivered to the resigning party and one copy to the successor. If no successor shall have been so appointed and have accepted appointment within 30 days after the mailing of such notice of resignation to the affected Securityholders, the resigning party may petition any court of competent jurisdiction for the appointment of a successor, or any Securityholder who has been a bona fide holder of a Debt Security or Debt Securities for at least six months may, subject to the provisions of Section 5.09, on behalf of himself or herself and all others similarly situated, petition any such court for the appointment of a successor. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, appoint a successor.

(b) In case at any time any of the following shall occur -

(1) the Trustee shall fail to comply with the provisions of the last paragraph of Section 6.08 after written request therefor by the Company or by any Securityholder who has been a bona fide holder of a Debt Security or Debt Securities for at least six months,

(2) the Trustee shall cease to be eligible in accordance with the provisions of Section 6.08 and shall fail to resign after written request therefor by the Company or by any such Securityholder, or

(3) the Trustee shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, the Company may remove the Trustee and appoint a successor Trustee by written instrument, in duplicate, executed by order of the Board of Directors, one copy of which instrument shall be delivered to the Trustee so removed and one copy to the successor Trustee, or, subject to the provisions of Section 5.09, if no successor Trustee shall have been so appointed and have accepted appointment within 30 days of the occurrence of any of (1), (2) or (3) above, any Securityholder who has been a bona fide holder of a Debt Security or Debt Securities for at least six months may, on behalf of himself or herself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, remove the Trustee and appoint a successor Trustee.

(c) Upon prior written notice to the Company and the Trustee, the holders of a majority in aggregate principal amount of the Debt Securities at the time outstanding may at any time remove the Trustee and nominate a successor Trustee, which shall be deemed appointed as successor Trustee unless within ten Business Days after such nomination the Company objects thereto, in which case or in the case of a failure by such holders to nominate a successor Trustee, the Trustee so removed or any Securityholder, upon the terms and conditions and otherwise as in subsection (a) of this Section 6.09 provided, may petition any court of competent jurisdiction for an appointment of a successor.

(d) Any resignation or removal of the Trustee, the Calculation Agent, the Paying Agent and any Debt Security Registrar and appointment of a successor pursuant to any of the provisions of this Section 6.09 shall become effective upon acceptance of appointment by the successor as provided in Section 6.10.

SECTION 6.10. Acceptance by Successor.

Any successor Trustee, Calculation Agent, Paying Agent or Debt Security Registrar appointed as provided in Section 6.09 shall execute, acknowledge and deliver to the Company and to its predecessor an instrument accepting such appointment hereunder, and thereupon the resignation or removal of the retiring party shall become effective and such successor, without any further act, deed or conveyance, shall become vested with all the rights, powers, duties and obligations with respect to the Debt Securities of its predecessor hereunder, with like effect as if originally named herein; but, nevertheless, on the written request of the Company or of the successor, the party ceasing to act shall, upon payment of the amounts then due it pursuant to the provisions of Section 6.06, execute and deliver an instrument transferring to such successor all the rights and powers of the party so ceasing to act and shall duly assign, transfer and deliver to such successor all property and money held by such retiring party hereunder. Upon request of any such successor, the Company shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor all such rights and powers. Any party ceasing to act shall, nevertheless, retain a lien upon all property or funds held or collected to secure any amounts then due it pursuant to the provisions of Section 6.06.

If a successor Trustee is appointed, the Company, the retiring Trustee and the successor Trustee shall execute and deliver an indenture supplemental hereto which shall contain such provisions as shall be deemed necessary or desirable to confirm that all the rights, powers, trusts and duties of the retiring Trustee with respect to the Debt Securities as to which the predecessor Trustee is not retiring shall continue to be vested in the predecessor Trustee, and shall add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the Trust hereunder by more than one Trustee, it being understood that nothing herein or in such supplemental indenture shall constitute such Trustees co-trustees of the same trust and that each such Trustee shall be Trustee of a trust or trusts hereunder separate and apart from any trust or trusts hereunder administered by any other such Trustee.

No successor Trustee shall accept appointment as provided in this Section 6.10 unless at the time of such acceptance such successor Trustee shall be eligible and qualified under the provisions of Section 6.08.

In no event shall a retiring Trustee, Calculation Agent, Paying Agent or Debt Security Registrar be liable for the acts or omissions of any successor hereunder.

Upon acceptance of appointment by a successor Trustee, Calculation Agent, Paying Agent or Debt Security Registrar as provided in this Section 6.10, the Company shall mail notice of the succession to the holders of Debt Securities at their addresses as they shall appear on the Debt Security Register. If the Company fails to mail such notice within ten Business Days after the acceptance of appointment by the successor, the successor shall cause such notice to be mailed at the expense of the Company.

SECTION 6.11. Succession by Merger, etc.

Any Person into which the Trustee may be merged or converted or with which it may be consolidated, or any Person resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any Person succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto; provided, that such Person shall be otherwise eligible and qualified under this Article.

In case at the time such successor to the Trustee shall succeed to the trusts created by this Indenture any of the Debt Securities shall have been authenticated but not delivered, any such successor to the Trustee may adopt the certificate of authentication of any predecessor Trustee, and deliver such Debt Securities so authenticated; and in case at that time any of the Debt Securities shall not have been authenticated, any successor to the Trustee may authenticate such Debt Securities either in the name of any predecessor hereunder or in the name of the successor Trustee; and in all such cases such certificates shall have the full force which it is anywhere in the Debt Securities or in this Indenture provided that the certificate of the Trustee shall have; provided, however, that the right to adopt the certificate of authentication of any predecessor Trustee or authenticate Debt Securities in the name of any predecessor Trustee shall apply only to its successor or successors by merger, conversion or consolidation.

SECTION 6.12. Authenticating Agents.

There may be one or more Authenticating Agents appointed by the Trustee upon the request of the Company with power to act on its behalf and subject to its direction in the authentication and delivery of Debt Securities issued upon exchange or registration of transfer thereof as fully to all intents and purposes as though any such Authenticating Agent had been expressly authorized to authenticate and deliver Debt Securities; provided, that the Trustee shall have no liability to the Company for any acts or omissions of the Authenticating Agent with respect to the authentication and delivery of Debt Securities. Any such Authenticating Agent shall at all times be a Person organized and doing business under the laws of the United States or of any state or territory thereof or of the District of Columbia authorized under such laws to act as Authenticating Agent, having a combined capital and surplus of at least $50,000,000 and being subject to supervision or examination by federal, state, territorial or District of Columbia authority. If such Person publishes reports of condition at least annually pursuant to law or the requirements of such authority, then for the purposes of this Section 6.12 the combined capital and surplus of such Person shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time an Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect herein specified in this Section.

Any Person into which any Authenticating Agent may be merged or converted or with which it may be consolidated, or any Person resulting from any merger, consolidation or conversion to which any Authenticating Agent shall be a party, or any Person succeeding to all or substantially all of the corporate trust business of any Authenticating Agent, shall be the successor of such Authenticating Agent hereunder, if such successor Person is otherwise eligible under this Section 6.12 without the execution or filing of any paper or any further act on the part of the parties hereto or such Authenticating Agent.

Any Authenticating Agent may at any time resign by giving written notice of resignation to the Trustee and to the Company. The Trustee may at any time terminate the agency of any Authenticating Agent with respect to the Debt Securities by giving written notice of termination to such Authenticating Agent and to the Company. Upon receiving such a notice of resignation or upon such a termination, or in case at any time any Authenticating Agent shall cease to be eligible under this Section 6.12, the Trustee may, and upon the request of the Company shall, promptly appoint a successor Authenticating Agent eligible under this Section 6.12, shall give written notice of such appointment to the Company and shall mail notice of such appointment to all holders of Debt Securities as the names and addresses of such holders appear on the Debt Security Register. Any successor Authenticating Agent upon acceptance of its appointment hereunder shall become vested with all rights, powers, duties and responsibilities with respect to the Debt Securities of its predecessor hereunder, with like effect as if originally named as Authenticating Agent herein.

Other than as provided in the Fee Agreement of even date herewith, the Company agrees to pay to any Authenticating Agent from time to time reasonable compensation for its services. Any Authenticating Agent shall have no responsibility or liability for any action taken by it as such in accordance with the directions of the Trustee and shall receive such reasonable indemnity as it may require against the costs, expenses and liabilities incurred in furtherance of its duties under this Section 6.12.

ARTICLE VII

CONCERNING THE SECURITYHOLDERS

SECTION 7.01. Action by Securityholders .

Whenever in this Indenture it is provided that the holders of a specified percentage in aggregate principal amount of the Debt Securities or aggregate Liquidation Amount of the Capital Securities may take any action (including the making of any demand or request, the giving of any notice, consent or waiver or the taking of any other action), the fact that at the time of taking any such action the holders of such specified percentage have joined therein may be evidenced (a) by any instrument or any number of instruments of similar tenor executed by such Securityholders or holders of Capital Securities, as the case may be, in person or by agent or proxy appointed in writing, or (b) by the record of such holders of Debt Securities voting in favor thereof at any meeting of such Securityholders duly called and held in accordance with the provisions of Article VIII, or of such holders of Capital Securities duly called and held in accordance with the provisions of the Declaration, or (c) by a combination of such instrument or instruments and any such record of such a meeting of such Securityholders, or holders of Capital Securities, as the case may be, or (d) by any other method the Trustee deems satisfactory.

If the Company shall solicit from the Securityholders any request, demand, authorization, direction, notice, consent, waiver or other action or revocation of the same, the Company may, at its option, as evidenced by an Officers' Certificate, fix in advance a record date for such Debt Securities for the determination of Securityholders entitled to give such request, demand, authorization, direction, notice, consent, waiver or other action or revocation of the same, but the Company shall have no obligation to do so. If such a record date is fixed, such request, demand, authorization, direction, notice, consent, waiver or other action or revocation of the same may be given before or after the record date, but only the Securityholders of record at the close of business on the record date shall be deemed to be Securityholders for the purposes of determining whether Securityholders of the requisite proportion of outstanding Debt Securities have authorized or agreed or consented to such request, demand, authorization, direction, notice, consent, waiver or other action or revocation of the same, and for that purpose the outstanding

Debt Securities shall be computed as of the record date; provided , however , that no such authorization, agreement or consent by such Securityholders on the record date shall be deemed effective unless it shall become effective pursuant to the provisions of this Indenture not later than six months after the record date.

SECTION 7.02. Proof of Execution by Securityholders .

Subject to the provisions of Sections 6.01, 6.02 and 8.05, proof of the execution of any instrument by a Securityholder or such Securityholder's agent or proxy shall be sufficient if made in accordance with such reasonable rules and regulations as may be prescribed by the Trustee or in such manner as shall be satisfactory to the Trustee. The ownership of Debt Securities shall be proved by the Debt Security Register or by a certificate of the Debt Security Registrar. The Trustee may require such additional proof of any matter referred to in this Section as it shall deem necessary.

The record of any Securityholders' meeting shall be proved in the manner provided in Section 8.06.

SECTION 7.03. Who Are Deemed Absolute Owners .

Prior to due presentment for registration of transfer of any Debt Security, the Company, the Trustee, any Authenticating Agent, any Paying Agent, any transfer agent and any Debt Security registrar may deem the Person in whose name such Debt Security shall be registered upon the Debt Security Register to be, and may treat such Person as, the absolute owner of such Debt Security (whether or not such Debt Security shall be overdue) for the purpose of receiving payment of or on account of the principal of, premium, if any, and interest on such Debt Security and for all other purposes; and neither the Company nor the Trustee nor any Authenticating Agent nor any Paying Agent nor any transfer agent nor any Debt Security registrar shall be affected by any notice to the contrary. All such payments so made to any holder for the time being or upon such holder's order shall be valid, and, to the extent of the sum or sums so paid, effectual to satisfy and discharge the liability for moneys payable upon any such Debt Security.

SECTION 7.04. Debt Securities Owned by Company Deemed Not Outstanding .

In determining whether the holders of the requisite aggregate principal amount of Debt Securities have concurred in any direction, consent or waiver under this Indenture, Debt Securities which are owned by the Company or any other obligor on the Debt Securities or by any Person directly or indirectly controlling or controlled by or under direct or indirect common control with the Company (other than the Trust) or any other obligor on the Debt Securities shall be disregarded and deemed not to be outstanding for the purpose of any such determination; provided , that for the purposes of determining whether the Trustee shall be protected in relying on any such direction, consent or waiver, only Debt Securities which a Responsible Officer of the Trustee actually knows are so owned shall be so disregarded. Debt Securities so owned which have been pledged in good faith may be regarded as outstanding for the purposes of this Section 7.04 if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Debt Securities and that the pledgee is not the Company or any such other obligor or Person directly or indirectly controlling or controlled by or under direct or indirect common control with the Company or any such other obligor. In the case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee.

SECTION 7.05. Revocation of Consents; Future Securityholders Bound .

At any time prior to (but not after) the evidencing to the Trustee, as provided in Section 7.01, of the taking of any action by the holders of the percentage in aggregate principal amount of the Debt Securities specified in this Indenture in connection with such action, any holder (in cases where no record date has been set pursuant to Section 7.01) or any holder as of an applicable record date (in cases where a record date has been set pursuant to Section 7.01) of a Debt Security (or any Debt Security issued in whole or in part in exchange or substitution therefor) the serial number of which is shown by the evidence to be included in the Debt Securities the holders of which have consented to such action may, by filing written notice with the Trustee at the Principal Office of the Trustee and upon proof of holding as provided in Section 7.02, revoke such action so far as concerns such Debt Security (or so far as concerns the principal amount represented by any exchanged or substituted Debt Security). Except as aforesaid any such action taken by the holder of any Debt Security shall be conclusive and binding upon such holder and upon all future holders and owners of such Debt Security, and of any Debt Security issued in exchange or substitution therefor or on registration of transfer thereof, irrespective of whether or not any notation in regard thereto is made upon such Debt Security or any Debt Security issued in exchange or substitution therefor.

ARTICLE VIII

SECURITYHOLDERS' MEETINGS

SECTION 8.01. Purposes of Meetings.

A meeting of Securityholders may be called at any time and from time to time pursuant to the provisions of this Article VIII for any of the following purposes:

(a) to give any notice to the Company or to the Trustee, or to give any directions to the Trustee, or to consent to the waiving of any default hereunder and its consequences, or to take any other action authorized to be taken by Securityholders pursuant to any of the provisions of Article V;

(b) to remove the Trustee and nominate a successor trustee pursuant to the provisions of Article VI;

(c) to consent to the execution of an indenture or indentures supplemental hereto pursuant to the provisions of Section 9.02; or

(d) to take any other action authorized to be taken by or on behalf of the holders of any specified aggregate principal amount of such Debt Securities under any other provision of this Indenture or under applicable law.

SECTION 8.02. Call of Meetings by Trustee.

The Trustee may at any time call a meeting of Securityholders to take any action specified in Section 8.01, to be held at such time and at such place in New York or Wilmington, Delaware, as the Trustee shall determine. Notice of every meeting of the Securityholders, setting forth the time and the place of such meeting and in general terms the action proposed to be taken at such meeting, shall be mailed to holders of Debt Securities affected at their addresses as they shall appear on the Debt Securities Register. Such notice shall be mailed not less than 20 nor more than 180 days prior to the date fixed for the meeting.

SECTION 8.03. Call of Meetings by Company or Securityholders.

In case at any time the Company pursuant to a Board Resolution, or the holders of at least 10% in aggregate principal amount of the Debt Securities, as the case may be, then outstanding, shall have requested the Trustee to call a meeting of Securityholders, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, and the Trustee shall not have mailed the notice of such meeting within 20 days after receipt of such request, then the Company or such Securityholders may determine the time and the place in for such meeting and may call such meeting to take any action authorized in Section 8.01, by mailing notice thereof as provided in Section 8.02.

SECTION 8.04. Qualifications for Voting.

To be entitled to vote at any meeting of Securityholders a Person shall be (a) a holder of one or more Debt Securities with respect to which the meeting is being held or (b) a Person appointed by an instrument in writing as proxy by a holder of one or more such Debt Securities. The only Persons who shall be entitled to be present or to speak at any meeting of Securityholders shall be the Persons entitled to vote at such meeting and their counsel and any representatives of the Trustee and its counsel and any representatives of the Company and its counsel.

SECTION 8.05. Regulations.

Notwithstanding any other provisions of this Indenture, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of Securityholders, in regard to proof of the holding of Debt Securities and of the appointment of proxies, and in regard to the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall deem appropriate.

The Trustee shall, by an instrument in writing, appoint a temporary chairman of the meeting, unless the meeting shall have been called by the Company or by Securityholders as provided in Section 8.03, in which case the Company or the Securityholders calling the meeting, as the case may be, shall in like manner appoint a temporary chairman. A permanent chairman and a permanent secretary of the meeting shall be elected by majority vote at the meeting.

Subject to the provisions of Section 7.04, at any meeting each holder of Debt Securities with respect to which such meeting is being held or proxy therefor shall be entitled to one vote for each $1,000 principal amount of Debt Securities held or represented by such holder; provided, however, that no vote shall be cast or counted at any meeting in respect of any Debt Security challenged as not outstanding and ruled by the chairman of the meeting to be not outstanding. The chairman of the meeting shall have no right to vote other than by virtue of Debt Securities held by such chairman or instruments in writing as aforesaid duly designating such chairman as the Person to vote on behalf of other Securityholders. Any meeting of Securityholders duly called pursuant to the provisions of Section 8.02 or 8.03 may be adjourned from time to time by a majority of those present, whether or not constituting a quorum, and the meeting may be held as so adjourned without further notice.

SECTION 8.06. Voting.

The vote upon any resolution submitted to any meeting of holders of Debt Securities with respect to which such meeting is being held shall be by written ballots on which shall be subscribed the signatures of such holders or of their representatives by proxy and the serial number or numbers of the Debt Securities held or represented by them. The permanent chairman of the meeting shall appoint two inspectors of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their verified written reports in triplicate of all votes cast at the meeting. A record in duplicate of the proceedings of each meeting of Securityholders shall be prepared by the secretary of the meeting and there shall be attached to said record the original reports of the inspectors of votes on any vote by ballot taken thereat and affidavits by one or more Persons having knowledge of the facts setting forth a copy of the notice of the meeting and showing that said notice was mailed as provided in Section 8.02. The record shall show the serial numbers of the Debt Securities voting in favor of or against any resolution. The record shall be signed and verified by the affidavits of the permanent chairman and secretary of the meeting and one of the duplicates shall be delivered to the Company and the other to the Trustee to be preserved by the Trustee, the latter to have attached thereto the ballots voted at the meeting. Any record so signed and verified shall be conclusive evidence of the matters therein stated.

SECTION 8.07. Quorum; Actions.

The Persons entitled to vote a majority in outstanding principal amount of the Debt Securities shall constitute a quorum for a meeting of Securityholders; provided, however, that if any action is to be taken at such meeting with respect to a consent, waiver, request, demand, notice, authorization, direction or other action which may be given by the holders of not less than a specified percentage in outstanding principal amount of the Debt Securities, the Persons holding or representing such specified percentage in outstanding principal amount of the Debt Securities will constitute a quorum. In the absence of a quorum within 30 minutes of the time appointed for any such meeting, the meeting shall, if convened at the request of Securityholders, be dissolved. In any other case the meeting may be adjourned for a period of not less than 10 days as determined by the permanent chairman of the meeting prior to the adjournment of such meeting. In the absence of a quorum at any such adjourned meeting, such adjourned meeting may be further adjourned for a period of not less than 10 days as determined by the permanent chairman of the meeting prior to the adjournment of such adjourned meeting. Notice of the reconvening of any adjourned meeting shall be given as provided in Section 8.02, except that such notice need be given only once not less than five days prior to the date on which the meeting is scheduled to be reconvened. Notice of the reconvening of an adjourned meeting shall state expressly the percentage, as provided above, of the outstanding principal amount of the Debt Securities which shall constitute a quorum.

Except as limited by the proviso in the first paragraph of Section 9.02, any resolution presented to a meeting or adjourned meeting duly reconvened at which a quorum is present as aforesaid may be adopted by the affirmative vote of the holders of not less than a majority in outstanding principal amount of the Debt Securities; provided, however, that, except as limited by the proviso in the first paragraph of Section 9.02, any resolution with respect to any consent, waiver, request, demand, notice, authorization, direction or other action that this Indenture expressly provides may be given by the holders of not less than a specified percentage in outstanding principal amount of the Debt Securities may be adopted at a meeting or an adjourned meeting duly reconvened and at which a quorum is present as aforesaid only by the affirmative vote of the holders of not less than such specified percentage in outstanding principal amount of the Debt Securities.

Any resolution passed or decision taken at any meeting of holders of Debt Securities duly held in accordance with this Section shall be binding on all the Securityholders, whether or not present or represented at the meeting.

SECTION 8.08. Written Consent Without a Meeting.

Whenever under this Indenture, Securityholders are required or permitted to take any action by vote, such action may be taken without a meeting on written consent, setting forth the action so taken, signed by the Securityholders of all outstanding Debt Securities entitled to vote thereon. No consent shall be effective to take the action referred to therein unless, within sixty days of the earliest dated consent delivered in the manner required by this paragraph to the Trustee, written consents signed by a sufficient number of Securityholders to take action are delivered to the Trustee at its Principal Office. Delivery made to the Trustee at its Principal Office, shall be by hand or by certificated or registered mail, return receipt requested. Written consent thus given by the Securityholders of such number of Debt Securities as is required hereunder, shall have the same effect as a valid vote of Securityholders of such number of Debt Securities.

ARTICLE IX

SUPPLEMENTAL INDENTURES

SECTION 9.01. Supplemental Indentures without Consent of Securityholders.

The Company, when authorized by a Board Resolution, and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental hereto, without the consent of the Securityholders, for one or more of the following purposes:

(a) to evidence the succession of another Person to the Company, or successive successions, and the assumption by the successor Person of the covenants, agreements and obligations of the Company, pursuant to Article XI hereof;

(b) to add to the covenants of the Company such further covenants, restrictions or conditions for the protection of the holders of Debt Securities as the Board of Directors shall consider to be for the protection of the holders of such Debt Securities, and to make the occurrence, or the occurrence and continuance, of a Default in any of such additional covenants, restrictions or conditions a Default or an Event of Default permitting the enforcement of all or any of the several remedies provided in this Indenture as herein set forth; provided, however, that in respect of any such additional covenant, restriction or condition such supplemental indenture may provide for a particular period of grace after default (which period may be shorter or longer than that allowed in the case of other defaults) or may provide for an immediate enforcement upon such default or may limit the remedies available to the Trustee upon such default;

(c) to cure any ambiguity or to correct or supplement any provision contained herein or in any supplemental indenture which may be defective or inconsistent with any other provision contained herein or in any supplemental indenture, or to make or amend such other provisions in regard to matters or questions arising under this Indenture; provided, that any such action shall not adversely affect the interests of the holders of the Debt Securities;

(d) to add to, delete from, or revise the terms of Debt Securities, including, without limitation, any terms relating to the issuance, exchange, registration or transfer of Debt Securities, including to provide for transfer procedures and restrictions substantially similar to those applicable to the Capital Securities, as required by Section 2.05 (for purposes of assuring that no registration of Debt Securities is required under the Securities Act of 1933, as amended); provided, that any such action shall not adversely affect the interests of the holders of the Debt Securities then outstanding (it being understood, for purposes of this proviso, that transfer restrictions on Debt Securities substantially similar to those applicable to Capital Securities shall not be deemed to adversely affect the holders of the Debt Securities);

(e) to evidence and provide for the acceptance of appointment hereunder by a successor Trustee with respect to the Debt Securities and to add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, pursuant to the requirements of Section 6.10;

(f) to make any change (other than as elsewhere provided in this paragraph) that does not adversely affect the rights of any Securityholder in any material respect; or

(g) to provide for the issuance of and establish the form and terms and conditions of the Debt Securities, to establish the form of any certifications required to be furnished pursuant to the terms of this Indenture or the Debt Securities, or to add to the rights of the holders of Debt Securities.

The Trustee is hereby authorized to join with the Company in the execution of any such supplemental indenture, to make any further appropriate agreements and stipulations which may be therein contained and to accept the conveyance, transfer and assignment of any property thereunder, but the Trustee shall not be obligated to, but may in its discretion, enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

Any supplemental indenture authorized by the provisions of this Section 9.01 may be executed by the Company and the Trustee without the consent of the holders of any of the Debt Securities at the time outstanding, notwithstanding any of the provisions of Section 9.02.

SECTION 9.02. Supplemental Indentures with Consent of Securityholders.

With the consent (evidenced as provided in Section 7.01) of the holders of not less than a majority in aggregate principal amount of the Debt Securities at the time outstanding affected by such supplemental indenture, the Company, when authorized by a Board Resolution, and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental hereto (which shall conform to the provisions of the Trust Indenture Act, then in effect, applicable to indentures qualified thereunder) for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of any supplemental indenture or of modifying in any manner the rights of the holders of the Debt Securities; provided, however, that no such supplemental indenture shall without such consent of the holders of each Debt Security then outstanding and affected thereby (i) extend the Maturity Date of any Debt Security, or reduce the principal amount thereof or any premium thereon, or reduce the rate (or manner of calculation of the rate) or extend the time of payment of interest thereon, or reduce (other than as a result of the maturity or earlier redemption of any such Debt Security in accordance with the terms of this Indenture and such Debt Security) or increase the aggregate principal amount of Debt Securities then outstanding, or change any of the redemption provisions, or make the principal thereof or any interest or premium thereon payable in any coin or currency other than United States Dollars, or impair or affect the right of any Securityholder to institute suit for payment thereof or impair the right of repayment, if any, at the option of the holder, or (ii) reduce the aforesaid percentage of Debt Securities the holders of which are required to consent to any such supplemental indenture; and provided , further , that if the Debt Securities are held by the Trust or a trustee of such trust, such supplemental indenture shall not be effective until the holders of a majority in Liquidation Amount of the outstanding Capital Securities shall have consented to such supplemental indenture; provided , further , that if the consent of the Securityholder of each outstanding Debt Security is required, such supplemental indenture shall not be effective until each holder of the outstanding Capital Securities shall have consented to such supplemental indenture.

Upon the request of the Company accompanied by a Board Resolution authorizing the execution of any such supplemental indenture, and upon the filing with the Trustee of evidence of the consent of Securityholders (and holders of Capital Securities, if required) as aforesaid, the Trustee shall join with the Company in the execution of such supplemental indenture unless such supplemental indenture affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion, but shall not be obligated to, enter into such supplemental indenture.

Promptly after the execution by the Company and the Trustee of any supplemental indenture pursuant to the provisions of this Section, the Trustee shall transmit by mail, first class postage prepaid, a notice, prepared by the Company, setting forth in general terms the substance of such supplemental indenture, to the Securityholders as their names and addresses appear upon the Debt Security Register. Any failure of the Trustee to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture.

It shall not be necessary for the consent of the Securityholders under this Section 9.02 to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof.

SECTION 9.03. Effect of Supplemental Indentures .

Upon the execution of any supplemental indenture pursuant to the provisions of this Article IX, this Indenture shall be and be deemed to be modified and amended in accordance therewith and the respective rights, limitations of rights, obligations, duties and immunities under this Indenture of the Trustee, the Company and the holders of Debt Securities shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments and all the terms and conditions of any such supplemental indenture shall be and be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

SECTION 9.04. Notation on Debt Securities .

Debt Securities authenticated and delivered after the execution of any supplemental indenture pursuant to the provisions of this Article IX may bear a notation as to any matter provided for in such supplemental indenture. If the Company or the Trustee shall so determine, new Debt Securities so modified as to conform, in the opinion of the Board of Directors of the Company, to any modification of this Indenture contained in any such supplemental indenture may be prepared and executed by the Company, authenticated by the Trustee or the Authenticating Agent and delivered in exchange for the Debt Securities then outstanding.

SECTION 9.05. Evidence of Compliance of Supplemental Indenture to be furnished to Trustee .

The Trustee, subject to the provisions of Sections 6.01 and 6.02, shall, in addition to the documents required by Section 14.06, receive an Officers' Certificate and an Opinion of Counsel as conclusive evidence that any supplemental indenture executed pursuant hereto complies with the requirements of this Article IX. The Trustee shall receive an Opinion of Counsel as conclusive evidence that any supplemental indenture executed pursuant to this Article IX is authorized or permitted by, and conforms to, the terms of this Article IX and that it is proper for the Trustee under the provisions of this Article IX to join in the execution thereof.

ARTICLE X

REDEMPTION OF SECURITIES

SECTION 10.01. Optional Redemption .

At any time the Company shall have the right, subject to the receipt by the Company of prior approval from any regulatory authority with jurisdiction over the Company if such approval is then required under applicable capital guidelines or policies of such regulatory authority, to redeem the Debt Securities, in whole or (provided that all accrued and unpaid interest has been paid on all Debt Securities for all

Interest Periods terminating on or prior to such date) from time to time in part, on any January 7, April 7, July 7 or October 7 on or after April 7, 2011 (the "Redemption Date"), at the Redemption Price.

SECTION 10.02. Special Event Redemption.

If a Special Event shall occur and be continuing, the Company shall have the right, subject to the receipt by the Company of prior approval from any regulatory authority with jurisdiction over the Company if such approval is then required under applicable capital guidelines or policies of such regulatory authority, to redeem the Debt Securities, in whole or in part, at any time within 90 days following the occurrence of such Special Event (the "Special Redemption Date"), at the Special Redemption Price.

SECTION 10.03. Notice of Redemption; Selection of Debt Securities.

In case the Company shall desire to exercise the right to redeem all, or, as the case may be, any part of the Debt Securities, it shall fix a date for redemption and shall mail, or cause the Trustee to mail (at the expense of the Company) a notice of such redemption at least 30 and not more than 60 days prior to the date fixed for redemption to the holders of Debt Securities so to be redeemed as a whole or in part at their last addresses as the same appear on the Debt Security Register. Such mailing shall be by first class mail. The notice if mailed in the manner herein provided shall be conclusively presumed to have been duly given, whether or not the holder receives such notice. In any case, failure to give such notice by mail or any defect in the notice to the holder of any Debt Security designated for redemption as a whole or in part shall not affect the validity of the proceedings for the redemption of any other Debt Security.

Each such notice of redemption shall specify the CUSIP number, if any, of the Debt Securities to be redeemed, the date fixed for redemption, the redemption price (or manner of calculation of the price) at which Debt Securities are to be redeemed, the place or places of payment, that payment will be made upon presentation and surrender of such Debt Securities, that interest accrued to the date fixed for redemption will be paid as specified in said notice, and that on and after said date interest thereon or on the portions thereof to be redeemed will cease to accrue. If less than all the Debt Securities are to be redeemed the notice of redemption shall specify the numbers of the Debt Securities to be redeemed. In case the Debt Securities are to be redeemed in part only, the notice of redemption shall state the portion of the principal amount thereof to be redeemed and shall state that on and after the date fixed for redemption, upon surrender of such Debt Security, a new Debt Security or Debt Securities in principal amount equal to the unredeemed portion thereof will be issued.

Prior to 10:00 a.m. New York City time on the Redemption Date or the Special Redemption Date specified in the notice of redemption given as provided in this Section, the Company will deposit with the Trustee or with one or more Paying Agents an amount of money sufficient to redeem on the redemption date all the Debt Securities so called for redemption at the appropriate redemption price, together with unpaid interest accrued to such date.

The Company will give the Trustee notice not less than 45 nor more than 60 days prior to the redemption date as to the redemption price at which the Debt Securities are to be redeemed and the aggregate principal amount of Debt Securities to be redeemed and the Trustee shall select, in such manner as in its sole discretion it shall deem appropriate and fair, the Debt Securities or portions thereof (in integral multiples of $1,000) to be redeemed.

SECTION 10.04. Payment of Debt Securities Called for Redemption.

If notice of redemption has been given as provided in Section 10.03, the Debt Securities or portions of Debt Securities with respect to which such notice has been given shall become due and payable on the Redemption Date or the Special Redemption Date (as the case may be) and at the place or places stated in such notice at the applicable redemption price, together with interest accrued to the date fixed for redemption, and on and after said Redemption Date or the Special Redemption Date (unless the Company shall default in the payment of such Debt Securities at the redemption price, together with unpaid interest accrued thereon to said date) interest on the Debt Securities or portions of Debt Securities so called for redemption shall cease to accrue. On presentation and surrender of such Debt Securities at a place of payment specified in said notice, such Debt Securities or the specified portions thereof shall be paid and redeemed by the Company at the applicable redemption price, together with unpaid interest accrued thereon to the Redemption Date or the Special Redemption Date (as the case may be).

Upon presentation of any Debt Security redeemed in part only, the Company shall execute and the Trustee shall authenticate and make available for delivery to the holder thereof, at the expense of the Company, a new Debt Security or Debt Securities of authorized denominations in principal amount equal to the unredeemed portion of the Debt Security so presented.

ARTICLE XI

CONSOLIDATION, MERGER, SALE, CONVEYANCE AND LEASE

SECTION 11.01. Company May Consolidate, etc., on Certain Terms .

Nothing contained in this Indenture or in the Debt Securities shall prevent any consolidation or merger of the Company with or into any other corporation or corporations (whether or not affiliated with the Company) or successive consolidations or mergers in which the Company or its successor or successors shall be a party or parties, or shall prevent any sale, conveyance, transfer or other disposition of all or substantially all of the property or capital stock of the Company or its successor or successors, to any other corporation (whether or not affiliated with the Company, or its successor or successors) authorized to acquire and operate the same; provided , however , that the Company hereby covenants and agrees that, (i) upon any such consolidation, merger (where the Company is not the surviving corporation), sale, conveyance, transfer or other disposition, the successor entity shall be a corporation organized and existing under the laws of the United States or any state thereof or the District of Columbia (unless such corporation has (1) agreed to make all payments due in respect of the Debt Securities or, if outstanding, the Capital Securities and Capital Securities Guarantee without withholding or deduction for, or on account of, any taxes, duties, assessments or other governmental charges under the laws or regulations of the jurisdiction of organization or residence (for tax purposes) of such corporation or any political subdivision or taxing authority thereof or therein unless required by applicable law, in which case such corporation shall have agreed to pay such additional amounts as shall be required so that the net amounts received and retained by the holders of such Debt Securities or Capital Securities, as the case may be, after payment of all taxes (including withholding taxes), duties, assessments or other governmental charges, will be equal to the amounts that such holders would have received and retained had no such taxes (including withholding taxes), duties, assessments or other governmental charges been imposed, (2) irrevocably and unconditionally consented and submitted to the jurisdiction of any United States federal court or New York state court, in each case located in The City of New York, Borough of Manhattan, in respect of any action, suit or proceeding against it arising out of or in connection with this Indenture, the Debt Securities, the Capital Securities Guarantee or the Declaration and irrevocably and unconditionally waived, to the fullest extent permitted by law, any objection to the laying of venue in any such court or that any such action, suit or proceeding has been brought in an inconvenient forum and (3) irrevocably appointed an agent in The City of New York for service of process in any action, suit or proceeding referred to in clause (2) above) and such corporation expressly assumes all of the obligations of the Company under the Debt Securities, this Indenture, the Capital Securities Guarantee and the Declaration and (ii) after giving effect to any such consolidation, merger, sale, conveyance, transfer or other disposition, no Default or Event of Default shall have occurred and be continuing.

SECTION 11.02. Successor Entity to be Substituted .

In case of any such consolidation, merger, sale, conveyance, transfer or other disposition contemplated in Section 11.01 and upon the assumption by the successor entity, by supplemental indenture, executed and delivered to the Trustee and reasonably satisfactory in form to the Trustee, of the due and punctual payment of the principal of and premium, if any, and interest on all of the Debt Securities and the due and punctual performance and observance of all of the covenants and conditions of this Indenture to be performed or observed by the Company, such successor entity shall succeed to and be substituted for the Company, with the same effect as if it had been named herein as the Company, and thereupon the predecessor entity shall be relieved of any further liability or obligation hereunder or upon the Debt Securities. Such successor entity thereupon may cause to be signed, and may issue either in its own name or in the name of the Company, any or all of the Debt Securities issuable hereunder which theretofore shall not have been signed by the Company and delivered to the Trustee or the Authenticating Agent; and, upon the order of such successor entity instead of the Company and subject to all the terms, conditions and limitations in this Indenture prescribed, the Trustee or the Authenticating Agent shall authenticate and deliver any Debt Securities which previously shall have been signed and delivered by the officers of the Company, to the Trustee or the Authenticating Agent for authentication, and any Debt Securities which such successor entity thereafter shall cause to be signed and delivered to the Trustee or the Authenticating Agent for that purpose. All the Debt Securities so issued shall in all respects have the same legal rank and benefit under this Indenture as the Debt Securities theretofore or thereafter issued in accordance with the terms of this Indenture as though all of such Debt Securities had been issued at the date of the execution hereof.

SECTION 11.03. Opinion of Counsel to be Given to Trustee .

The Trustee, subject to the provisions of Sections 6.01 and 6.02, shall receive, in addition to the Opinion of Counsel required by Section 9.05, an Opinion of Counsel as conclusive evidence that any consolidation, merger, sale, conveyance, transfer or other disposition, and any assumption, permitted or required by the terms of this Article XI complies with the provisions of this Article XI.

ARTICLE XII

SATISFACTION AND DISCHARGE OF INDENTURE

SECTION 12.01. Discharge of Indenture .

When (a) the Company shall deliver to the Trustee for cancellation all Debt Securities theretofore authenticated (other than any Debt Securities which shall have been destroyed, lost or stolen and which shall have been replaced or paid as provided in Section 2.06) and not theretofore canceled, or (b) all the Debt Securities not theretofore canceled or delivered to the Trustee for cancellation shall have become due and payable, or are by their terms to become due and payable within one year or are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption, and the Company shall deposit with the Trustee, in trust, funds, which shall be immediately due and payable, sufficient to pay at maturity or upon redemption all of the Debt Securities (other than any Debt Securities which shall have been destroyed, lost or stolen and which shall have been replaced or paid as provided in Section 2.06) not theretofore canceled or delivered to the Trustee for cancellation, including principal and premium, if any, and interest due or to become due to such date of maturity or redemption date, as the case may be, but excluding, however, the amount of any moneys for the payment of principal of, and premium, if any, or interest on the Debt Securities (1) theretofore repaid to the Company in accordance with the provisions of Section 12.04, or (2) paid to any state or to the District of Columbia pursuant to its unclaimed property or similar laws, and if in the case of either clause (a) or clause (b) the Company shall also pay or cause to be paid all other sums payable hereunder by the Company, then this Indenture shall cease to be of further effect except for the provisions of Sections 2.05, 2.06, 3.01, 3.02, 3.04, 6.06, 6.09 and 12.04 hereof, which shall survive until such Debt Securities shall mature or are redeemed, as the case may be, and are paid in full. Thereafter, Sections 6.06, 6.09 and 12.04 shall survive, and the Trustee, on demand of the Company accompanied by an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with, and at the cost and expense of the Company, shall execute proper instruments acknowledging satisfaction of and discharging this Indenture, the Company, however, hereby agreeing to reimburse the Trustee for any costs or expenses thereafter reasonably and properly incurred by the Trustee in connection with this Indenture or the Debt Securities.

SECTION 12.02. Deposited Moneys to be Held in Trust by Trustee .

Subject to the provisions of Section 12.04, all moneys deposited with the Trustee pursuant to Section 12.01 shall be held in trust and applied by it to the payment, either directly or through any Paying Agent (including the Company if acting as its own Paying Agent), to the holders of the particular Debt Securities for the payment of which such moneys have been deposited with the Trustee, of all sums due and to become due thereon for principal, and premium, if any, and interest.

SECTION 12.03. Paying Agent to Repay Moneys Held .

Upon the satisfaction and discharge of this Indenture, all moneys then held by any Paying Agent of the Debt Securities (other than the Trustee) shall, upon demand of the Company, be repaid to the Company or paid to the Trustee, and thereupon such Paying Agent shall be released from all further liability with respect to such moneys.

SECTION 12.04. Return of Unclaimed Moneys .

Any moneys deposited with or paid to the Trustee or any Paying Agent for payment of the principal of, and premium, if any, or interest on Debt Securities and not applied but remaining unclaimed by the holders of Debt Securities for two years after the date upon which the principal of, and premium, if any, or interest on such Debt Securities, as the case may be, shall have become due and payable, shall be repaid to the Company by the Trustee or such Paying Agent on written demand; and the holder of any of the Debt Securities shall thereafter look only to the Company for any payment which such holder may be entitled to collect and all liability of the Trustee or such Paying Agent with respect to such moneys shall thereupon cease.

ARTICLE XIII

IMMUNITY OF INCORPORATORS, STOCKHOLDERS, OFFICERS AND DIRECTORS

SECTION 13.01. Indenture and Debt Securities Solely Corporate Obligations .

No recourse for the payment of the principal of or premium, if any, or interest on any Debt Security, or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company in this Indenture or in any supplemental indenture, or in any such Debt Security, or because of the creation of any indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or agent, as such, past, present or future, of the Company or of any predecessor or successor corporation of the Company, either directly or through the Company or any successor corporation of the Company, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood that all such liability is hereby expressly waived and released as a condition of, and as a consideration for, the execution of this Indenture and the issue of the Debt Securities.

ARTICLE XIV

MISCELLANEOUS PROVISIONS

SECTION 14.01. Successors .

All the covenants, stipulations, promises and agreements of the Company contained in this Indenture shall bind its successors and assigns whether so expressed or not.

SECTION 14.02. Official Acts by Successor Entity .

Any act or proceeding by any provision of this Indenture authorized or required to be done or performed by any board, committee or officer of the Company shall and may be done and performed with like force and effect by the like board, committee, officer or other authorized Person of any entity that shall at the time be the lawful successor of the Company.

SECTION 14.03. Surrender of Company Powers .

The Company by instrument in writing executed by authority of 2/3 (two-thirds) of its Board of Directors and delivered to the Trustee may surrender any of the powers reserved to the Company and thereupon such power so surrendered shall terminate both as to the Company and as to any permitted successor.

SECTION 14.04. Addresses for Notices, etc.

Any notice or demand which by any provision of this Indenture is required or permitted to be given or served by the Trustee or by the Securityholders on the Company may be given or served in writing by being deposited postage prepaid by registered or certified mail in a post office letter box addressed (until another address is filed by the Company with the Trustee for such purpose) to the Company at:

Heartland Financial USA, Inc.
1398 Central Avenue
Dubuque, Iowa 52001
Attention: John K. Schmidt

Any notice, direction, request or demand by any Securityholder or the Company to or upon the Trustee shall be deemed to have been sufficiently given or made, for all purposes, if given or made in writing at the office of Wells Fargo Bank, National Association at:

919 Market Street
Suite 700
Wilmington, DE 19801
Attention: Corporate Trust Division

SECTION 14.05. Governing Law .

This Indenture and each Debt Security shall be deemed to be a contract made under the law of the State of New York, and for all purposes shall be governed by and construed in accordance with the law of said State, without regard to conflict of laws principles of said State other than Section 5 1401 of the New York General Obligations Law.

SECTION 14.06. Evidence of Compliance with Conditions Precedent .

Upon any application or demand by the Company to the Trustee to take any action under any of the provisions of this Indenture, the Company shall furnish to the Trustee an Officers' Certificate stating that in the opinion of the signers all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with and an Opinion of Counsel stating that, in the opinion of such counsel, all such conditions precedent have been complied with (except that no such Opinion of Counsel is required to be furnished to the Trustee in connection with the authentication and issuance of Debt Securities issued on the date of this Indenture).

Each certificate or opinion provided for in this Indenture and delivered to the Trustee with respect to compliance with a condition or covenant provided for in this Indenture (except certificates delivered pursuant to Section 3.05) shall include (a) a statement that the person making such certificate or opinion has read such covenant or condition; (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based; (c) a statement that, in the opinion of such person, he or she has made such examination or investigation as is necessary to enable him or her to express an informed opinion as to whether or not such covenant or condition has been complied with; and (d) a statement as to whether or not, in the opinion of such person, such condition or covenant has been complied with.

SECTION 14.07. Non-Business Days .

Notwithstanding anything to the contrary contained herein, if any Interest Payment Date, other than on the Maturity Date, any Redemption Date or the Special Redemption Date, falls on a day that is not a Business Day, then any interest payable will be paid on, and such Interest Payment Date will be moved to, the next succeeding Business Day, and additional interest will accrue for each day that such payment is delayed as a result thereof. If the Maturity Date, any Redemption Date or the Special Redemption Date falls on a day that is not a Business Day, then the principal, premium, if any, and/or interest payable on such date will be paid on the next preceding Business Day.

SECTION 14.08. Table of Contents, Headings, etc.

The table of contents and the titles and headings of the articles and sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part hereof, and shall in no way modify or restrict any of the terms or provisions hereof.

SECTION 14.09. Execution in Counterparts .

This Indenture may be executed in any number of counterparts, each of which shall be an original, but such counterparts shall together constitute but one and the same instrument.

SECTION 14.10. Severability .

In case any one or more of the provisions contained in this Indenture or in the Debt Securities shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Indenture or of such Debt Securities, but this Indenture and such Debt Securities shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein or therein.

SECTION 14.11. Assignment .

Subject to Article XI, the Company will have the right at all times to assign any of its rights or obligations under this Indenture to a direct or indirect wholly owned Subsidiary of the Company, provided , however, that, in the event of any such assignment, the Company will remain liable for all such obligations. Subject to the foregoing, this Indenture is binding upon and inures to the benefit of the parties hereto and their respective successors and assigns. This Indenture may not otherwise be assigned by the parties thereto.

SECTION 14.12. Acknowledgment of Rights .

The Company acknowledges that, with respect to any Debt Securities held by the Trust or the Institutional Trustee of the Trust, if the Institutional Trustee of the Trust fails to enforce its rights under this Indenture as the holder of Debt Securities held as the assets of the Trust after the holders of a majority in Liquidation Amount of the Capital Securities of the Trust have so directed in writing such Institutional Trustee, a holder of record of such Capital Securities may to the fullest extent permitted by law institute legal proceedings directly against the Company to enforce such Institutional Trustee's rights under this Indenture without first instituting any legal proceedings against such Institutional Trustee or any other Person. Notwithstanding the foregoing, if an Event of Default has occurred and is continuing and such event is attributable to the failure of the Company to pay interest (or premium, if any) or principal on the Debt Securities on the date such interest (or premium, if any) or principal is otherwise due and payable (or in the case of redemption, on the redemption date), the Company acknowledges that a holder of record of Capital Securities of the Trust may directly institute a proceeding against the Company for enforcement of payment to such holder directly of the principal of (or premium, if any) or interest on the Debt Securities having an aggregate principal amount equal to the aggregate Liquidation Amount of the Capital Securities of such holder on or after the respective due date specified in the Debt Securities.

ARTICLE XV

SUBORDINATION OF DEBT SECURITIES

SECTION 15.01. Agreement to Subordinate .

The Company covenants and agrees, and each holder of Debt Securities issued hereunder and under any supplemental indenture (the "Additional Provisions") by such Securityholder's acceptance thereof likewise covenants and agrees, that all Debt Securities shall be issued subject to the provisions of this Article XV; and each holder of a Debt Security, whether upon original issue or upon transfer or assignment thereof, accepts and agrees to be bound by such provisions.

The payment by the Company of the payments due on all Debt Securities issued hereunder and under any Additional Provisions shall, to the extent and in the manner hereinafter set forth, be subordinated and junior in right of payment to the prior payment in full of all Senior Indebtedness of the Company, whether outstanding at the date of this Indenture or thereafter incurred.

No provision of this Article XV shall prevent the occurrence of any Default or Event of Default hereunder.

SECTION 15.02. Default on Senior Indebtedness .

In the event and during the continuation of any default by the Company in the payment of principal, premium, interest or any other payment due on any Senior Indebtedness of the Company following any applicable grace period, or in the event that the maturity of any Senior Indebtedness of the Company has been accelerated because of a default, and such acceleration has not been rescinded or canceled and such Senior Indebtedness has not been paid in full, then, in either case, no payment shall be made by the Company with respect to the payments due on the Debt Securities.

In the event that, notwithstanding the foregoing, any payment shall be received by the Trustee when such payment is prohibited by the preceding paragraph of this Section 15.02, such payment shall, subject to Section 15.06, be held in trust for the benefit of, and shall be paid over or delivered to, the holders of Senior Indebtedness or their respective representatives, or to the trustee or trustees under any indenture pursuant to which any of such Senior Indebtedness may have been issued, as their respective interests may appear, but only to the extent that the holders of the Senior Indebtedness (or their representative or representatives or a trustee) notify the Trustee in writing within 90 days of such payment of the amounts then due and owing on the Senior Indebtedness and only the amounts specified in such notice to the Trustee shall be paid to the holders of Senior Indebtedness.

SECTION 15.03. Liquidation; Dissolution; Bankruptcy .

Upon any payment by the Company or distribution of assets of the Company of any kind or character, whether in cash, property or securities, to creditors upon any dissolution or winding- up or liquidation or reorganization of the Company, whether voluntary or involuntary or in bankruptcy, insolvency, receivership or other proceedings, all amounts due upon all Senior Indebtedness of the Company shall first be paid in full, or payment thereof provided for in money in accordance with its terms, before any payment is made by the Company on the Debt Securities; and upon any such dissolution or winding-up or liquidation or reorganization, any payment by the Company, or distribution of assets of the Company of any kind or character, whether in cash, property or securities, to which the Securityholders or the Trustee would be entitled to receive from the Company, except for the provisions of this Article XV, shall be paid by the Company, or by any receiver, trustee in bankruptcy, liquidating trustee, agent or other Person making such payment or distribution, or by the Securityholders or by the Trustee under this Indenture if received by them or it, directly to the holders of Senior Indebtedness of the Company (pro rata to such holders on the basis of the respective amounts of Senior Indebtedness held by such holders, as calculated by the Company) or their representative or representatives, or to the trustee or trustees under any indenture pursuant to which any instruments evidencing such Senior Indebtedness may have been issued, as their respective interests may appear, to the extent necessary to pay such Senior Indebtedness in full, in money or money's worth, after giving effect to any concurrent payment or distribution to or for the holders of such Senior Indebtedness, before any payment or distribution is made to the Securityholders.

In the event that, notwithstanding the foregoing, any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities, prohibited by the foregoing, shall be received by the Trustee before all Senior Indebtedness of the Company is paid in full, or provision is made for such payment in money in accordance with its terms, such payment or distribution shall be held in trust for the benefit of and shall be paid over or delivered to the holders of such Senior Indebtedness or their representative or representatives, or to the trustee or trustees under any indenture pursuant to which any instruments evidencing such Senior Indebtedness may have been issued, as their respective interests may appear, as calculated by the Company, for application to the payment of all Senior Indebtedness of the Company remaining unpaid to the extent necessary to pay such Senior Indebtedness in full in money in accordance with its terms, after giving effect to any concurrent payment or distribution to or for the benefit of the holders of such Senior Indebtedness.

For purposes of this Article XV, the words "cash, property or securities" shall not be deemed to include shares of stock of the Company as reorganized or readjusted, or securities of the Company or any other corporation provided for by a plan of reorganization or readjustment, the payment of which is subordinated at least to the extent provided in this Article XV with respect to the Debt Securities to the payment of all Senior Indebtedness of the Company, that may at the time be outstanding, provided , that (a) such Senior Indebtedness is assumed by the new corporation, if any, resulting from any such reorganization or readjustment, and (b) the rights of the holders of such Senior

Indebtedness are not, without the consent of such holders, altered by such reorganization or readjustment. The consolidation of the Company with, or the merger of the Company into, another corporation or the liquidation or dissolution of the Company following the conveyance or transfer or other disposition of its property as an entirety, or substantially as an entirety, to another corporation upon the terms and conditions provided for in Article XI of this Indenture shall not be deemed a dissolution, winding-up, liquidation or reorganization for the purposes of this Section 15.03 if such other corporation shall, as a part of such consolidation, merger, conveyance or transfer, comply with the conditions stated in Article XI of this Indenture. Nothing in Section 15.02 or in this Section 15.03 shall apply to claims of, or payments to, the Trustee under or pursuant to Section 6.06 of this Indenture.

SECTION 15.04. Subrogation.

Subject to the payment in full of all Senior Indebtedness of the Company, the Securityholders shall be subrogated to the rights of the holders of such Senior Indebtedness to receive payments or distributions of cash, property or securities of the Company applicable to such Senior Indebtedness until all payments due on the Debt Securities shall be paid in full; and, for the purposes of such subrogation, no payments or distributions to the holders of such Senior Indebtedness of any cash, property or securities to which the Securityholders or the Trustee would be entitled except for the provisions of this Article XV, and no payment over pursuant to the provisions of this Article XV to or for the benefit of the holders of such Senior Indebtedness by Securityholders or the Trustee, shall, as between the Company, its creditors other than holders of Senior Indebtedness of the Company, and the holders of the Debt Securities be deemed to be a payment or distribution by the Company to or on account of such Senior Indebtedness. It is understood that the provisions of this Article XV are and are intended solely for the purposes of defining the relative rights of the holders of the Debt Securities, on the one hand, and the holders of such Senior Indebtedness, on the other hand.

Nothing contained in this Article XV or elsewhere in this Indenture, any Additional Provisions or in the Debt Securities is intended to or shall impair, as between the Company, its creditors other than the holders of Senior Indebtedness of the Company, and the holders of the Debt Securities, the obligation of the Company, which is absolute and unconditional, to pay to the holders of the Debt Securities all payments on the Debt Securities as and when the same shall become due and payable in accordance with their terms, or is intended to or shall affect the relative rights of the holders of the Debt Securities and creditors of the Company, other than the holders of Senior Indebtedness of the Company, nor shall anything herein or therein prevent the Trustee or the holder of any Debt Security from exercising all remedies otherwise permitted by applicable law upon default under this Indenture, subject to the rights, if any, under this Article XV of the holders of such Senior Indebtedness in respect of cash, property or securities of the Company received upon the exercise of any such remedy.

Upon any payment or distribution of assets of the Company referred to in this Article XV, the Trustee, subject to the provisions of Article VI of this Indenture, and the Securityholders shall be entitled to conclusively rely upon any order or decree made by any court of competent jurisdiction in which such dissolution, winding-up, liquidation or reorganization proceedings are pending, or a certificate of the receiver, trustee in bankruptcy, liquidation trustee, agent or other Person making such payment or distribution, delivered to the Trustee or to the Securityholders, for the purposes of ascertaining the Persons entitled to participate in such distribution, the holders of Senior Indebtedness and other indebtedness of the Company, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article XV.

SECTION 15.05. Trustee to Effectuate Subordination.

Each Securityholder by such Securityholder's acceptance thereof authorizes and directs the Trustee on such Securityholder's behalf to take such action as may be necessary or appropriate to effectuate the subordination provided in this Article XV and appoints the Trustee such Securityholder's attorney-in-fact for any and all such purposes.

SECTION 15.06. Notice by the Company.

The Company shall give prompt written notice to a Responsible Officer of the Trustee at the Principal Office of the Trustee of any fact known to the Company that would prohibit the making of any payment of moneys to or by the Trustee in respect of the Debt Securities pursuant to the provisions of this Article XV. Notwithstanding the provisions of this Article XV or any other provision of this Indenture or any Additional Provisions, the Trustee shall not be charged with knowledge of the existence of any facts that would prohibit the making of any payment of moneys to or by the Trustee in respect of the Debt Securities pursuant to the provisions of this Article XV, unless and until a Responsible Officer of the Trustee at the Principal Office of the Trustee shall have received written notice thereof from the Company or a holder or holders of Senior Indebtedness or from any trustee therefor; and before the receipt of any such written notice, the Trustee, subject to the provisions of Article VI of this Indenture, shall be entitled in all respects to assume that no such facts exist; provided, however, that if the Trustee shall not have received the notice provided for in this Section 15.06 at least two Business Days prior to the date upon which by the terms hereof any money may become payable for any purpose (including, without limitation, the payment of the principal of (or premium, if any) or interest on any Debt Security), then, anything herein contained to the contrary notwithstanding, the Trustee shall have full power and authority to receive such money and to apply the same to the purposes for which they were received, and shall not be affected by any notice to the contrary that may be received by it within two Business Days prior to such date.

The Trustee, subject to the provisions of Article VI of this Indenture, shall be entitled to conclusively rely on the delivery to it of a written notice by a Person representing himself or herself to be a holder of Senior Indebtedness of the Company (or a trustee or representative on behalf of such holder) to establish that such notice has been given by a holder of such Senior Indebtedness or a trustee or representative on behalf of any such holder or holders. In the event that the Trustee determines in good faith that further evidence is required with respect to the right of any Person as a holder of such Senior Indebtedness to participate in any payment or distribution pursuant to this Article XV, the Trustee may request such Person to furnish evidence to the reasonable satisfaction of the Trustee as to the amount of such Senior Indebtedness held by such Person, the extent to which such Person is entitled to participate in such payment or distribution and any other facts pertinent to the rights of such Person under this Article XV, and, if such evidence is not furnished, the Trustee may defer any payment to such Person pending judicial determination as to the right of such Person to receive such payment.

SECTION 15.07. Rights of the Trustee, Holders of Senior Indebtedness.

The Trustee in its individual capacity shall be entitled to all the rights set forth in this Article XV in respect of any Senior Indebtedness at any time held by it, to the same extent as any other holder of Senior Indebtedness, and nothing in this Indenture or any Additional Provisions shall deprive the Trustee of any of its rights as such holder.

With respect to the holders of Senior Indebtedness of the Company, the Trustee undertakes to perform or to observe only such of its covenants and obligations as are specifically set forth in this Article XV, and no implied covenants or obligations with respect to the holders of such Senior Indebtedness shall be read into this Indenture or any Additional Provisions against the Trustee. The Trustee shall not owe or be deemed to owe any fiduciary duty to the holders of such Senior Indebtedness and, subject to the provisions of Article VI of this Indenture, the Trustee shall not be liable to any holder of such Senior Indebtedness if it shall pay over or deliver to Securityholders, the Company or any other Person money or assets to which any holder of such Senior Indebtedness shall be entitled by virtue of this Article XV or otherwise.

Nothing in this Article XV shall apply to claims of, or payments to, the Trustee under or pursuant to Section 6.06.

SECTION 15.08. Subordination May Not Be Impaired.

No right of any present or future holder of any Senior Indebtedness of the Company to enforce subordination as herein provided shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of the Company, or by any act or failure to act, in good faith, by any such holder, or by any noncompliance by the Company, with the terms, provisions and covenants of this Indenture, regardless of any knowledge thereof that any such holder may have or otherwise be charged with.

Without in any way limiting the generality of the foregoing paragraph, the holders of Senior Indebtedness of the Company may, at any time and from time to time, without the consent of or notice to the Trustee or the Securityholders, without incurring responsibility to the Securityholders and without impairing or releasing the subordination provided in this Article XV or the obligations hereunder of the holders of the Debt Securities to the holders of such Senior Indebtedness, do any one or more of the following: (a) change the manner, place or terms of payment or extend the time of payment of, or renew or alter, such Senior Indebtedness, or otherwise amend or supplement in any manner such Senior Indebtedness or any instrument evidencing the same or any agreement under which such Senior Indebtedness is outstanding; (b) sell, exchange, release or otherwise deal with any property pledged, mortgaged or otherwise securing such Senior Indebtedness; (c) release any Person liable in any manner for the collection of such Senior Indebtedness; and (d) exercise or refrain from exercising any rights against the Company, and any other Person.

Wells Fargo Bank, National Association, in its capacity as Trustee, hereby accepts the trusts in this Indenture declared and provided, upon the terms and conditions herein above set forth.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed by their respective officers thereunto duly authorized, as of the day and year first above written.

Heartland Financial USA, Inc.

By:/s/ John K. Schmidt
Name:John K. Schmidt
Title:EVP, CFO & COO

Wells Fargo Bank, National Association, as Trustee

By: /s/ Leighton Kor
Name:Leighton Kor
Title: Vice President

EXHIBIT A

FORM OF JUNIOR SUBORDINATED DEBT SECURITY

DUE 2036

[FORM OF FACE OF SECURITY]

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS OR ANY OTHER APPLICABLE SECURITIES LAWS. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY ONLY (A) TO THE COMPANY, (B) PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON THE HOLDER REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (C) PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT TO AN "ACCREDITED INVESTOR" WITHIN THE MEANING OF SUBPARAGRAPH (a) (1), (2), (3) OR (7) OF RULE 501 UNDER THE SECURITIES ACT THAT IS ACQUIRING THE SECURITY FOR ITS OWN ACCOUNT, OR FOR THE ACCOUNT OF SUCH AN "ACCREDITED INVESTOR," FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO, OR FOR OFFER OR SALE IN CONNECTION WITH, ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT, OR (D) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE COMPANY'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSES (C) OR (D) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO IT IN ACCORDANCE WITH THE INDENTURE, A COPY OF WHICH MAY BE OBTAINED FROM THE COMPANY. THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES THAT IT WILL COMPLY WITH THE FOREGOING RESTRICTIONS.

THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES, REPRESENTS AND WARRANTS THAT IT WILL NOT ENGAGE IN HEDGING TRANSACTIONS INVOLVING THIS SECURITY UNLESS SUCH TRANSACTIONS ARE IN COMPLIANCE WITH THE SECURITIES ACT.

THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF ALSO AGREES, REPRESENTS AND WARRANTS THAT IT IS NOT AN EMPLOYEE BENEFIT, INDIVIDUAL RETIREMENT ACCOUNT OR OTHER PLAN OR ARRANGEMENT SUBJECT TO TITLE I OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), OR SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), (EACH A "PLAN"), OR AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" BY REASON OF ANY PLAN'S INVESTMENT IN THE ENTITY AND NO PERSON INVESTING "PLAN ASSETS" OF ANY PLAN MAY ACQUIRE OR HOLD THIS SECURITY OR ANY INTEREST THEREIN, UNLESS SUCH PURCHASER OR HOLDER IS ELIGIBLE FOR THE EXEMPTIVE RELIEF AVAILABLE UNDER U.S. DEPARTMENT OF LABOR PROHIBITED TRANSACTION CLASS EXEMPTION 96-23,95-60,91-38,90-1 OR 84-14 OR ANOTHER APPLICABLE EXEMPTION OR ITS PURCHASE AND HOLDING OF THIS SECURITY IS NOT PROHIBITED BY SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE WITH RESPECT TO SUCH PURCHASE OR HOLDING. ANY PURCHASER OR HOLDER OF THIS SECURITY OR ANY INTEREST THEREIN WILL BE DEEMED TO HAVE REPRESENTED BY ITS PURCHASE AND HOLDING THEREOF THAT EITHER (i) IT IS NOT AN EMPLOYEE BENEFIT PLAN WITHIN THE MEANING OF SECTION 3(3) OF ERISA, OR A PLAN TO WHICH SECTION 4975 OF THE CODE IS APPLICABLE, A TRUSTEE OR OTHER PERSON ACTING ON BEHALF OF AN EMPLOYEE BENEFIT PLAN OR PLAN, OR ANY OTHER PERSON OR ENTITY USING THE ASSETS OF ANY EMPLOYEE BENEFIT PLAN OR PLAN TO FINANCE SUCH PURCHASE, OR (ii) SUCH PURCHASE WILL NOT RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE FOR WHICH THERE IS NO APPLICABLE STATUTORY OR ADMINISTRATIVE EXEMPTION.

IN CONNECTION WITH ANY TRANSFER, THE HOLDER OF THIS SECURITY WILL DELIVER TO THE REGISTRAR AND TRANSFER AGENT SUCH CERTIFICATES AND OTHER INFORMATION AS MAY BE REQUIRED BY THE INDENTURE TO CONFIRM THAT THE TRANSFER COMPLIES WITH THE FOREGOING RESTRICTIONS.

THIS SECURITY WILL BE ISSUED AND MAY BE TRANSFERRED ONLY IN BLOCKS HAVING A PRINCIPAL AMOUNT OF NOT LESS THAN $100,000 AND MULTIPLES OF $1,000 IN EXCESS THEREOF. ANY ATTEMPTED TRANSFER OF THIS SECURITY IN A BLOCK HAVING A PRINCIPAL AMOUNT OF LESS THAN $100,000 SHALL BE DEEMED TO BE VOID AND OF NO LEGAL EFFECT WHATSOEVER. ANY SUCH PURPORTED TRANSFEREE SHALL BE DEEMED NOT TO BE THE HOLDER OF THIS SECURITY FOR ANY PURPOSE, INCLUDING, BUT NOT LIMITED TO, THE RECEIPT OF DISTRIBUTIONS ON THIS SECURITY, AND SUCH PURPORTED TRANSFEREE SHALL BE DEEMED TO HAVE NO INTEREST WHATSOEVER IN THIS SECURITY.

THIS OBLIGATION IS NOT A DEPOSIT AND IS NOT INSURED BY THE UNITED STATES OR ANY AGENCY OR FUND OF THE UNITED STATES, INCLUDING THE FEDERAL DEPOSIT INSURANCE CORPORATION (THE "FDIC"). THIS OBLIGATION IS SUBORDINATED TO THE CLAIMS OF DEPOSITORS AND THE CLAIMS OF GENERAL AND SECURED CREDITORS OF THE COMPANY, IS INELIGIBLE AS COLLATERAL FOR A LOAN BY THE COMPANY OR ANY OF ITS SUBSIDIARIES AND IS NOT SECURED.

Form of Junior Subordinated Debt Security due 2036

of

Heartland Financial USA, Inc.

Heartland Financial USA, Inc., a bank holding company incorporated in Delaware (the "Company"), for value received promises to pay to Wells Fargo Bank, National Association, not in its individual capacity but solely as Institutional Trustee for Heartland Statutory Trust V, a Delaware statutory trust (the "Holder"), or registered assigns, the principal sum of Twenty Million Six Hundred Nineteen Thousand Dollars on April 7, 2036 and to pay interest on said principal sum from January 31, 2006, or from the most recent interest payment date (each such date, an "Interest Payment Date") to which interest has been paid or duly provided for, quarterly (subject to deferral as set forth herein) in arrears on January 7, April 7, July 7 and October 7 of each year commencing April 7, 2006, at a variable per annum rate equal to LIBOR (as defined in the Indenture) plus 1.33% (the "Interest Rate") (provided, however that the Interest Rate for any Interest Payment Period may not exceed the highest rate permitted by New York law, as the same may be modified by United States law of general applicability) until the principal hereof shall have become due and payable, and on any overdue principal and (without duplication and to the extent that payment of such interest is enforceable under applicable law) on any overdue installment of interest at an annual rate equal to the Interest Rate in effect for each such Extension Period compounded quarterly. The amount of interest payable on any Interest Payment Date shall be computed on the basis of a 360-day year and the actual number of days elapsed in the relevant interest period. Notwithstanding anything to the contrary contained herein, if any Interest Payment Date, other than on the Maturity Date, any Redemption Date or the Special Redemption Date, falls on a day that is not a Business Day, then any interest payable will be paid on, and such Interest Payment Date will be moved to, the next succeeding Business Day, and additional interest will accrue for each day that such payment is delayed as a result thereof. If the Maturity Date, any Redemption Date or the Special Redemption Date falls on a day that is not a Business Day, then the principal, premium, if any, and/or interest payable on such date will be paid on the immediately preceding Business Day. The interest installment so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in the Indenture, be paid to the Person in whose name this Debt Security (or one or more Predecessor Securities, as defined in said Indenture) is registered at the close of business on the regular record date for such interest installment, except that interest and any Deferred Interest payable on the Maturity Date shall be paid to the Person to whom principal is paid. Any such interest installment not punctually paid or duly provided for shall forthwith cease to be payable to the registered holders on such regular record date and may be paid to the Person in whose name this Debt Security (or one or more Predecessor Debt Securities) is registered at the close of business on a special record date to be fixed by the Trustee for the payment of such defaulted interest, notice whereof shall be given to the registered holders of the Debt Securities not less than 10 days prior to such special record date, all as more fully provided in the Indenture. The principal of and interest on this Debt Security shall be payable at the office or agency of the Trustee (or other Paying Agent appointed by the Company) maintained for that purpose in any coin or currency of the United States of America that at the time of payment is legal tender for payment of public and private debts; provided , however , that payment of interest may be made at the option of the Company by check mailed to the registered holder at such address as shall appear in the Debt Security Register or by wire transfer of immediately available funds to an account appropriately designated by the holder hereof. Notwithstanding the foregoing, so long as the holder of this Debt Security is the Institutional Trustee, the payment of the principal of and premium, if any, and interest on this Debt Security shall be made in immediately available funds when due at such place and to such account as may be designated by the Institutional Trustee. All payments in respect of this Debt Security shall be payable in any coin or currency of the United States of America that at the time of payment is legal tender for payment of public and private debts.

Upon submission of Notice (as defined in the Indenture) and so long as no Event of Default has occurred and is continuing, the Company shall have the right, from time to time and without causing an Event of Default, to defer payments of interest on the Debt Securities by extending the interest distribution period on the Debt Securities at any time and from time to time during the term of the Debt Securities, for up to 20 consecutive quarterly periods (each such extended interest distribution period, an "Extension Period"), during which Extension Period no interest shall be due and payable (except any Additional Interest that may be due and payable). During any Extension Period, interest will continue to accrue on the Debt Securities, and interest on such accrued interest (such accrued interest and interest thereon referred to herein as "Deferred Interest") will accrue at an annual rate equal to the Interest Rate applicable during such Extension Period, compounded quarterly from the date such Deferred Interest would have been payable were it not for the Extension Period, to the extent permitted by law. No Extension Period may end on a date other than an Interest Payment Date. At the end of any such Extension Period the Company shall pay all Deferred Interest then accrued and unpaid on the Debt Securities; provided , however , that no Extension Period may extend beyond the Maturity Date, Redemption Date or Special Redemption Date, as the case may be, and provided , further , however, during any such Extension Period, the Company may not (i) declare or pay any dividends or distributions on, or redeem, purchase, acquire, or make a liquidation payment with respect to, any of the Company's capital stock or (ii) make any payment of principal of or premium, if any, or interest on or repay, repurchase or redeem any debt securities of the Company that rank *pari passu* in all respects with or junior in interest to the Debt Securities or (iii) make any payment under any guarantees of the Company that rank in all respects *pari passu* with or junior in respect to the Capital Securities Guarantee (other than (a) repurchases, redemptions or other acquisitions of shares of capital stock of the Company (A) in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of one or more employees, officers, directors or consultants, (B) in connection with a dividend reinvestment or stockholder stock purchase plan or (C) in connection with the issuance of capital stock of the Company (or securities convertible into or exercisable for such capital stock), as consideration in an acquisition transaction entered into prior to the applicable Extension Period, (b) as a result of any exchange, reclassification, combination or conversion of any class or series of the Company's capital stock (or any capital stock of a subsidiary of the Company) for any class or series of the Company's capital stock or of any class or series of the Company's indebtedness for any class or series of the Company's capital stock, (c) the purchase of fractional interests in shares of the Company's capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged, (d) any declaration of a dividend in connection with any stockholder's rights plan, or the issuance of rights, stock or other property under any stockholder's rights plan, or the redemption or repurchase of rights pursuant thereto, or (e) any dividend in the form of stock, warrants, options or other rights where the dividend stock or the stock issuable upon exercise of such warrants, options or other rights is the same stock as that on which the dividend is being paid or ranks *pari passu* with or junior to such stock). Prior to the termination of any Extension Period, the Company may further extend such period, provided , that such period together with all such previous and further consecutive extensions thereof shall not exceed 20 consecutive quarterly periods, or extend beyond the Maturity Date. Upon the termination of any Extension Period and upon the payment of all Deferred Interest, the Company may commence a new Extension Period, subject to the foregoing requirements. No interest or Deferred Interest shall be due and payable during an Extension Period, except at the end thereof, but Deferred Interest shall accrue upon each installment of interest that would otherwise have been due and payable during such Extension Period until such installment is paid. The Company must give the Trustee notice of its election to begin or extend an Extension Period at least five Business Days prior to the next succeeding Interest Payment Date on which interest on the Debt Securities would have been payable except for the election to begin such Extension Period.

The indebtedness evidenced by this Debt Security is, to the extent provided in the Indenture, subordinate and junior in right of payment to the prior payment in full of all Senior Indebtedness, and this Debt Security is issued subject to the provisions of the Indenture with respect thereto. Each holder of this Debt Security, by accepting the same, (a) agrees to and shall be bound by such provisions, (b) authorizes and directs the Trustee on such holder's behalf to take such action as may be necessary or appropriate to acknowledge or effectuate the subordination so provided and (c) appoints the Trustee such holder's attorney-in-fact for any and all such purposes. Each holder hereof, by such holder's acceptance hereof, hereby waives all notice of the acceptance of the subordination provisions contained herein and in the Indenture by each holder of Senior Indebtedness, whether now outstanding or hereafter incurred, and waives reliance by each such holder upon said provisions.

The Company waives diligence, presentment, demand for payment, notice of nonpayment, notice of protest, and all other demands and notices.

This Debt Security shall not be entitled to any benefit under the Indenture hereinafter referred to and shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been signed by or on behalf of the Trustee.

The provisions of this Debt Security are continued on the reverse side hereof and such continued provisions shall for all purposes have the same effect as though fully set forth at this place.

IN WITNESS WHEREOF, the Company has duly executed this certificate.

Heartland Financial USA, Inc.

By:/s/ John K. Schmidt
Name:John K. Schmidt
Title:EVP, CFO & COO

Dated: March 10, 2006

CERTIFICATE OF AUTHENTICATION

This is one of the Debt Securities referred to in the within-mentioned Indenture.

Wells Fargo Bank, National Association, not in its individual capacity but solely as the Trustee

By: /s/ Leighton Kor

Authorized Officer

Dated: March 10, 2006

[FORM OF REVERSE OF SECURITY]

This Debt Security is one of a duly authorized series of Debt Securities of the Company, all issued or to be issued pursuant to an Indenture (the "Indenture"), dated as of January 31, 2006, duly executed and delivered between the Company and Wells Fargo Bank, National Association, as Trustee (the "Trustee"), to which Indenture and all indentures supplemental thereto reference is hereby made for a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Company and the holders of the Debt Securities (referred to herein as the "Debt Securities") of which this Debt Security is a part. The summary of the terms of this Debt Security contained herein does not purport to be complete and is qualified by reference to the Indenture.

Upon the occurrence and continuation of a Tax Event, an Investment Company Event or a Capital Treatment Event (each a "Special Event"), this Debt Security may become due and payable, in whole or in part, at any time, within 90 days following the occurrence of such Tax Event, Investment Company Event or Capital Treatment Event (the "Special Redemption Date"), as the case may be, at the Special Redemption Price. In the event that the Special Redemption Date falls on a day prior to the LIBOR Determination Date for any Interest Payment Period, then the Company shall be required to pay to Securityholders, on the Business Day following such LIBOR Determination Date, any additional amount of interest that would have been payable on the Special Redemption Date had the amount of interest determined on such LIBOR Determination Date been known on the first day of such Interest Payment Period. The Company shall also have the right to redeem this Debt Security at the option of the Company, in whole or in part, on any January 7, April 7, July 7 or October 7 on or after April 7, 2011 (a "Redemption Date"), at the Redemption Price.

Any redemption pursuant to the preceding paragraph will be made, subject to the receipt by the Company of prior approval from any regulatory authority with jurisdiction over the Company if such approval is then required under applicable capital guidelines or policies of such regulatory authority, upon not less than 30 days' nor more than 60 days' notice. If the Debt Securities are only partially redeemed by the Company, the Debt Securities will be redeemed pro rata or by lot or by any other method utilized by the Trustee.

"Redemption Price" means 100% of the principal amount of the Debt Securities being redeemed plus accrued and unpaid interest on such Debt Securities to the Redemption Date or, in the case of a redemption due to the occurrence of a Special Event, to the Special Redemption Date if such Special Redemption Date is on or after April 7, 2011.

"Special Redemption Price" means (1) if the Special Redemption Date is before April 7, 2011, One Hundred Five Percent (105%) of the principal amount to be redeemed plus any accrued and unpaid interest thereon to the date of such redemption and (2) if the Special Redemption Date is on or after April 7, 2011, the Redemption Price for such Special Redemption Date.

In the event of redemption of this Debt Security in part only, a new Debt Security or Debt Securities for the unredeemed portion hereof will be issued in the name of the holder hereof upon the cancellation hereof.

Upon the occurrence of an Acceleration Event, the principal of all of the Debt Securities may be declared due and payable, and upon such acceleration shall become due and payable, in the manner, with the effect and subject to the conditions provided in the Indenture.

The Indenture contains provisions permitting the Company and the Trustee, with the consent of the holders of not less than a majority in aggregate principal amount of the Debt Securities at the time outstanding affected thereby, as specified in the Indenture, to execute supplemental indentures for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any supplemental indenture or of modifying in any manner the rights of the holders of the Debt Securities; provided, however, that no such supplemental indenture shall, among other things, without the consent of the holders of each Debt Security then outstanding and affected thereby (i) change the Maturity Date of any Debt Security, or reduce the principal amount thereof or any premium thereon, or reduce the rate or manner of calculation of the rate or extend the time of payment of interest thereon, or reduce (other than as a result of the maturity or earlier redemption of any such Debt Security in accordance with the terms of the Indenture and such Debt Security) or increase the aggregate principal amount of Debt Securities then outstanding, or change any of the redemption provisions, or make the principal thereof or any interest or premium thereon payable in any coin or currency other than United States Dollars, or impair or affect the right of any holder of Debt Securities to institute suit for the payment thereof, or (ii) reduce the aforesaid percentage of Debt Securities, the holders of which are required to consent to any such supplemental indenture. The Indenture also contains provisions permitting the holders of a majority in aggregate principal amount of the Debt Securities at the time outstanding, on behalf of all of the holders of the Debt Securities, to waive any past default in the performance of any of the covenants contained in the Indenture, or established pursuant to the Indenture, and its consequences, except (a) a default in payments due in respect of any of the Debt Securities; (b) in respect of covenants or provisions of the Indenture which cannot be modified or amended without the consent of the holder of each Debt Security affected, or (c) in respect of the covenants of the Company relating to its ownership of Common Securities of the Trust. Any such consent or waiver by the registered holder of this Debt Security (unless revoked as provided in the Indenture) shall be conclusive and binding upon such holder and upon all future holders and owners of this Debt Security and of any Debt Security issued in exchange herefor or in place hereof (whether by registration of transfer or otherwise), irrespective of whether or not any notation of such consent or waiver is made upon this Debt Security.

No reference herein to the Indenture and no provision of this Debt Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay all payments due on this Debt Security at the time and place and at the rate and in the money herein prescribed.

As provided in the Indenture and subject to certain limitations herein and therein set forth, this Debt Security is transferable by the registered holder hereof on the Debt Security Register of the Company, upon surrender of this Debt Security for registration of transfer at the office or agency of the Trustee in Wilmington, Delaware accompanied by a written instrument or instruments of transfer in form satisfactory to the Company or the Trustee duly executed by the registered holder hereof or such holder's attorney duly authorized in writing, and thereupon one or more new Debt Securities of authorized denominations and for the same aggregate principal amount will be issued to the designated transferee or transferees. No service charge will be made for any such registration of transfer, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in relation thereto.

Prior to due presentment for registration of transfer of this Debt Security, the Company, the Trustee, any Authenticating Agent, any Paying Agent, any transfer agent and the Debt Security Registrar may deem and treat the registered holder hereof as the absolute owner hereof (whether or not this Debt Security shall be overdue and notwithstanding any notice of ownership or writing hereon) for the purpose of receiving payment of the principal of and premium, if any, and interest on this Debt Security and for all other purposes, and neither the Company nor the Trustee nor any Authenticating Agent nor any Paying Agent nor any transfer agent nor any Debt Security Registrar shall be affected by any notice to the contrary.

No recourse shall be had for the payment of the principal of or the interest on this Debt Security, or for any claim based hereon, or otherwise in respect hereof, or based on or in respect of the Indenture, against any incorporator, stockholder, officer or director, past, present or future, as such, of the Company or of any predecessor or successor corporation, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance hereof and as part of the consideration for the issuance hereof, expressly waived and released.

The Debt Securities are issuable only in registered certificated form without coupons. As provided in the Indenture and subject to certain limitations herein and therein set forth, Debt Securities are exchangeable for a like aggregate principal amount of Debt Securities of a different authorized denomination, as requested by the holder surrendering the same.

All terms used in this Debt Security that are defined in the Indenture shall have the meanings assigned to them in the Indenture.

THE LAW OF THE STATE OF NEW YORK SHALL GOVERN THE INDENTURE AND THE DEBT SECURITIES, WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES THEREOF.

Heartland Financial USA, Inc.

2005 Long-Term Incentive Plan

Performance Restricted Stock Agreement

THIS **PERFORMANCE RESTRICTED STOCK AGREEMENT** (this " **Agreement** "), entered into as of the Grant Date (as defined in **Section 1(b)**), by and between the Participant and Heartland Financial USA, Inc., a Delaware corporation (the " **Company** ");

WITNESSETH THAT:

WHEREAS, the Company maintains the Heartland Financial USA, Inc. 2005 Long-Term Incentive Plan (the " **Plan** "), which is incorporated into and forms a part of this Agreement, and the Participant has been selected by the committee administering the Plan (the " **Committee** ") to receive a Restricted Stock Award under the Plan;

NOW, THEREFORE, IT IS AGREED, by and between the Company and the Participant, as follows:

Section 1. **Terms of Award .** The following terms used in this Agreement shall have the meanings set forth in this **Section 1** :

(a) The " **Participant** " is ______________.

(b) The " **Grant Date** " is ______________.

(c) The number of "Covered Shares" awarded under this Agreement is ______shares. " **Covered Shares** " are shares of Stock granted under this Agreement and are subject to the terms and conditions of this Agreement and the Plan.

Except where the context clearly implies to the contrary, any capitalized term in this Agreement shall have the meaning ascribed to that term under **Section 9** of this Agreement or the Plan.

Section 2. **Award .** The Participant is hereby granted the number of Covered Shares set forth in **Section 1(c)** , subject to the terms and conditions of this Agreement and the Plan.

Section 3. **Dividends and Voting Rights .**

(a) No dividends shall be payable to or for the benefit of the Participant for Covered Shares with respect to record dates occurring prior to the Vesting Date of such shares.

(b) The Participant shall be entitled to vote the Covered Shares during the Restricted Period to the same extent as would have been applicable to the Participant if the Participant was then vested in the shares; *provided*, *however*, that the Participant shall not be entitled to vote the shares with respect to record dates for such voting rights arising prior to the Grant Date, or with respect to record dates occurring on or after the date, if any, on which the Participant has forfeited those Covered Shares.

Section 4. **Retention of Covered Shares .** Each share of Stock issued with respect to the Covered Shares granted under this Agreement shall be registered in the name of the Participant and shall be retained by the Company during the applicable Restricted Period (as defined in **Section 5(a)**).

Section 5. **Vesting and Forfeiture of Shares .**

(a) Covered Shares may not be sold, assigned, transferred, pledged or otherwise encumbered (" **Restrictions** ") until the expiration of the Restricted Period or, if earlier, until the Participant is vested in the shares. Except as otherwise provided in this **Section 5** , the Participant shall forfeit the unvested Covered Shares (whether or not earned) as of a Date of Termination (as defined in **Section 9(i)**) that occurs during the Restricted Period. All Covered Shares shall be forfeited as of December 31, 2009, to the extent not earned as of such date. A Participant shall earn and later vest in the Covered Shares and then own the shares free and clear of all Restrictions pursuant to this Section 5. With respect to all Covered Shares, the " **Restricted Period** " shall begin on the Grant Date and shall end on the " **Vesting Date** " applicable to such shares (subject to the "Slip-Back" exception provided in paragraph (g) below).

(b) Portions of the Covered Shares shall be eligible to be earned upon on the attainment of Performance Measures (provided in **Exhibit A**) based on the following allocations:

PERCENTAGE OF COVERED SHARES - FOR COMPANY EMPLOYEES		
COVERED SHARES	EARNINGS GROWTH	ASSET GROWTH
100% BASED ON COMPANY PERFORMANCE	70% (“ **Company Earnings Shares** ”)	30% (“ **Company Asset Shares** ”)

PERCENTAGE OF COVERED SHARES - FOR BANK EMPLOYEES		
COVERED SHARES	EARNINGS GROWTH	ASSET GROWTH
50 % BASED ON COMPANY PERFORMANCE	35% (“ **Company Earnings Shares** ”)	15% (“ **Company Asset Shares** ”)
50 % BASED ON BANK PERFORMANCE	35% (“ **Bank Earnings Shares** ”)	15% (“ **Bank Asset Shares** ”)

(c) As of each December 31 during the Restricted Period (a “ **Measurement Date** ”), the Company will determine the actual growth in the earnings and the assets at both the Company and Bank level and calculate the number of Covered Shares earned as of such date.

(d) The “ **Earned Shares** ” for any Measurement Date shall be the sum of the following products:

(i) Company Earnings Shares times the Company Earnings Percentage;

(ii) Company Asset Shares times the Company Asset Percentage;

(iii) Bank Earnings Shares times the Bank Earnings Percentage; plus

(iv) Bank Asset Shares times the Bank Asset Percentage.

(e) Subject to paragraph **(g)(iii)** , as of each Measurement Date, the excess of the Earned Shares for such Measurement Date over the number of Earned Shares as of the last Measurement Date are " **Newly Earned Shares** ."

(f) Only Earned Shares will be eligible for vesting. Newly Earned Shares will vest, and become " **Vested Shares** " upon the two-year anniversary of the Measurement Date on which they became Newly Earned Shares (such anniversary, the " **Vesting Date** ") if the Participant has remained continually employed through such two-year period ; *provided, however,* if as of the scheduled Vesting Date there is a "Slip-Back" (as defined in **Section 9(o)**), then such Earned Shares shall not vest on such date. If there is a Slip-Back, the applicable Vesting Date for such Earned Shares shall be delayed and shall, if ever, occur on the first Measurement Date following the Slip-Back, on which the Performance Measures applicable to such shares are met, at which time the Earned Shares shall become Vested Shares and the Participant shall own the shares free of all Restrictions otherwise imposed by this Agreement; *provided, however* , that no such Vesting Date may occur, if at all, later than December 31, 2011.

(g) Not withstanding the foregoing provisions of this **Section 5** :

(i) Upon a Date of Termination, which occurs due to the Participant's death, Disability (as defined in **Section 9 (l)**) or due to the termination of the Participant's employment for reasons other than Cause (as defined in **Section 9(h)**), prior to the end of the Restricted Period, the Participant shall become vested in the Earned Shares, become owner of all of such Covered Shares free of all Restrictions otherwise imposed by this Agreement and all unearned Covered Shares shall be immediately forfeited as of such Date of Termination.

(ii) Upon a Date of Termination, which occurs due to the Participant's Retirement (as defined in **Section 9 (m)**), prior to the end of the Restricted Period and after the Participant has at least 10 years of service and has attained the age of 55; (A) all unearned Covered Shares shall continue to be subject to the earning provisions of this **Section 5** as if Participant's employment continued throughout the original Restriction Period and such shares will become Vested Shares if, and when, they become Earned Shares, and (B) all Earned Shares at the time of Retirement shall immediately become Vested Shares; *provided, however,* that all unearned Covered Shares shall be immediately forfeited if the Participant violates any applicable confidentiality, non-solicitation or non-competition agreement in effect between the Participant and the Company or Subsidiary. If at the time of the Participant's Retirement, the Participant does not have least 10 years of service with the Company or has not attained the age of 55, then the provisions of (A) in the immediately preceding sentence will not apply and all unearned Covered Shares shall be immediately forfeited as of such Date of Termination.

(iii) Upon a Change in Control of the Company; (A) all Earned Shares shall immediately become Vested Shares, and (B) all unearned shares shall become Vested Shares if the Plan and this Agreement are not fully assumed in such Change in Control transaction; *provided, however* , that after a Change in Control, to the extent the Plan and this Agreement are assumed, the unearned Covered Shares will become Vested Shares upon the Participant's termination of employment by the Company (or successor entity) for reasons other than Cause or by the Participant for Good Reason (as defined in **Section 9(m)**), where either termination occurs within twelve (12) months f ollowing the Change in Control.

Section 6. **<u>Adjustments</u>** . In addition to any adjustments to this Agreement permitted under the Plan, the Committee may, in its sole discretion, make any reasonable adjustments to the Performance Measures and targets that it deems appropriate to reflect effects of the following items, to the extent identified in the audited financial statements of the Company, including footnotes, or in the Management Discussion and Analysis section of the Company's annual report: (i) extraordinary, unusual, and/or nonrecurring items of gain or loss; (ii) gains or losses on the disposition of a business; (iii) changes in tax or accounting principles, regulations or laws; or (iv) mergers or acquisitions . The foregoing adjustments shall only be permissible by the Committee, as determined in the sole discretion of the Committee, to the extent such adjustments do not unfairly benefit or penalize the Participant.

Section 7. **<u>Circuit Breaker</u> .** As of any Measurement Date, no unearned Covered Shares may become Earned Shares if as of such date there exists a material weakness in safety, soundness, and compliance (e.g., a regulatory memorandum of understanding), at the Company level or the Bank level, as determined in the sole discretion of the Committee (a " **Circuit Breaker** "), such that a Circuit Breaker at the Bank level will prevent the earning of Covered Shares for Participants employed by that Bank and that a Circuit Breaker at the Company level shall prevent the earning of Covered Shares by all Participants as of such Measurement Date.

Section 8. **<u>Withholding</u> .** The grant and vesting of shares of Stock under this Agreement are subject to withholding of all applicable taxes. At the election of the Participant, and subject to such rules and limitations as may be established by the Committee from time to time, such withholding obligations may be satisfied through the surrender of shares of Stock which the Participant already owns, or to which the Participant is otherwise entitled under the Plan.

Section 9. **<u>Definitions</u> .** For purposes of this Agreement, words and phrases shall be defined as follows:

(a) " **Actual Bank Asset Growth** " shall mean the actual bank asset growth as determined by the Committee, but in no event greater than the Target Bank Asset Growth.

(b) " **Actual Cumulative Bank Earnings** " shall mean the actual bank earnings growth as determined by the Committee, but in no event greater than the Target Cumulative Bank Earnings.

(c) " **Actual Company Asset Growth** " shall mean the actual company asset growth as determined by the Committee, but in no event greater than the Target Company Asset Growth.

(d) " **Actual Cumulative Company Earnings** " shall mean the actual company earnings growth as determined by the Committee, but in no event greater than the Target Cumulative Company Earnings.

(e) " **Bank** " shall mean the Participant's employer, as may be applicable.

(f) " **Bank Asset Percentage** " shall mean the Actual Bank Asset Growth as of a particular Measurement Date divided by the Target Bank Asset Growth.

(g) " **Bank Earnings Percentage** " shall mean the Annual Cumulative Bank Earnings as of a particular Measurement Date divided by the Target Cumulative Bank Earnings.

(h) " **Cause** " shall mean: (i) a material violation by Participant of any applicable material law or regulation respecting the business of Company or Subsidiary; (ii) Participant being found guilty of a felony or an act of dishonesty in connection with the performance of his duties as an employee or officer of the Company or Subsidiary, or which disqualifies Participant from serving as an officer or director of the Company or Subsidiary; (iii) the willful or negligent failure of Participant to perform his duties hereunder in any material respect; (iv) Participant engages in one or more unsafe or unsound banking practices that have a material adverse effect on the Company or Subsidiary; or (v) Participant is removed or suspended from banking pursuant to Section 8(e) of the Federal Deposit Insurance Act, as amended, or any other applicable state or federal law.

(i) " **Company Asset Percentage** " shall mean the Actual Company Asset Growth as of a particular Measurement Date divided by the Target Company Asset Growth.

(j) " **Company Earnings Percentage** " shall mean the Annual Cumulative Company Earnings as of a particular Measurement Date divided by the Target Cumulative Company Earnings.

(k) " **Date of Termination** " shall mean the first day occurring on or after the Grant Date on which the Participant is not employed by the Company or any Subsidiary, regardless of the reason for the termination of employment; *provided* that a termination of employment shall not be deemed to occur by reason of a transfer of the Participant between the Company and a Subsidiary or between two Subsidiaries; and further *provided* that the Participant's employment shall not be considered terminated while the Participant is on a leave of absence from the Company or a Subsidiary approved by the Participant's employer. If, as a result of a sale or other transaction, the Participant's employer ceases to be a Subsidiary (and the Participant's employer is or becomes an entity that is separate from the Company), and the Participant is not, at the end of the 30-day period following the transaction, employed by the Company or an entity that is then a Subsidiary, then the occurrence of such transaction shall be treated as the Participant's Date of Termination caused by the Participant being discharged by the employer.

(l) " **Disability** " shall mean a physical or mental disability (within the meaning of Section 22(e)(3) of the Code) which impairs the individual's ability to substantially perform his or her current duties for a period of at least six (6) consecutive months, as determined by the Committee.

(m) " **Good Reason** " shall mean upon the occurrence of any one of the following events:

(i) Participant is not re-elected or is removed from the position with the Company or Subsidiary, other than as a result of Participant's election or appointment to a position or positions of equal or superior scope and responsibility;

(ii) Participant shall fail to be vested by Company or Subsidiary with the powers, authority and support services of any of said position or positions;

(iii) The Participant is subjected to objectively difficult or unpleasant working conditions to the extent that a reasonable employee would feel compelled to resign, provided the Company has been given at least fifteen (15) days notice of such conditions and Participant's intent to resign and the Company fails to remedy such conditions within such fifteen (15) days;

(iv) Participant is subjected to conditions constituting constructive discharge, as defined by Iowa statute or common law.

(n) " **Retirement** " of the Participant means, the occurrence of the Participant's Date of Termination on or after the date (i) the Participant reaches the age of fifty-five (55) and has ten (10) years of combined service with the Company or Subsidiary (as determined by the Committee), or (ii) the Participant retires pursuant to the provisions of any defined benefit retirement plan sponsored by the Company or its subsidiaries that is then applicable to the Participant, all of the foregoing as approved by the Committee.

(o) " **Slip-Back** " shall mean where, as of any Vesting Date, the Performance Measures utilized to determine whether such Covered Shares became Earned Shares are not currently met or exceeded. The Slip-Back shall continue until such Performance Measures are attained.

(p) " **Target Bank Asset Growth** " shall mean the set dollar amount reflected on **Exhibit A** with respect to the Participant's employer.

(q) " **Target Company Asset Growth** " shall mean the set dollar amount reflected on **Exhibit A** .

(r) " **Target Cumulative Bank Earnings** " shall mean the set dollar amount reflected on **Exhibit A** with respect to the Participant's employer.

(s) " **Target Cumulative Company Earnings** " shall mean the set dollar amount reflected on **Exhibit A** .

Section 10. **Heirs and Successors .** This Agreement shall be binding upon, and inure to the benefit of, the Company and its successors and assigns, and upon any person acquiring, whether by merger, consolidation, purchase of assets or otherwise, all or substantially all of the Company's assets and business. If any rights of the Participant or benefits distributable to the Participant under this Agreement have not been exercised or distributed, respectively, at the time of the Participant's death, such rights shall be exercisable by the Designated Beneficiary, and such benefits shall be distributed to the Designated Beneficiary, in accordance with the provisions of this Agreement and the Plan. The " **Designated Beneficiary** " shall be the beneficiary or beneficiaries designated by the Participant in a writing filed with the Committee in such form and at such time as the Committee shall require. If a deceased Participant fails to designate a beneficiary, or if the Designated Beneficiary does not survive the Participant, any rights that would have been exercisable by the Participant and any benefits distributable to the Participant shall be exercised by or distributed to the legal representative of the estate of the Participant. If a deceased Participant designates a beneficiary and the Designated Beneficiary survives the Participant but dies before the Designated Beneficiary's exercise of all rights under this Agreement or before the complete distribution of benefits to the Designated Beneficiary under this Agreement, then any rights that would have been exercisable by the Designated Beneficiary shall be exercised by the legal representative of the estate of the Designated Beneficiary, and any benefits distributable to the Designated Beneficiary shall be distributed to the legal representative of the estate of the Designated Beneficiary.

Section 11. **Administration .** The authority to manage and control the operation and administration of this Agreement shall be vested in the Committee, and the Committee shall have all powers with respect to this Agreement as it has with respect to the Plan. Any interpretation of the Agreement by the Committee and any decision made by it with respect to the Agreement is final and binding.

Section 12. **Plan Governs .** Notwithstanding anything in this Agreement to the contrary, the terms of this Agreement shall be subject to the terms of the Plan, a copy of which may be obtained by the Participant from the office of the Secretary of the Company.

Section 13. **Amendment .** This Agreement may be amended in accordance with the provisions of the Plan, and may otherwise be amended by written agreement of the Participant and the Company without the consent of any other person.

IN WITNESS WHEREOF, the Participant has executed this Agreement, and the Company has caused these presents to be executed in its name and on its behalf, all as of the Grant Date.

PARTICIPANT

HEARTLAND FINANCIAL USA, INC.

By:

Its:

Heartland Financial USA, Inc.

2005 Long-Term Incentive Plan

Exhibit A

Performance Targets for January 2005

Performance-Based Restricted Stock Awards

ENTITY	TARGET CUMULATIVE EARNINGS	TARGET ASSET GROWTH
Heartland Financial USA, Inc.		
Arizona Bank & Trust		
Dubuque Bank & Trust		
First Community Bank		
Galena State Bank & Trust		
Heartland Business Bank		
New Mexico Bank & Trust		
Riverside Community Bank		
Rocky Mountain Bank		
Wisconsin Community Bank		

SIXTH AMENDMENT TO CREDIT AGREEMENT

THIS SIXTH AMENDMENT TO CREDIT AGREEMENT (this "Amendment") dated as or February 28, 2006 is among HEARTLAND FINANCIAL USA, INC., a Delaware corporation (the "Borrower"), each of the banks party hereto (individually, a "Bank" and collectively, the "Banks") and THE NORTHERN TRUST COMPANY, as agent for the Banks (in such capacity, together with its successors in such capacity, the "Agent").

WHEREAS, the Borrower, the Agent and the Banks have entered into a Credit Agreement dated as of January 31, 2004 (as heretofore amended, the "Credit Agreement"); and

WHEREAS, the Borrower, the Agent and the Banks wish to extend the maturity of the Credit Agreement;

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Definitions. Terms defined in the Credit Agreement and not otherwise defined herein shall have the respective meanings given to them in the Credit Agreement and terms defined in the introductory paragraphs or other provisions of this Amendment shall *have* the respective meanings attributed to them therein. In addition, the following terms shall have the following meanings (terms defined in the singular having a correlative meaning when used in the plural and vice versa):

"Effective Date" shall mean February 28, 2006, if (i) this Amendment shall have been executed and delivered by the Borrower, the Agent and the Banks and (ii) the Borrower shall have performed its obligations under Section 4 hereof;

2. Revolving Credit Commitment Termination Date, The definition of "Revolving Credit Commitment Termination Date" in Section 9,1 of the Credit Agreement is hereby amended to state in its entirety as follows

"Revolving Credit Commitment Termination Date" shall mean March 10, 200.6, as such date may be extended pursuant to Section 1.1.0.

3. Conditions to Effective Date. The occurrence of the Effective Date shall be subject to the delivery of the following documents satisfactory to the Agent:

(a) This Amendment.

(b) The Consent of each of the Guarantors in the form attached hereto.

4. Effective Date Notice , . Promptly following the occurrence of the Effective Date, the Agent shall give notice to the parties of the occur r ence of the Effective Date, which notice shall be conclusive, and the parties may rely thereon; provided, that such notice shall not waive or otherwise limit any right or remedy of the Agent or the Banks arising out of any failure of any condition precedent set forth in Section 3 to be satisfied,

5. Ratification. The parties agree that the Credit Agreement, as amended hereby, has not lapsed or terminated, is in full force and effect, and is and from and after the Effective Date shall remain binding in accordance with their terms.

6. Representations and Warranties , The Borrower represents and warrants to the Agent and the Banks that:

(a) No Breach. The execution, delivery and performance of this Amendment will not conflict with or result in a breach. of, or cause the creation of a Lien or require any consent under, the articles of incorporation or bylaws of the Borrower, or any applicable law or regulation, or any order, inj unction or decree of any court or governmental authority or agency, or any agreement or instrument to which, the Borrower is a party or by which it or its property is bound.

(b) Power and Action, Binding Effect, The Borrower has been duly incorporated and is validly existing as a corporation under the laws of the State of Delaware and has all necessary power and authority to execute, deliver and perform its obligations under this Amendment and the Credit Agreement, as amended by this Amendment; the execution, delivery and performance by the Borrower of this Amendment and the Credit Agreement, as amended by this Amendment, have been duly authorized by all necessary action on its part; and this Amendment and the Credit Agreement, as amended by this Amendment, have been duly and validly executed and delivered by the Borrower and constitute legal, valid and binding obligations, enforceable in accordance with their respective terms.

(c) Approvals. No authorizations, approvals or consents of, and no filings or registrations with, any governmental or regulatory authority or agency or any other person are necessary for the execution or delivery by the Borrower of this Amendment, or the performance by the Borrower of the Credit Agreement, as amended by this Amendment, or for the validity or enforceability thereof.

7. Successors and Assigns.. This Amendment shall be binding upon and inure to the benefit of the Borrower, the Agent and the Banks and their respective successors and assigns, except that the Borrower may not transfer or assign any of its rights or interest hereunder.

8. Governing Law. **This Amendment shall be governed by, and construed and interpreted in accordance with, the internal laws of the State of Illinois.**

9. Counterparts , . This Amendment may be executed in any number of counterparts and each party hereto may execute any one or more of such counterparts, all of which shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Amendment by telecopy shall be as effective as delivery of a manually executed counterpart of this amendment.

10. Expenses, Whether or not the effective date shall occur, without limiting the obligations of the Borrower under the Credit Agreement, the Borrower agrees to pay, or to reimburse on demand, all reasonable costs and expenses incurred by the Agent in connection with the negotiation, preparation, execution, delivery, modification, amendment or enforcement of this Amendment and the other agreements, documents and instruments referred to herein, including the reasonable fees and expenses of Mayer, Brown, Rowe & Maw LLP, special counsel to the Agent, and any other counsel engaged by the Agent.

[Signature Page Follows]

IN WITNESS WHEREOF, this Amendment has been executed as of the date first above written.

HEARTLAND FINANCIAL USA, INC.
By: /s/ John K. Schmidt
Name: John K. Schmidt
Title: EVP, CFO, COO

THE NORTHERN TRUST COMPANY,
As Agent

By: /s/ Lisa McDermott
Name: Lisa McDermott
Title: Vice President

BANKS:

THE NORTHERN TRUST COMPANY
By: /s/ Lisa McDermott
Name: Lisa McDermott
Title: Vice President

HARRIS N.A. (successor by merger with Harris Trust and Savings Bank)
By: /s/ Thomas J. Wilson
Name: Thomas J. Wilson
Title: Vice President

U.S. BANK NATIONAL ASSOCIATION
By: /s/ Neil J. Havlik
Name: Neil J. Havlik
Title: Correspondent Officer

GUARANTOR ACKNOWLEDGEMENT

Each of the undersigned Guarantors hereby acknowledges and consents to the Borrower's execution of this Amendment.

CITIZENS FINANCE CO.	**ULTEA, INC.**
By: /s/ John K. Schmidt	By: /s/ John K. Schmidt
Title: Treasurer	Title: Treasurer

CERTIFICATE

The undersigned as Executive Vice President, Chief Financial Officer and Chief Operating Officer of Heartland Financial USA, Inc., hereby certifies as follows:

1. No Default, as defined in the Credit Agreement among Heartland Financial USA, Inc. (the "Borrower"), certain banks and The Northern Trust Company as agent, as amended ("Credit Agreement") has occurred and is continuing.

2. The representations and warranties of the Borrower in Section 6 of the Credit Agreement and in Section 7 of the Fourth Amendment and Waiver to Credit Agreement dated as of March 1, 2005, are true and correct on and as of the date hereof.

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of March 1, 2005.

HEARTLAND FINANCIAL USA, INC.
By: /s/ John K. Schmidt
Name: John K. Schmidt
Title: EVP, CFO, COO

SEVENTH AMENDMENT TO CREDIT AGREEMENT

THIS SEVENTH AMENDMENT TO CREDIT AGREEMENT (this " Amendment ") dated as of March 10, 2006 is among HEARTLAND FINANCIAL USA, INC., a Delaware corporation (the " Borrower "), each of the banks party hereto (individually, a " Bank " and collectively, the " Banks ") and THE NORTHERN TRUST COMPANY, as agent for the Banks (in such capacity, together with its successors in such capacity, the " Agent ").

WHEREAS, the Borrower, the Agent and the Banks have entered into a Credit Agreement dated as of January 31, 2004 (as heretofore amended, the " Credit Agreement "); and

WHEREAS, the Borrower, the Agent and the Banks wish to make certain amendments to the Credit Agreement;

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Definitions . Terms defined in the Credit Agreement and not otherwise defined herein shall have the respective meanings given to them in the Credit Agreement and terms defined in the introductory paragraphs or other provisions of this Amendment shall have the respective meanings attributed to them therein. In addition, the following terms shall have the following meanings (terms defined in the singular having a correlative meaning when used in the plural and vice versa) :

"Effective Date" shall mean March 10, 2006, if (i) this Amendment shall have been executed and delivered by the Borrower, the Agent and the Banks and (ii) the Borrower shall have performed its obligations under Section 6 hereof.

2. US Bank Indebtedness . Section 7.2(d) of the Credit Agreement is hereby deleted and intentionally left blank.

3. Indebtedness . Section 2 of the Fifth Amendment and Waiver to Credit Agreement provided for the amendment of Section 7.5 (a) of the Credit Agreement. Said Section 2 mistakenly stated that it amended Section 7.5 of the Credit Agreement in its entirety, rather than amending only Section 7.5(a) . The parties acknowledge that only said Section 7.5(a) was so amended and the other subsections of Section 7.5 remained in full force and effect.

4. Revolving Credit Commitment Termination Date . The definition of "Revolving Credit Commitment Termination Date" in Section 9.1 of the Credit Agreement is hereby amended to state in its entirety as follows

" Revolving Credit Commitment Termination Date" shall mean April 30, 2007, as such date may be extended pursuant to Section 1.10 .

5. Schedule 1 . Schedule 1 of the Credit Agreement is hereby amended to state as set forth as Schedule 1 hereto.

6. Additional Bank . Wells Fargo Bank, N.A. is hereby added to the Credit Agreement as a Bank and shall be bound by the terms of the Credit Agreement as a Bank.

7. Conditions to Effective Date . The occurrence of the Effective Date shall be subject to the delivery of the following documents satisfactory to the Agent:

(a) This Amendment.

(b) A Guaranty from each Guarantor in substantially the form attached as Exhibit A hereto.

(c) A Note payable to Wells Fargo Bank, N.A.

(d) The certificate of incorporation (certified by the Secretary of State of Delaware dated no earlier than 30 days prior to this Agreement) and by-laws of the Borrower and all corporate action taken by the Borrower authorizing this Amendment (including the resolutions of the Board of Directors of the Borrower authorizing the transactions contemplated hereby), in each case, certified by the secretary or assistant secretary of the Borrower.

(e) A certificate of the secretary or assistant secretary of the Borrower naming and setting forth the specimen signature of each of the officers of the Borrower (i) who is authorized to sign on its behalf this Amendment and (ii) who is (A) an Authorized Officer or (B) who will, until replaced by another officer or officers duly authorized for that purpose, act as its representative for the purposes of signing documents and giving notices and other communications (other than notices required to be given by an Authorized Officer) in connection with this Agreement and the transactions contemplated hereby.

(f) A certificate of a senior officer of the Borrower dated the date of this Amendment to the effect that on and as of such date: (i) no Default shall have occurred and be continuing; and (ii) the representations and warranties made by the Borrower in Section 6 of the Credit Agreement and Section 7 hereof are true and correct with the same force and effect as if made on and as of such date.

(g) An opinion of internal counsel of the Borrower, substantially in the form of Exhibit B hereto.

(h) A good standing certificate from (i) the Borrower's Federal Reserve Bank, and (ii) the Secretary of State of the Borrower's state of incorporation shall have been delivered (in each of the foregoing cases, dated no earlier than 30 days prior to this Agreement).

(i) The articles of incorporation (also certified by the Secretary of State of each Guarantor's state of organization dated no earlier than 30 days prior to this Agreement) and by-laws of each Guarantor and all corporate action taken by each Guarantor authorizing its Guaranty Agreement and the performance of its obligations thereunder (including the resolutions of the Board of Directors of such Guarantor authorizing the transactions contemplated by its respective Guaranty Agreement), in each case, certified by the secretary or assistant secretary of such Guarantor.

(j) A certificate of the secretary or assistant secretary of each Guarantor naming and setting forth the specimen signature of each of the officers of such Guarantor who is authorized to sign its Guaranty Agreement on its behalf (the Agent and each Bank may conclusively rely on such certificate until formally advised by a like certificate of any changes therein).

(k) A good standing certificate from the Secretary of State of each Guarantor's state of incorporation, dated no earlier than 30 days prior to this Agreement.

(l) An opinion of internal counsel to each Guarantor in the form of Exhibit C attached hereto.

(m) Such other documents as the Agent may reasonably request.

8. Effective Date Notice . Promptly following the occurrence of the Effective Date, the Agent shall give notice to the parties of the occurrence of the Effective Date, which notice shall be conclusive, and the parties may rely thereon; provided, that such notice shall not waive or otherwise limit any right or remedy of the Agent or the Banks arising out of any failure of any condition precedent set forth in Section 6 to be satisfied.

9. Ratification . The parties agree that the Credit Agreement, as amended hereby, has not lapsed or terminated, is in full force and effect, and is and from and after the Effective Date shall remain binding in accordance with their terms.

10. Representations and Warranties . The Borrower represents and warrants to the Agent and the Banks that:

(a) No Breach . The execution, delivery and performance of this Amendment will not conflict with or result in a breach of, or cause the creation of a Lien or require any consent under, the articles of incorporation or bylaws of the Borrower, or any applicable law or regulation, or any order, injunction or decree of any court or governmental authority or agency, or any agreement or instrument to which the Borrower is a party or by which it or its property is bound.

(b) Power and Action, Binding Effect . The Borrower has been duly incorporated and is validly existing as a corporation under the laws of the State of Delaware and has all necessary power and authority to execute, deliver and perform its obligations under this Amendment and the Credit Agreement, as amended by this Amendment; the execution, delivery and performance by the Borrower of this Amendment and the Credit Agreement, as amended by this Amendment, have been duly authorized by all necessary action on its part; and this Amendment and the Credit Agreement, as amended by this Amendment, have been duly and validly executed and delivered by the Borrower and constitute legal, valid and binding obligations, enforceable in accordance with their respective terms.

(c) Approvals . No authorizations, approvals or consents of, and no filings or registrations with, any governmental or regulatory authority or agency or any other person are necessary for the execution or delivery by the Borrower of this Amendment, or the performance by the Borrower of the Credit Agreement, as amended by this Amendment, or for the validity or enforceability thereof.

11. Successors and Assigns . This Amendment shall be binding upon and inure to the benefit of the Borrower, the Agent and the Banks and their respective successors and assigns, except that the Borrower may not transfer or assign any of its rights or interest hereunder.

12. Governing Law . **This Amendment shall be governed by, and construed and interpreted in accordance with, the internal laws of the State of Illinois** .

13. Counterparts . This Amendment may be executed in any number of counterparts and each party hereto may execute any one or more of such counterparts, all of which shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Amendment by telecopy shall be as effective as delivery of a manually executed counterpart of this amendment.

14. Expenses . Whether or not the effective date shall occur, without limiting the obligations of the Borrower under the Credit Agreement, the Borrower agrees to pay, or to reimburse on demand, all reasonable costs and expenses incurred by the Agent in connection with the negotiation, preparation, execution, delivery, modification, amendment or enforcement of this Amendment and the other agreements, documents and instruments referred to herein, including the reasonable fees and expenses of Mayer, Brown, Rowe & Maw LLP, special counsel to the Agent, and any other counsel engaged by the Agent.

[Signature Page Follows]

IN WITNESS WHEREOF, this Amendment has been executed as of the date first above written.

HEARTLAND FINANCIAL USA, INC.
By: /s/ John K. Schmidt
Name: John K. Schmidt
Title: EVP, CFO, COO

THE NORTHERN TRUST COMPANY,
As Agent

By: /s/ Lisa McDermott
Name: Lisa McDermott
Title: Vice President

BANKS:

THE NORTHERN TRUST COMPANY
By: /s/ Lisa McDermott
Name: Lisa McDermott
Title: Vice President

HARRIS N.A. (successor by merger with Harris Trust and Savings Bank)
By: /s/ Thomas J. Wilson
Name: Thomas J. Wilson
Title: Vice President

WELLS FARGO BANK, N.A.
By: /s/ Leighton Kor
Name: Leighton Kor
Title: Vice President

U.S. BANK NATIONAL ASSOCIATION

By: /s/ Neil J. Havlik

Name: Neil J. Havlik

Title: Correspondent Officer

Schedule 1

INFORMATION CONCERNING BANKS

Name of Bank	Commitment	Applicable Lending Offices
The Northern Trust Company	$25,000,000	For all Loans: 50 South LaSalle Street Chicago, Illinois 60675
Harris N.A.	$20,000,000	For all Loans: 111 West Monroe Chicago, Illinois 60603
Wells Fargo Bank, N.A.	$20,000,000	For all Loans:
U.S. Bank National Association	$10,000,000	For all Loans: 222nd Avenue Cedar Rapids, Iowa 52401
Total Commitments	**$75,000,000**	

EXHIBIT A

GUARANTY

1. Guaranty of Payment. For value received, and in consideration of any loan or other financial accommodation heretofore or hereafter at any time made or granted to Heartland Financial USA, Inc., a Delaware corporation (hereinafter called the "Debtor") by any Bank and the Agent under that certain Credit Agreement dated as of January 31, 2004 among the Debtor, The Northern Trust Company, as Agent, and the Banks party thereto (as amended, restated, modified or supplemented from time to time the "Credit Agreement"; capitalized terms not otherwise defined herein have the same meaning herein as in the Credit Agreement; the Agent and the Banks, together with their successors and assigns, are herein collectively referred to as the "Banks"), the undersigned hereby unconditionally guarantees the full and prompt payment when due, whether by acceleration or otherwise, and at all times thereafter, of all obligations of the Debtor to the Banks under the Credit Agreement and the Notes, howsoever created, arising or evidenced, whether direct or indirect, absolute or contingent, or now or hereafter existing, or due or to become due (all such obligations, together with any extensions or renewals thereof, being hereinafter collectively called the "Liabilities"), and the undersigned further agrees to pay all expenses (including attorneys' and legal assistants' fees (which attorneys and legal assistants may be employees of any Bank) and legal expenses) paid or incurred by the Banks in endeavoring to collect the Liabilities, or any part thereof, and in enforcing this guaranty. The right of recovery against the undersigned under this guaranty is, however, limited to the amount of SEVENTY-FIVE MILLION DOLLARS ($75,000,000) plus (a) interest and fees on such amount and (b) all expenses of enforcing this guaranty. Notwithstanding anything herein to the contrary, it is the desire and intent of the undersigned and the Banks that this guaranty shall be enforced against the undersigned to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. If, however, and to the extent that, the obligations of the undersigned under this guaranty shall be adjudicated to be invalid or unenforceable for any reason (including, without limitation, because of any applicable state or federal law relating to fraudulent conveyances or transfers), then the amount of the Liabilities of such undersigned shall be deemed to be reduced and such undersigned shall pay the maximum amount of the Liabilities which would be permissible under applicable law.

2. Acceleration of the Time of Payment of Amount Payable Under Guaranty. The undersigned agrees that, in the event of the dissolution or insolvency of the Debtor or the undersigned, or the inability of the Debtor or the undersigned to pay debts as they mature, or an assignment by the Debtor or the undersigned for the benefit of creditors, or the institution of any proceeding by or against the Debtor or the undersigned alleging that the Debtor or the undersigned is insolvent or unable to pay debts as they mature, and if such event shall occur at a time when any of the Liabilities may not then be due and payable, the undersigned will pay to the Agent, for the account of the Banks, forthwith the full amount which would be payable hereunder by such undersigned if all of the Liabilities were then due and payable.

3. Credit Agreement. The undersigned agrees to be bound by all of the terms and provisions in the Credit Agreement as they are applicable to the undersigned as a Subsidiary of the Debtor.

4. Continuing Guaranty. This guaranty shall in all respects be a continuing, absolute and unconditional guaranty, and shall remain in full force and effect (notwithstanding, without limitation, the dissolution of the undersigned or that at any time or from time to time all of the Liabilities may have been paid in full) until all the Liabilities have been paid in full and all Commitments of the Banks to extend credit to the Debtor have expired or terminated.

5. Rescission or Return of Payment on Liabilities. The undersigned further agrees that, if at any time all or any part of any payment theretofore applied by the Agent, for the account of the Banks, to any of the Liabilities is or must be rescinded or returned by the Agent or any Bank for any reason whatsoever (including, without limitation, the insolvency, bankruptcy or reorganization of the Debtor), such Liabilities shall, for the purposes of this guaranty, to the extent that such payment is or must be rescinded or returned, be deemed to have continued in existence, notwithstanding such application by the Agent or such Bank, and this guaranty shall continue to be effective or be reinstated, as the case may be, as to such Liabilities, all as though such application by the Agent and such Bank had not been made.

6. Bank Permitted to Take Certain Actions. The Banks may, from time to time (but shall not be obligated to), whether before or after any discontinuance of this guaranty, at their sole discretion and without notice to the undersigned, take any or all of the following actions: (a) retain or obtain a security interest in any property to secure any of the Liabilities or any obligation hereunder; (b) retain or obtain the primary or secondary obligation of any obligor or obligors, in addition to the undersigned, with respect to any of the Liabilities; (c) extend or renew for one or more periods (whether or not longer than the original period), alter or exchange any of the Liabilities, or release or compromise any obligation of the undersigned hereunder or any obligation of any nature of any other obligor with respect to any of the Liabilities; (d) release their security interest in, or surrender, release or permit any substitution or exchange for, all or any part of any property securing any of the Liabilities or any obligation hereunder, or extend or renew for one or more periods (whether or not longer than the original period) or release, compromise, alter or exchange any obligations of any nature of any obligor with respect to any such property; and (e) resort to the undersigned for payment of any of the Liabilities, whether or not the Banks (i) shall have resorted to any property securing any of the Liabilities or any obligation hereunder or (ii) shall have proceeded against any other obligor primarily or secondarily obligated with respect to any of the

Liabilities (all of the actions referred to in preceding clauses (i) and (ii) being hereby waived by the undersigned).

7. Application of Payments. Any amounts received by the Banks from whatsoever source on account of the Liabilities may be applied by the Banks toward the payment of such of the Liabilities, and in such order of application, as the Agent may from time to time direct.

8. Subrogation. Until such time as this guaranty shall have been discontinued as to the undersigned and the Banks shall have received payment of the full amount of all of the Liabilities and of all obligations of the undersigned hereunder, no payment made by or for the account of the undersigned pursuant to this guaranty shall entitle the undersigned by subrogation or otherwise to any payment by the Debtor or from or out of any property of the Debtor, and the undersigned shall not exercise any right or remedy against the Debtor or any property of the Debtor by reason of any performance by such undersigned of this guaranty.

9. Waiver of Notice and Other Matters. The undersigned waives: (a) notice of the acceptance by the Agent, on behalf of the Banks, of this guaranty; (b) notice of the existence or creation or non-payment of all or any of the Liabilities; (c) presentment, demand, notice of dishonor, protest, and all other notices whatsoever; and (d) all diligence in collection or protection of or realization upon the Liabilities or any thereof, any obligation hereunder, or any security for or guaranty of any of the foregoing.

10. Additional Liabilities of the Debtor Authorized. The creation or existence from time to time of Liabilities in excess of the amount to which the right of recovery under this guaranty is limited is hereby authorized, without notice to the undersigned, and shall in no way affect or impair the rights of the Banks and the obligations of the undersigned under this guaranty.

11. Assignment of Liabilities. Any Bank may, from time to time, whether before or after any discontinuance of this guaranty, without notice to the undersigned, assign or transfer any or all of the Liabilities or any interest therein; and, notwithstanding any such assignment or transfer or any subsequent assignment or transfer thereof, such Liabilities shall be and remain Liabilities for the purposes of this guaranty, and each and every immediate and successive assignee or transferee of any of the Liabilities or of any interest therein shall, to the extent of the interest of such assignee or transferee in the Liabilities, be entitled to the benefits of this guaranty.

12. Information Concerning Debtor; No Reliance on Representations by Banks. The undersigned hereby warrants to the Banks that such undersigned now has and will continue to have independent means of obtaining information concerning the affairs, financial condition and business of the Debtor. The Banks shall not have any duty or responsibility to provide the undersigned with any credit or other information concerning the affairs, financial condition or business of the Debtor which may come into any of the Bank’s possession. The undersigned has executed and delivered this guaranty without reliance upon any representation by any Bank with respect to (a) the due execution, validity, effectiveness or enforceability of any instrument, document or agreement evidencing or relating to any of the Liabilities or any loan or other financial accommodation made or granted to the Debtor; (b) the validity, genuineness, enforceability, existence, value or sufficiency or any property securing any of the Liabilities or the creation, perfection or priority of any lien or security interest in such property; or (c) the existence, number, financial condition or creditworthiness of other guarantors or sureties with respect to any of the Liabilities.

13. Waiver and Modifications. No delay on the part of any Bank in the exercise of any right or remedy shall operate as a waiver thereof, and no single or partial exercise by any Bank of any right or remedy shall preclude other or further exercise thereof or the exercise of any right or remedy; nor shall any modification or waiver of any of the provisions of this guaranty be binding upon the Agent except as expressly set forth in a writing duly signed and delivered by the Agent, on behalf of the Banks.

14. Obligations Under Guaranty. No action of the Banks permitted hereunder shall in any way affect or impair the rights of the Banks and the obligations of the undersigned under this guaranty. For the purposes of this guaranty, Liabilities shall include all obligations of the Debtor to the Banks, notwithstanding any right or power of the Debtor or anyone else to assert any claim or defense as to the invalidity or unenforceability of any such obligation, and no such claim or defense shall affect or impair the obligations of the undersigned hereunder. The obligations of the undersigned under this guaranty shall be absolute and unconditional irrespective of any circumstance whatsoever which might constitute a legal or equitable discharge or defense of the undersigned. The undersigned acknowledges that there are no conditions to the effectiveness of this guaranty.

15. Successors. This guaranty shall be binding upon the undersigned, and upon the successors and assigns of the undersigned.

16. Law. THIS GUARANTY HAS BEEN DELIVERED AT CHICAGO, ILLINOIS, AND SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF ILLINOIS.

17. Severability. Wherever possible, each provision of this guaranty shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this guaranty shall be prohibited by or invalid under such law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this guaranty.

18. Captions. Section captions used in this guaranty are for convenience only, and shall not affect the construction of this guaranty.

19. Waiver of Jury Trial. THE UNDERSIGNED WAIVES, AND, BY ACCEPTING THIS GUARANTY, THE AGENT, ON BEHALF OF THE BANKS, SHALL BE DEEMED TO WAIVE, ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS (A) UNDER THIS GUARANTY OR UNDER ANY AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT DELIVERED OR WHICH MAY IN THE FUTURE BE DELIVERED IN CONNECTION HEREWITH OR (B) ARISING FROM ANY BANKING RELATIONSHIP EXISTING IN CONNECTION WITH THIS GUARANTY, AND THE UNDERSIGNED AGREES, AND, BY ACCEPTING THIS GUARANTY, THE AGENT, ON BEHALF OF THE BANKS, SHALL BE DEEMED TO AGREE, THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.

20. Submission to Jurisdiction. The undersigned hereby irrevocably agrees that, subject to the Agent's sole and absolute election, all suits, actions or other proceedings with respect to, arising out of or in connection with this guaranty or any document or instrument executed in connection herewith shall be subject to litigation in courts having situs within or jurisdiction over Cook County, Illinois. The undersigned hereby consents and submits to the jurisdiction of any local, state or federal court located in or having jurisdiction over such country, and hereby irrevocably waives any right it may have to request or demand trial by jury, to transfer or change the venue of any suit, action or other proceeding brought by the Agent in accordance with this paragraph, or to claim that any such proceeding has been brought in an inconvenient forum.

21. Substitution. This guaranty is delivered in substitution for a guaranty of the undersigned dated January 31, 2004 and shall continue to evidence the indebtedness thereunder.

SIGNED AND DELIVERED AS OF THIS 10th day of March, 2006.

ULTEA Inc.

By: /s/ Kenneth J. Erickson
Its: Vice Chairman of the Board

Address for Notices:

1398 Central Ave.
Dubuque, IA 52004-0778

EXHIBIT B

FORM OF OPINION OF COUNSEL OF BORROWER

March 10, 2006

The Northern Trust Company, as Agent
The Banks (as defined in the Credit Agreement
referred to below), and their respective
successors and assigns
50 South LaSalle Street
Chicago, Illinois 60675

Gentlemen/Ladies:

I am counsel for Heartland Financial USA, Inc. (the " Company "), and have represented the Company in connection with its execution and delivery of a Seventh Amendment (the " Amendment ") dated March 10, 2006 to a Credit Agreement dated as of January 31, 2004 (as heretofore amended, the " Credit Agreement ") among the Company, the Banks party thereto and The Northern Trust Company, as Agent, and providing for Loans in an aggregate principal amount not exceeding $75,000,000 at any one time outstanding. All capitalized terms used in this opinion and not otherwise defined herein shall have the meanings attributed to them in the Agreement.

In so acting, I, as counsel for the Company, have made such factual inquiries, and I have examined or caused to be examined such questions of law, as I have considered necessary or appropriate for the purposes of this opinion and, upon the basis of such inquiries and examination, advise you that, in my opinion:

1. The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware and has the necessary corporate power to execute and deliver the Amendment and perform the Credit Agreement, as so amended, and to borrow under the Credit Agreement, as so amended. The Company is duly qualified to transact business in each jurisdiction where such qualification is necessary in view of the property owned or business conducted by the Company and where the failure to so qualify would have a material adverse effect on the Company. The Company is a bank holding company duly registered with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956, as amended.

2. The execution and delivery of the Amendment and the performance by the Company of the Credit Agreement, as so amended, and the borrowings thereunder have been duly authorized by all necessary corporate action, and do not and will not violate any provision of law or regulation, writ, order or judgment, or any provision of the Company's articles of incorporation or by-laws and do not and will not result in the breach of, or constitute a default or require any consent under, or result in the creation of any Lien upon any of its properties, revenues or assets pursuant to, any indenture or other agreement or instrument to which the Company or any Subsidiary is a party or by which the Company or any Subsidiary or its properties may be bound.

3. The Amendment has been duly executed and delivered on behalf of the Company and the Credit Agreement, as so amended, constitutes the legal, valid and binding obligation of the Company which is enforceable in accordance with its terms, except as such enforceability may be limited by (a) bankruptcy, insolvency, reorganization, moratorium or other similar laws of general applicability affecting the enforcement of creditors' rights and (b) the application of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

4. No authorizations, consents, approvals, licenses, filings or registrations from or with any governmental or regulatory authority or agency are required in connection with the execution and delivery of the Amendment and the performance by the Company of the Credit Agreement, as so amended.

5. There are no legal or arbitral proceedings, and no proceedings by or before any governmental or regulatory authority or agency, pending or threatened against or affecting the Company or any of its Subsidiaries, or any properties or rights of the Company or any of its Subsidiaries, which, if adversely determined, would have a material adverse effect on the consolidated financial condition, operations,

business or prospects taken as a whole of the Company and its Subsidiaries.

6. The Company is in compliance in all material respects with all rules and regulations of the Bank Holding Company Act, as amended, and with all existing regulations of the Board of Governors of the Federal Reserve System relating to bank holding companies.

7. The Company is not an “investment company” or a company “controlled” by any “investment company,” within the meaning of the Investment Company Act of 1940, as amended.

8. The Company is not under investigation by, or operating under any restrictions (applicable specifically to the Company) imposed by, any regulatory authority.

The Opinions set forth herein are intended solely for the benefit of the addressees hereof in connection with the transactions contemplated herein and assignees and participants under the Credit Agreement and shall not be relied upon by any other person or for any other purpose without our prior written consent.

Very truly yours,

EXHIBIT C

FORM OF OPINION OF COUNSEL OF GUARANTOR

March 10, 2006

The Northern Trust Company, as Agent
The Banks (as defined in the
Credit Agreement referred to
below), and their respective successors and assigns
50 South LaSalle Street
Chicago, Illinois 60675

Gentlemen/Ladies:

I have acted as counsel to Citizens Finance Co. and ULTEA, Inc. (each a " Guarantor ") and I am delivering to you this opinion of counsel upon which you may relay, in connection with Guaranties dated as of March 10, 2006 (the " Guaranties ") of the Guarantors in favor of The Northern Trust Company, as Agent covering the liabilities of Heartland Financial USA, Inc. (the " Borrower ") to the Agent and the Banks under that certain Credit Agreement dated as of January 31, 2004 among the Borrower, The Northern Trust Company, as Agent and the Banks party thereto, as amended.

In so acting, I, as counsel for the Guarantors, have made or caused to be made such factual inquiries, and I have examined or caused to be examined such questions of law, as I have considered necessary or appropriate for the purposes of this opinion and, upon the basis of such inquiries and examinations, advise you that, in my opinion:

9. Each Guarantor is a corporation duly organized, validly existing and in good standing under the laws of the State of ______________________ and is duly qualified (licensed) to transact business in all places where failure to do so might have a material adverse effect on the financial condition, prospects or business of such Guarantor.

10. Each Guarantor has full corporate power and authority to execute and deliver its Guaranty and perform its obligations thereunder.

11. The execution and delivery of its Guaranty and the performance by each Guarantor of its obligations thereunder have been duly authorized by all necessary corporate action, and each Guaranty has been duly executed and delivered on behalf of the applicable Guarantor and constitutes the valid and binding obligation of such Guarantor, enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency or other similar laws of general application affecting the enforcement of creditors' rights or by general principles of equity limiting the availability of equitable remedies.

12. There is no provision in either Guarantor's articles of incorporation or by-laws, nor any provision in any indenture, mortgage, contract or agreement to which said Guarantor is a party or by which it or its properties may be bound, nor any law, statute, rule or regulation, or any writ, order or decision of any court or governmental instrumentality binding on said Guarantor which would be contravened by the execution and delivery of its Guaranty, nor do any of the foregoing prohibit said Guarantor's performance of any term, provision, condition, covenant or any other obligation of said Guarantor contained therein.

13. No authorizations, consents, approvals, licenses, filings or registrations from or with any governmental or regulatory authority or agency are required in connection with the execution, delivery and performance by either Guarantor of its Guaranty.

14. There are no legal or arbitral proceedings, and no proceedings by or before any governmental or regulatory authority or agency, pending or threatened against or affecting either Guarantor or any properties or rights of said Guarantor which, if adversely determined, would have a material adverse effect on the consolidated financial condition, operations, business or prospects of said Guarantor.

The opinions set forth herein are intended solely for the benefit of the addressees hereof in connection with the transactions contemplated herein and assignees and participants under the Credit Agreement and shall not be relied upon by any other person or for any other purpose without our prior written consent.

Very truly yours,

Exhibit 11

EARNINGS PER SHARE

Net income for the year ended December 31, 2005	$ 22,726,000
Weighted average common shares outstanding	16,415,182 1
Assumed incremental common shares issued upon exercise of stock options	286,964
Weighted average common shares for diluted earnings per share	16,702,146
Earnings per common share - basic	$1.38
Earnings per common share - diluted	$1.36

Exhibit 21.1

Subsidiaries of the Registrant

1. Galena State Bank and Trust Company, an Illinois state bank with its main office located in Galena, Illinois

2. Dubuque Bank and Trust Company, an Iowa state bank with its main office located in Dubuque, Iowa

2 a. DB&T Insurance, Inc.

2 b. DB&T Community Development Corp.

3. Keokuk Bancshares, Inc.

4. First Community Bank, an Iowa state bank with its main office located in Keokuk, Iowa

5. Riverside Community Bank, an Illinois state bank with its main office located in Rockford, Illinois

6. Citizens Finance Co.

7. ULTEA, Inc.

7 a. Autorent Wisconsin, Inc.

7 b. Econo Lease, Inc

8. Wisconsin Community Bank, a Wisconsin state bank with its main office located in Cottage Grove, Wisconsin

8 a. DBT Investment Corporation

9. New Mexico Bank & Trust, a New Mexico state bank with its main office located in Albuquerque, New Mexico

10. Arizona Bank & Trust, an Arizona state bank with its main office located in Chandler, Arizona

11. Rocky Mountain Bank, a Montana state bank with its main office located in Billings, Montana

12. HTLF Capital Corp.

13. Heartland Financial Statutory Trust II

14. Heartland Financial Capital Trust II

15. Heartland Financial Statutory Trust III

16. Heartland Financial Statutory Trust IV

17. Rocky Mountain Statutory Trust I

18. Heartland Community Development, Inc.

19. Heartland Financial Statutory Trust V

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
Heartland Financial USA, Inc.:

We consent to incorporation by reference in the Registration Statements (Nos. 333-06233, 333-81374, and 333-06219) on Form S-8 of Heartland Financial USA, Inc. of our reports dated March 8, 2006, with respect to the consolidated balance sheets of Heartland Financial USA, Inc. and subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of income, changes in stockholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2005, management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2005 and the effectiveness of internal control over financial reporting as of December 31, 2005, which reports appear in the December 31, 2005 annual report on Form 10-K of Heartland Financial USA, Inc. and subsidiaries.

/s/ KPMG LLP

Des Moines, Iowa
March 8, 2006

Exhibit 31.1

I, Lynn B. Fuller, certify that:

1. I have reviewed this annual report on Form 10-K of Heartland Financial USA, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purpose in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting, and;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 10, 2006

_ /s/ Lynn B. Fuller

Lynn B. Fuller

Chief Executive Officer

Exhibit 31.2

I, John K. Schmidt, certify that:

1. I have reviewed this annual report on Form 10-K of Heartland Financial USA, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purpose in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting, and;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 10, 2006

/s/ John K. Schmidt
John K. Schmidt

Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Heartland Financial USA, Inc. (the "Company") on Form 10-K for the year ending December 31, 2005, as filed with the Securities and Exchange Commission on the date hereof (the "Report), I, Lynn B. Fuller, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Lynn B. Fuller
Lynn B. Fuller
Chief Executive Officer
March 10, 2006

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Heartland Financial USA, Inc. (the “Company”) on Form 10-K for the year ending December 31, 2005, as filed with the Securities and Exchange Commission on the date hereof (the “Report), I, John K. Schmidt, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ John K. Schmidt
John K. Schmidt
Chief Financial Officer
March 10, 2006