

REFINITIV

DELTA REPORT

10-Q

HTLF - HEARTLAND FINANCIAL USA I
10-Q - JUNE 30, 2024 COMPARED TO 10-Q - MARCH 31, 2024

The following comparison report has been automatically generated

TOTAL DELTAS	1464
CHANGES	546
DELETIONS	456
ADDITIONS	462

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

FORM 10-Q

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

For quarterly period ended **March 31, 2024** **June 30, 2024**

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

For transition period from _____ to _____

Commission File Number: 001-15393

HEARTLAND FINANCIAL USA, INC.
(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

42-1405748
(I.R.S. employer identification number)

1800 Larimer Street, Suite 1800, Denver, Colorado 80202
(Address of principal executive offices) (Zip Code)

(303) 285-9200
(Registrant's telephone number, including area code)

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

Title of Each Class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value \$1.00 per share	HTLF	Nasdaq Stock Market
Depository Shares, each representing 1/400th interest in a share of 7.00% Fixed-Rate Reset Non-Cumulative Perpetual Preferred Stock, Series E	HTLFP	Nasdaq Stock Market

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 ☒ No ☐

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated Filer <input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Indicate the number of shares outstanding of each of the classes of Registrant's common stock as of the latest practicable date: As of **May 7, 2024** **August 5, 2024**, the Registrant had outstanding **42,790,564** **42,879,182** shares of common stock, \$1.00 par value per share.

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

ITEM 1. FINANCIAL STATEMENTS

HEARTLAND FINANCIAL USA, INC.

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except per share data)

	March 31, 2024 (Unaudited)	December 31, 2023	June 30, 2024 (Unaudited)	December 31, 2023
ASSETS	ASSETS		ASSETS	
Cash and due from banks				
Interest bearing deposits with other banks and other short-term investments				
Cash and cash equivalents				
Time deposits in other financial institutions				
Securities:				
Carried at fair value (cost of \$4,886,304 at March 31, 2024, and \$5,100,344 at December 31, 2023)				
Carried at fair value (cost of \$4,636,825 at June 30, 2024, and \$5,100,344 at December 31, 2023)				
Carried at fair value (cost of \$4,886,304 at March 31, 2024, and \$5,100,344 at December 31, 2023)				
Carried at fair value (cost of \$4,636,825 at June 30, 2024, and \$5,100,344 at December 31, 2023)				
Carried at fair value (cost of \$4,886,304 at March 31, 2024, and \$5,100,344 at December 31, 2023)				
Held to maturity, net of allowance for credit losses of \$0 at both March 31, 2024, and December 31, 2023 (fair value of \$813,752 at March 31, 2024, and \$816,399 at December 31, 2023)				
Carried at fair value (cost of \$4,636,825 at June 30, 2024, and \$5,100,344 at December 31, 2023)				
Held to maturity, net of allowance for credit losses of \$0 at both June 30, 2024, and December 31, 2023 (fair value of \$809,516 at June 30, 2024, and \$816,399 at December 31, 2023)				
Other investments, at cost				
Loans held for sale				
Loans receivable:				
Held to maturity				
Held to maturity				
Held to maturity				
Allowance for credit losses				
Allowance for credit losses				
Allowance for credit losses				
Loans receivable, net				

Premises, furniture and equipment, net			
Premises, furniture and equipment held for sale			
Other real estate, net			
Goodwill			
Core deposit intangibles, net			
Cash surrender value on life insurance			
Cash surrender value on life insurance			
Cash surrender value on life insurance			
Other assets			
Other assets			
Other assets			
TOTAL ASSETS			
LIABILITIES AND EQUITY	LIABILITIES AND EQUITY	LIABILITIES AND EQUITY	
LIABILITIES:	LIABILITIES:	LIABILITIES:	
Deposits:	Deposits:	Deposits:	
Demand			
Savings			
Time			
Total deposits			
Deposits held for sale			
Borrowings			
Term debt			
Accrued expenses and other liabilities			
TOTAL LIABILITIES			
STOCKHOLDERS' EQUITY:	STOCKHOLDERS' EQUITY:	STOCKHOLDERS' EQUITY:	
Preferred stock (par value \$1 per share; authorized 188,500 and 188,500 shares at March 31, 2024, and December 31, 2023; none issued or outstanding at both March 31, 2024, and December 31, 2023)			
Preferred stock (par value \$1 per share; authorized 188,500 and 188,500 shares at June 30, 2024, and December 31, 2023; none issued or outstanding at both June 30, 2024, and December 31, 2023)			
Preferred stock (par value \$1 per share; authorized 188,500 and 188,500 shares at March 31, 2024, and December 31, 2023; none issued or outstanding at both March 31, 2024, and December 31, 2023)			
Preferred stock (par value \$1 per share; authorized 188,500 and 188,500 shares at June 30, 2024, and December 31, 2023; none issued or outstanding at both June 30, 2024, and December 31, 2023)			
Preferred stock (par value \$1 per share; authorized 188,500 and 188,500 shares at March 31, 2024, and December 31, 2023; none issued or outstanding at both March 31, 2024, and December 31, 2023)			
Preferred stock (par value \$1 per share; authorized 188,500 and 188,500 shares at June 30, 2024, and December 31, 2023; none issued or outstanding at both June 30, 2024, and December 31, 2023)			
Series E Fixed-Rate Reset Non-Cumulative Perpetual Preferred Stock (par value \$1 per share; 11,500 shares authorized at both March 31, 2024, and December 31, 2023; 11,500 shares issued and outstanding at both March 31, 2024, and December 31, 2023)			
Series E Fixed-Rate Reset Non-Cumulative Perpetual Preferred Stock (par value \$1 per share; 11,500 shares authorized at both June 30, 2024, and December 31, 2023; 11,500 shares issued and outstanding at both June 30, 2024, and December 31, 2023)			
Series E Fixed-Rate Reset Non-Cumulative Perpetual Preferred Stock (par value \$1 per share; 11,500 shares authorized at both March 31, 2024, and December 31, 2023; 11,500 shares issued and outstanding at both March 31, 2024, and December 31, 2023)			
Series E Fixed-Rate Reset Non-Cumulative Perpetual Preferred Stock (par value \$1 per share; 11,500 shares authorized at both June 30, 2024, and December 31, 2023; 11,500 shares issued and outstanding at both June 30, 2024, and December 31, 2023)			
Series E Fixed-Rate Reset Non-Cumulative Perpetual Preferred Stock (par value \$1 per share; 11,500 shares authorized at both March 31, 2024, and December 31, 2023; 11,500 shares issued and outstanding at both March 31, 2024, and December 31, 2023)			
Common stock (par value \$1 per share; 60,000,000 shares authorized at both March 31, 2024, and December 31, 2023; issued 42,783,670 shares at March 31, 2024, and 42,688,008 shares at December 31, 2023)			
Series E Fixed-Rate Reset Non-Cumulative Perpetual Preferred Stock (par value \$1 per share; 11,500 shares authorized at both June 30, 2024, and December 31, 2023; 11,500 shares issued and outstanding at both June 30, 2024, and December 31, 2023)			
Common stock (par value \$1 per share; 60,000,000 shares authorized at both June 30, 2024, and December 31, 2023; issued 42,852,180 shares at June 30, 2024, and 42,688,008 shares at December 31, 2023)			
Capital surplus			
Retained earnings			
Accumulated other comprehensive loss			
TOTAL STOCKHOLDERS' EQUITY			
TOTAL STOCKHOLDERS' EQUITY			
TOTAL STOCKHOLDERS' EQUITY			

TOTAL LIABILITIES AND EQUITY

See accompanying notes to consolidated financial statements.

See accompanying notes to consolidated financial statements.

See accompanying notes to consolidated financial statements.

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
INTEREST INCOME:				
INTEREST INCOME:				
INTEREST INCOME:				
Interest and fees on loans				
Interest and fees on loans				
Interest and fees on loans				
Interest on securities:				
Interest on securities:				
Interest on securities:				
Taxable				
Taxable				
Taxable				
Nontaxable				
Nontaxable				
Nontaxable				
Interest on interest bearing deposits in other financial institutions				
Interest on interest bearing deposits in other financial institutions				
Interest on interest bearing deposits in other financial institutions				
TOTAL INTEREST INCOME				
TOTAL INTEREST INCOME				
TOTAL INTEREST INCOME				
INTEREST EXPENSE:				
INTEREST EXPENSE:				
INTEREST EXPENSE:				
Interest on deposits				
Interest on deposits				
Interest on deposits				
Interest on borrowings				

Interest on borrowings
Interest on borrowings
Interest on term debt (includes \$(35) and \$591 of interest (income) expense related to derivatives reclassified from accumulated other comprehensive loss for the three months ended March 31, 2024 and 2023, respectively)
Interest on term debt (includes \$(35) and \$591 of interest (income) expense related to derivatives reclassified from accumulated other comprehensive loss for the three months ended March 31, 2024 and 2023, respectively)
Interest on term debt (includes \$(35) and \$591 of interest (income) expense related to derivatives reclassified from accumulated other comprehensive loss for the three months ended March 31, 2024 and 2023, respectively)
TOTAL INTEREST EXPENSE
TOTAL INTEREST EXPENSE
Interest on term debt (includes \$(245) and \$(63) of interest expense (income) related to derivatives reclassified from accumulated other comprehensive income for the three months ended June 30, 2024 and 2023, respectively, and \$(210) and \$701 of interest expense (income) related to derivatives reclassified from accumulated other comprehensive income for the six months ended June 30, 2024 and 2023, respectively)
TOTAL INTEREST EXPENSE
NET INTEREST INCOME
NET INTEREST INCOME
NET INTEREST INCOME
Provision for credit losses
Provision for credit losses
Provision for credit losses
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES
NONINTEREST INCOME:
NONINTEREST INCOME:
NONINTEREST INCOME:
Service charges and fees
Service charges and fees
Service charges and fees
Loan servicing income
Loan servicing income
Loan servicing income
Trust fees
Trust fees
Trust fees
Brokerage and insurance commissions
Brokerage and insurance commissions
Brokerage and insurance commissions
Capital markets fees
Capital markets fees
Capital markets fees
Securities (losses) gains, net (includes \$58 and \$(1,104) of net security gains (losses) reclassified from accumulated other comprehensive loss for the three months ended March 31, 2024 and 2023, respectively)
Securities (losses) gains, net (includes \$58 and \$(1,104) of net security gains (losses) reclassified from accumulated other comprehensive loss for the three months ended March 31, 2024 and 2023, respectively)
Securities (losses) gains, net (includes \$58 and \$(1,104) of net security gains (losses) reclassified from accumulated other comprehensive loss for the three months ended March 31, 2024 and 2023, respectively)
Securities losses, net (includes \$(10,556) and \$(325) of net security losses reclassified from accumulated other comprehensive income for the three months ended June 30, 2024 and 2023, respectively, and \$(10,556) and \$(1,429) of net security losses reclassified from accumulated other comprehensive income for the six months ended June 30, 2024 and 2023, respectively)
Unrealized gain (loss) on equity securities, net
Unrealized gain (loss) on equity securities, net
Unrealized gain (loss) on equity securities, net
Net gains on sale of loans held for sale
Net gains on sale of loans held for sale
Net gains on sale of loans held for sale
Income on bank owned life insurance

Income on bank owned life insurance
Income on bank owned life insurance
Other noninterest income
Other noninterest income
Other noninterest income
TOTAL NONINTEREST INCOME
TOTAL NONINTEREST INCOME
TOTAL NONINTEREST INCOME
NONINTEREST EXPENSES:
NONINTEREST EXPENSES:
NONINTEREST EXPENSES:
Salaries and employee benefits
Salaries and employee benefits
Salaries and employee benefits
Occupancy
Occupancy
Occupancy
Furniture and equipment
Furniture and equipment
Furniture and equipment
Professional fees
Professional fees
Professional fees
FDIC insurance assessments
FDIC insurance assessments
FDIC insurance assessments
Advertising
Advertising
Advertising
Core deposit intangibles and customer relationship intangibles amortization
Core deposit intangibles and customer relationship intangibles amortization
Core deposit intangibles and customer relationship intangibles amortization
Other real estate and loan collection expenses
Other real estate and loan collection expenses
Core deposit intangibles amortization
Other real estate and loan collection expenses
Loss (gain) on sales/valuations of assets, net
Loss (gain) on sales/valuations of assets, net
Loss (gain) on sales/valuations of assets, net
Acquisition, integration and restructuring costs
Acquisition, integration and restructuring costs
Acquisition, integration and restructuring costs
Partnership investment in tax credit projects
Partnership investment in tax credit projects
Partnership investment in tax credit projects
Other noninterest expenses
Other noninterest expenses
Other noninterest expenses
TOTAL NONINTEREST EXPENSES
TOTAL NONINTEREST EXPENSES
TOTAL NONINTEREST EXPENSES

INCOME BEFORE INCOME TAXES
INCOME BEFORE INCOME TAXES
INCOME BEFORE INCOME TAXES
Income taxes (includes \$5,762 and \$426 of income tax benefit reclassified from accumulated other comprehensive loss for the three months ended March 31, 2024 and 2023, respectively)
Income taxes (includes \$5,762 and \$426 of income tax benefit reclassified from accumulated other comprehensive loss for the three months ended March 31, 2024 and 2023, respectively)
Income taxes (includes \$5,762 and \$426 of income tax benefit reclassified from accumulated other comprehensive loss for the three months ended March 31, 2024 and 2023, respectively)
NET INCOME
NET INCOME
Income taxes (includes \$5,319 and \$63 of income tax benefit reclassified from accumulated other comprehensive income for the three months ended June 30, 2024 and 2023, respectively, and \$11,081 and \$535 of income tax benefit reclassified from accumulated other comprehensive income for the six months ended June 30, 2024 and 2023, respectively)
NET INCOME
Preferred dividends
Preferred dividends
Preferred dividends
NET INCOME AVAILABLE TO COMMON STOCKHOLDERS
NET INCOME AVAILABLE TO COMMON STOCKHOLDERS
NET INCOME AVAILABLE TO COMMON STOCKHOLDERS
EARNINGS PER COMMON SHARE - BASIC
EARNINGS PER COMMON SHARE - BASIC
EARNINGS PER COMMON SHARE - BASIC
EARNINGS PER COMMON SHARE - DILUTED
EARNINGS PER COMMON SHARE - DILUTED
EARNINGS PER COMMON SHARE - DILUTED
CASH DIVIDENDS DECLARED PER COMMON SHARE
CASH DIVIDENDS DECLARED PER COMMON SHARE
CASH DIVIDENDS DECLARED PER COMMON SHARE
See accompanying notes to consolidated financial statements.
See accompanying notes to consolidated financial statements.
See accompanying notes to consolidated financial statements.

HEARTLAND FINANCIAL USA, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)
(Dollars in thousands)

HEARTLAND FINANCIAL USA, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)
(Dollars in thousands)

HEARTLAND FINANCIAL USA, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)
(Dollars in thousands)

	Three Months Ended March 31,				
	2024				
	2024				
		Three Months Ended June 30,	Six Months Ended June 30,		
	2024	2024	2023	2024	2023
NET INCOME					
NET INCOME					
NET INCOME					

OTHER COMPREHENSIVE INCOME (LOSS)
OTHER COMPREHENSIVE INCOME (LOSS)
OTHER COMPREHENSIVE INCOME (LOSS)
Changes in available for sale ("AFS") securities:
Changes in available for sale ("AFS") securities:
Changes in available for sale ("AFS") securities:
Net change in unrealized gain (loss) on securities
Net change in unrealized gain (loss) on securities
Net change in unrealized gain (loss) on securities
Reclassification adjustment for net (gains) losses on hedged AFS securities
Reclassification adjustment for net (gains) losses on hedged AFS securities
Reclassification adjustment for net (gains) losses on hedged AFS securities
Reclassification adjustment for net (gains) losses realized in net income
Reclassification adjustment for net (gains) losses realized in net income
Reclassification adjustment for net (gains) losses realized in net income
Income tax benefit (expense)
Income tax benefit (expense)
Net change in unrealized loss on securities
Net change in unrealized loss on securities
Net change in unrealized loss on securities
Reclassification adjustment for net losses on hedged AFS securities
Reclassification adjustment for net losses realized in net income
Income tax benefit (expense)
Other comprehensive income (loss) on AFS securities
Other comprehensive income (loss) on AFS securities
Other comprehensive income (loss) on AFS securities
Changes in securities held to maturity:
Changes in securities held to maturity:
Changes in securities held to maturity:
Net amortization of unrealized losses on securities transferred from AFS
Net amortization of unrealized losses on securities transferred from AFS
Net amortization of unrealized losses on securities transferred from AFS
Income tax benefit (expense)
Income tax benefit (expense)
Income tax benefit (expense)
Other comprehensive income (loss) on held to maturity securities
Other comprehensive income (loss) on held to maturity securities
Other comprehensive income (loss) on held to maturity securities
Change in cash flow hedges:
Change in cash flow hedges:
Income tax expense
Other comprehensive income on held to maturity securities
Change in cash flow hedges:
Net change in unrealized gain on derivatives
Net change in unrealized gain on derivatives
Net change in unrealized gain on derivatives
Reclassification adjustment for net (gains) losses on derivatives realized in net income
Reclassification adjustment for net (gains) losses on derivatives realized in net income
Reclassification adjustment for net (gains) losses on derivatives realized in net income
Income tax benefit (expense)
Income tax benefit (expense)

Other comprehensive income (loss) on cash flow hedges	
Other comprehensive income (loss) on cash flow hedges	
Other comprehensive income (loss) on cash flow hedges	

Other comprehensive income (loss)	
Other comprehensive income (loss)	
TOTAL COMPREHENSIVE INCOME (LOSS)	
TOTAL COMPREHENSIVE INCOME (LOSS)	
TOTAL COMPREHENSIVE INCOME (LOSS)	
TOTAL COMPREHENSIVE INCOME	

See accompanying notes to consolidated financial statements.

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

[illegible]

	Six Months Ended June 30,			
	Six Months Ended June 30,			
	2024	2023	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income				
Net income				
Net income				
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization				
Depreciation and amortization				
Depreciation and amortization				
Provision for credit losses				
Net amortization of premium on securities				
Securities losses (gains), net				
Securities losses, net				
Unrealized loss (gain) on equity securities, net				
Unrealized loss (gain) on equity securities, net				
Unrealized loss (gain) on equity securities, net				
Unrealized gain on equity securities, net				
Unrealized gain on equity securities, net				
Unrealized gain on equity securities, net				
Stock based compensation				
Loans originated for sale				
Loans originated for sale				
Loans originated for sale				
Proceeds on sales of loans held for sale				
Net gains on sale of loans held for sale				
(Increase) decrease in accrued interest receivable				
Decrease (increase) in prepaid expenses				
Increase (decrease) in accrued interest payable				
Capitalization of servicing rights				
Capitalization of servicing rights				
Capitalization of servicing rights				
Loss (gain) on sales/valuations of assets, net				
Loss (gain) on sales/valuations of assets, net				
Loss (gain) on sales/valuations of assets, net				
Net excess tax benefit (expense) from stock based compensation				
Net excess tax expense from stock based compensation				
Income from fair value hedge activity				
Other, net				
NET CASH PROVIDED BY OPERATING ACTIVITIES				
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from the sale of securities available for sale				
Proceeds from the sale of securities available for sale				
Purchase of time deposits in other financial institutions				
Purchase of time deposits in other financial institutions				
Purchase of time deposits in other financial institutions				
Proceeds from the sale of securities available for sale				
Proceeds from the maturity of and principal paydowns on securities available for sale				
Proceeds from the maturity of and principal paydowns on securities available for sale				

Proceeds from the maturity of and principal paydowns on securities available for sale
Proceeds from the maturity of and principal paydowns on securities held to maturity
Proceeds from the sale, maturity of, redemption of and principal paydowns on other investments
Proceeds from the sale, maturity of, redemption of and principal paydowns on other investments
Proceeds from the maturity of time deposits in other financial institutions
Proceeds from the sale, maturity of, redemption of and principal paydowns on other investments
Purchase of securities available for sale
Purchase of other investments
Purchase of other investments
Purchase of other investments
Net (increase) decrease in loans
Purchase of bank owned life insurance policies
Proceeds from sale of mortgage servicing rights
Proceeds from sale of mortgage servicing rights
Proceeds from sale of mortgage servicing rights
Capital expenditures and investments
Proceeds from the sale of premises, furniture and equipment
Proceeds from the sale of premises, furniture and equipment
Proceeds from the sale of premises, furniture and equipment
Proceeds on sale of OREO and other repossessed assets
Proceeds on sale of OREO and other repossessed assets
Proceeds on sale of OREO and other repossessed assets
NET CASH PROVIDED BY INVESTING ACTIVITIES

HEARTLAND FINANCIAL USA, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS, CONTINUED (Unaudited)

(Dollars in thousands)

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

Net increase (decrease) in savings deposits
Net decrease in demand deposits
Net decrease in demand deposits
Net decrease in demand deposits
Net decrease in savings deposits
Net increase (decrease) in time deposit accounts
Net increase (decrease) in borrowings
Net increase (decrease) in borrowings
Net increase (decrease) in borrowings
Proceeds from Bank Term Funding Program advances
Proceeds from short term FHLB advances
Repayments of short term FHLB advances
Repayments of term debt
Repayments of term debt
Repayments of term debt
Proceeds from issuance of common stock
Proceeds from issuance of common stock
Proceeds from issuance of common stock
Dividends paid
NET CASH USED BY FINANCING ACTIVITIES
Net increase (decrease) in cash and cash equivalents
Net increase in cash and cash equivalents
Cash and cash equivalents at beginning of year
CASH AND CASH EQUIVALENTS AT END OF PERIOD
Supplemental disclosures:
Cash paid for income/franchise taxes
Cash paid for income/franchise taxes
Cash paid for income/franchise taxes
Cash paid for interest
Loans transferred to OREO
Transfer of premises from premises, furniture and equipment, net, to premises, furniture and equipment held for sale
Transfer of premises from premises, furniture and equipment held for sale to premises, furniture and equipment, net
Deposits transferred to held for sale
Loans transferred to held for sale
Dividends declared, not paid
Sales of securities available for sale, accrued, not settled
Sales of securities available for sale, accrued, not settled
Sales of securities available for sale, accrued, not settled
See accompanying notes to consolidated financial statements.
See accompanying notes to consolidated financial statements.
See accompanying notes to consolidated financial statements.

HEARTLAND FINANCIAL USA, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Unaudited)
(Dollars in thousands, except per share data)
HEARTLAND FINANCIAL USA, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Unaudited)
(Dollars in thousands, except per share data)

HEARTLAND FINANCIAL USA, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Unaudited)
(Dollars in thousands, except per share data)

Heartland Financial USA, Inc. Stockholders' Equity												
Heartland Financial USA, Inc. Stockholders' Equity												
Heartland Financial USA, Inc. Stockholders' Equity												
	Preferred Stock	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Total Equity	Preferred Stock	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Total Equity
Balance at March 31, 2023												
Comprehensive (loss) income												
Cash dividends declared:												
Cash dividends declared:												
Cash dividends declared:												
Preferred, \$175.00 per share												
Preferred, \$175.00 per share												
Preferred, \$175.00 per share												
Common, \$0.30 per share												
Issuance of 85,818 shares of common stock												
Issuance of 85,818 shares of common stock												
Issuance of 85,818 shares of common stock												
Stock based compensation												
Balance at June 30, 2023												
Balance at January 1, 2023												
Balance at January 1, 2023												
Balance at January 1, 2023												
Comprehensive income (loss)												
Comprehensive income (loss)												
Comprehensive income (loss)												
Cash dividends declared:												
Cash dividends declared:												
Cash dividends declared:												
Preferred, \$175.00 per share												
Preferred, \$175.00 per share												
Preferred, \$175.00 per share												
Preferred, \$350.00 per share												
Preferred, \$350.00 per share												
Preferred, \$350.00 per share												
Common, \$0.30 per share												
Common, \$0.30 per share												
Common, \$0.30 per share												
Common, \$0.60 per share												
Common, \$0.60 per share												
Common, \$0.60 per share												
Issuance of 91,332 shares of common stock												
Issuance of 177,150 shares of common stock												
Issuance of 91,332 shares of common stock												
Issuance of 177,150 shares of common stock												
Issuance of 91,332 shares of common stock												
Issuance of 177,150 shares of common stock												
Stock based compensation												

Balance at March 31, 2023
Balance at June 30, 2023
Balance at March 31, 2024
Balance at March 31, 2024
Balance at March 31, 2024
Comprehensive (loss) income
Cash dividends declared:
Cash dividends declared:
Cash dividends declared:
Preferred, \$175.00 per share
Preferred, \$175.00 per share
Preferred, \$175.00 per share
Common, \$0.30 per share
Issuance of 68,510 shares of common stock
Issuance of 68,510 shares of common stock
Issuance of 68,510 shares of common stock
Stock based compensation
Balance at June 30, 2024
Balance at January 1, 2024
Balance at January 1, 2024
Balance at January 1, 2024
Comprehensive income (loss)
Comprehensive income (loss)
Comprehensive income (loss)
Cash dividends declared:
Cash dividends declared:
Cash dividends declared:
Preferred, \$175.00 per share
Preferred, \$350.00 per share
Preferred, \$175.00 per share
Preferred, \$350.00 per share
Preferred, \$175.00 per share
Common, \$0.30 per share
Preferred, \$350.00 per share
Common, \$0.60 per share
Issuance of 95,662 shares of common stock
Issuance of 164,172 shares of common stock
Issuance of 95,662 shares of common stock
Issuance of 164,172 shares of common stock
Issuance of 95,662 shares of common stock
Issuance of 164,172 shares of common stock
Stock based compensation
Balance at March 31, 2024
Balance at June 30, 2024
See accompanying notes to consolidated financial statements.
See accompanying notes to consolidated financial statements.
See accompanying notes to consolidated financial statements.

HEARTLAND FINANCIAL USA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: BASIS OF PRESENTATION

The interim unaudited consolidated financial statements contained herein should be read in conjunction with the audited consolidated financial statements and accompanying notes to the consolidated financial statements for the fiscal year ended December 31, 2023, included in the Annual Report on Form 10-K of Heartland Financial USA, Inc. ("HTLF") filed with the Securities and Exchange Commission ("SEC") on February 23, 2024. Footnote disclosures to the interim unaudited consolidated financial statements which would substantially duplicate the disclosure contained in the footnotes to the audited consolidated financial statements have been omitted.

The financial information included herein has been prepared in accordance with U.S. generally accepted accounting principles for interim financial reporting and has been prepared pursuant to the rules and regulations for reporting on Form 10-Q and Rule 10-01 of Regulation S-X. Such information reflects all adjustments (consisting of normal recurring adjustments), that are, in the opinion of management, necessary for a fair presentation of the financial position and results of operations for the periods presented. The results of the interim period ended **March 31, 2024** **June 30, 2024**, are not necessarily indicative of the results expected for the year ending December 31, 2024.

Earnings Per Share

Basic earnings per share is determined using net income available to common stockholders and weighted average common shares outstanding. Diluted earnings per share is computed by dividing net income available to common stockholders by the weighted average common shares and assumed incremental common shares issued. Amounts used in the determination of basic and diluted earnings per share for the three months ended March 31, 2024 and 2023, are shown in the table below, dollars and number of shares in thousands, except per share data:

	Three Months Ended March 31,	
	2024	2023
Net income attributable to HTLF	\$ 51,707	\$ 52,776
Preferred dividends	(2,013)	(2,013)
Net income available to common stockholders	<u>\$ 49,694</u>	<u>\$ 50,763</u>
Weighted average common shares outstanding for basic earnings per share	42,807	42,615
Assumed incremental common shares issued upon vesting of outstanding restricted stock units	109	128
Weighted average common shares for diluted earnings per share	<u>42,916</u>	<u>42,743</u>
Earnings per common share — basic	\$ 1.16	\$ 1.19
Earnings per common share — diluted	\$ 1.16	\$ 1.19
Number of antidilutive common stock equivalents excluded from diluted earnings per share computation	27	50
Number of antidilutive stock options excluded from diluted earnings per share computation	53	61

Subsequent Events - On April 28, 2024 (the "Signing Date"), HTLF entered into an Agreement and Plan of Merger (the "Merger Agreement") with UMB Financial Corporation, a Missouri corporation ("UMB") and Blue Sky Merger Sub Inc., a Delaware corporation and wholly owned subsidiary of UMB ("Blue Sky Merger Sub"). The Merger Agreement provides that, upon the terms and subject to the conditions set forth therein, (i) Blue Sky Merger Sub will merge with and into HTLF (the "Merger"), with HTLF surviving the Merger as a wholly owned subsidiary of UMB (the "Surviving Entity") and (ii) immediately following the effective time of the Merger (the "Effective Time") and as part of a single, integrated transaction, the Surviving Entity will merge with and into UMB (the "Second Merger", and together with the Merger, the "Mergers"), with UMB surviving the Second Merger (the "Surviving Corporation"). On the day immediately following the closing date of the Mergers, UMB will cause HTLF's wholly owned banking subsidiary, HTLF Bank, to merge with and into UMB's wholly owned banking subsidiary, UMB Bank, National Association (the "Bank Merger"), with UMB Bank, National Association continuing as the surviving bank in the Bank Merger. The Merger Agreement was unanimously approved by the Board of Directors of each of HTLF and UMB.

Upon the terms and subject to the conditions set forth in the Merger Agreement, at the Effective Time, each share of common stock, par value \$1.00 per share, of HTLF ("HTLF Common Stock") issued and outstanding immediately prior to the Effective Time, other than certain shares held by UMB or HTLF, will be converted into the right to receive 0.55 shares (the "Exchange Ratio," and such shares, the "Merger Consideration") of common stock, \$1.00 par value, of UMB ("UMB Common Stock") and cash in lieu of fractional shares. At the Effective Time, each share of 7.00% Fixed-Rate Non-Cumulative Perpetual Preferred Stock, Series E, par value \$1.00 per share of HTLF (the "HTLF Preferred Stock"), issued and outstanding immediately before the Effective Time will be converted into the right to receive one share of a newly created series of preferred stock of UMB ("UMB Preferred Stock") with such rights, preferences, privileges and powers (including voting powers) as set forth in the Certificate of Designations attached as an exhibit to the Merger Agreement.

Earnings Per Share

Basic earnings per share is determined using net income available to common stockholders and weighted average common shares outstanding. Diluted earnings per share is computed by dividing net income available to common stockholders by the weighted average common shares and assumed incremental common shares issued. Amounts used in the determination of basic and diluted earnings per share for the three- and six- months ended June 30, 2024 and 2023, are shown in the table below, dollars and number of shares in thousands, except per share data:

	Three Months Ended June 30,	
	2024	2023
Net income attributable to HTLF	\$ 39,742	\$ 49,416
Preferred dividends	(2,012)	(2,012)
Net income available to common stockholders	<u>\$ 37,730</u>	<u>\$ 47,404</u>
Weighted average common shares outstanding for basic earnings per share	42,918	42,696
Assumed incremental common shares issued upon vesting of outstanding restricted stock units	142	62
Weighted average common shares for diluted earnings per share	<u>43,060</u>	<u>42,758</u>
Earnings per common share — basic	\$ 0.88	\$ 1.11
Earnings per common share — diluted	\$ 0.88	\$ 1.11
Number of antidilutive common stock equivalents excluded from diluted earnings per share computation	88	59
Number of antidilutive stock options excluded from diluted earnings per share computation	53	221
	Six Months Ended June 30,	
	2024	2023
Net income	\$ 91,449	\$ 102,192
Preferred dividends	(4,025)	(4,025)
Net income available to stockholders	<u>\$ 87,424</u>	<u>\$ 98,167</u>
Weighted average common shares outstanding for basic earnings per share	42,862	42,655
Assumed incremental common shares issued upon vesting of outstanding restricted stock units	139	98
Weighted average common shares for diluted earnings per share	<u>43,001</u>	<u>42,753</u>
Earnings per common share — basic	\$ 2.03	\$ 2.30
Earnings per common share — diluted	\$ 2.03	\$ 2.30
Number of antidilutive common stock equivalents excluded from diluted earnings per share computation	6	95
Number of antidilutive stock options excluded from diluted earnings per share computation	53	62

Subsequent Events - HTLF has evaluated subsequent events that may require recognition or disclosure through the filing date of this Quarterly Report on Form 10-Q with the SEC SEC.

Subsequent to June 30, 2024, in July 2024, HTLF Bank closed on the sale of all nine Rocky Mountain Bank branches in Montana, including loans of \$343.8 million and has concluded there are no other subsequent events that would require recognition deposits of \$531.8 million. The expected gain of \$30 million will be realized in the accompanying consolidated financial statements, third quarter of 2024.

Effect of New Financial Accounting Standards

ASU 2023-02

In March 2023, the FASB issued ASU 2023-02 "Investments-Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method (a consensus of the Emerging Issues Task Force)." ASU 2023-02 expands the permitted use of the proportional amortization method, which is currently only available to low-income housing tax credit investments, to other tax equity investments if certain conditions are met. Under the proportional amortization method, the initial cost of an investment is amortized in proportion to the income tax benefits received and both the amortization of the investment and the income tax benefits received are recognized as a component of income tax expense. This ASU was effective on January 1, 2024. HTLF has elected to use the proportional amortization method for investments in

low-income housing projects. The amendments in this ASU are not expected to have a material impact on the results of operations or financial position.

ASU 2023-06

In October 2023, the FASB issued ASU 2023-06, "Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative." The amendments in this Update modify the disclosure or presentation requirements of a variety of Topics in the Codification. Certain of the amendments represent clarifications to, or technical corrections of, the current requirements. Each amendment in the ASU will only become effective if the SEC removes the related disclosure or presentation requirement from its existing regulations by June 30, 2027. The amendments in this ASU are not expected to have a material impact on the results of operations or financial position.

ASU 2023-07

In November 2023, the FASB issued ASU 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures" to improve disclosure requirements, primarily through enhanced disclosures about significant segment expenses. This update does not change how a public entity identifies its operating segments; however, it does require that an entity that has single reportable segment provide all the disclosures required by the amendments in this update. The amendments in this update are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. A public entity should apply the amendments in this update retrospectively to all prior periods presented in the consolidated financial statements. Early adoption is permitted. We currently have one reportable operating segment. This ASU will not impact our consolidated financial statements and will have minimal impact to our disclosures, requiring identification of the chief operating decision maker and the information used to make operating decisions and to allocate resources.

ASU 2023-09

In December 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures" that require public business entities to annually disclose (1) specific categories in their rate reconciliation; (2) additional information for reconciling items that meet a quantitative threshold; (3) the amount of income taxes paid (net of refunds received) disaggregated by federal, state, and foreign taxes; (4) the amount of income taxes paid (net of refunds received) disaggregated by individual jurisdictions in which the income taxes paid that meet a quantitative threshold; (5) income (or loss) from continuing operations before income tax expense (or benefit) disaggregated between domestic and foreign; and (6) income tax expense (or benefit) from continuing operations disaggregated by federal, state, and foreign. The ASU eliminates the requirement to disclose the nature and estimate of the range of the reasonably possible change in the unrecognized tax benefits balance in the next 12 months and to disclose the cumulative amount of each type of temporary difference when a deferred tax liability is not recognized because of the exceptions to comprehensive recognition of deferred taxes related to subsidiaries and corporate joint ventures. For public business entities, the amendments are effective for annual periods beginning after December 15, 2024. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. The amendments should be applied on a prospective basis, but retrospective application is permitted. HTLF is

currently evaluating the impact of the standard and does not anticipate it will have a significant impact on the results of operations, financial position, or liquidity.

Qualified Affordable Housing Investments

HTLF elected to use the proportional amortization method for investments in low-income housing projects. HTLF's net investments in low-income housing projects were \$5.7 million and \$5.9 million as of March 31, 2024, June 30, 2024, and December 31, 2023, respectively, and are included in other assets in the consolidated balance sheet.

With respect to HTLF's investment in low-income housing projects for the three months quarter ended March 31, 2024, June 30, 2024, we recognized income tax credits and other income tax benefits of \$257,000 and \$33,000, respectively. The total income tax benefits of \$290,000 are partially offset in the "income taxes" item in the consolidated statements of income by \$235,000 of investment amortization recognized, for a net income tax benefit of \$55,000. The cash flows related to the total income tax benefits are presented in the following line items in the statement of cash flows:

- \$55,000 Net Income Tax Benefit, in the "Net income" line item in operating activities;
- \$235,000 Investment Amortization, in the "Other, net" line item, which is an adjustment to reconcile net income (loss) to cash from (used for) operating activities;
- \$257,000 Tax Credits, in the "Other, net" line item, which is also an adjustment to reconcile net income (loss) to cash from (used for) operating activities; and
- \$33,000 Other Tax Benefits Recognized, in the "Other, net" line item, which is also an adjustment to reconcile net income (loss) to cash from (used for) operating activities.

There was no non-income-tax-related activity or impairment losses related to the low-income housing investments this reporting period.

With respect to HTLF's investment in low-income housing projects for the six months ended June 30, 2024, we recognized income tax credits and other income tax benefits of \$513,000 and \$66,000, respectively. The total income tax benefits of \$579,000 are partially offset in the "income taxes" item in the consolidated statements of income by \$470,000 of investment amortization recognized, for a net income tax benefit of \$109,000. The cash flows related to the total income tax benefits are presented in the following line items in the statement of cash flows:

- \$109,000 Net Income Tax Benefit, in the "Net income" line item in operating activities;
- \$470,000 Investment Amortization, in the "Other, net" line item, which is an adjustment to reconcile net income to cash from operating activities;

- \$513,000 Tax Credits, in the "Other, net" line item, which is also an adjustment to reconcile net income to cash from operating activities; and
- \$66,000 Other Tax Benefits Recognized, in the "Other, net" line item, which is also an adjustment to reconcile net income to cash from operating activities.

There was no non-income-tax-related activity or impairment losses related to the low-income housing investments this reporting period.

NOTE 2: SECURITIES

The amortized cost, gross unrealized gains and losses, and estimated fair values of debt securities available for sale and equity securities with a readily determinable fair value that are carried at fair value as of **March 31, 2024**, **June 30, 2024**, and December 31, 2023, are summarized in the table below, in thousands:

	Amortized Cost	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
March 31, 2024									
June 30, 2024									
U.S. treasuries									
U.S. agencies									
Obligations of states and political subdivisions									
Mortgage-backed securities - agency									
Mortgage-backed securities - non-agency									
Commercial mortgage-backed securities - agency									
Commercial mortgage-backed securities - non-agency									
Asset-backed securities									
Corporate bonds									
Total debt securities									
Equity securities with a readily determinable fair value									
Total									
December 31, 2023									
U.S. treasuries									
U.S. treasuries									
U.S. treasuries									
U.S. agencies									
Obligations of states and political subdivisions									
Mortgage-backed securities - agency									
Mortgage-backed securities - non-agency									
Commercial mortgage-backed securities - agency									
Commercial mortgage-backed securities - non-agency									
Asset-backed securities									
Corporate bonds									
Total debt securities									
Equity securities with a readily determinable fair value									
Total									

The amortized cost, gross unrealized gains and losses and estimated fair values of held to maturity securities as of **March 31, 2024**, **June 30, 2024**, and December 31, 2023, are summarized in the table below, in thousands:

	Amortized Cost
	Amortized Cost
	Amortized Cost
March 31, 2024	

March 31, 2024
March 31, 2024
June 30, 2024
June 30, 2024
June 30, 2024
Obligations of states and political subdivisions
Obligations of states and political subdivisions
Obligations of states and political subdivisions
Total
Total
Total
December 31, 2023
December 31, 2023
December 31, 2023
Obligations of states and political subdivisions
Obligations of states and political subdivisions
Obligations of states and political subdivisions
Total
Total
Total

As of March 31, 2024 June 30, 2024, and December 31, 2023, HTLF had \$25.3 \$26.3 million and \$28.0 million, respectively, of accrued interest receivable, which is included in other assets on the consolidated balance sheets. HTLF does not consider accrued interest receivable in the carrying amount of financial assets held at amortized cost basis or in the allowance for credit losses calculation.

The amortized cost and estimated fair value of investment securities carried at fair value at March 31, 2024 June 30, 2024, by contractual maturity, are as follows, in thousands. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without penalties.

	March 31, 2024			June 30, 2024	
	Amortized Cost	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in 1 year or less					
Due in 1 to 5 years					
Due in 5 to 10 years					
Due after 10 years					
Total debt securities					
Mortgage and asset-backed securities					
Equity securities with a readily determinable fair value					
Total investment securities					

The amortized cost and estimated fair value of debt securities held to maturity at March 31, 2024 June 30, 2024, by contractual maturity, are as follows, in thousands. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without penalties.

	March 31, 2024			June 30, 2024	
	Amortized Cost	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in 1 year or less					
Due in 1 to 5 years					
Due in 5 to 10 years					
Due after 10 years					
Total debt securities					

As of March 31, 2024 June 30, 2024, and December 31, 2023, securities with a carrying value of \$2.61 billion \$2.57 billion and \$2.63 billion, respectively, were pledged to secure public and trust deposits, short-term borrowings and for other purposes as required or permitted by law.

[illegible]


The following table summarizes, in thousands, 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 the securities portfolio as of **March 31, 2024**, **June 30, 2024**, and December 31, 2023. 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 months or more. The reference point for determining how long an investment was in an unrealized loss position was **March 31, 2023**, **June 30, 2023**, and December 31, **2023**, **2022**, respectively.

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REFINITIV



Commercial
mortgage-backed
securities -
agency

Commercial
mortgage-backed
securities - non-
agency

Asset-backed
securities

Corporate bonds

Total temporarily impaired
securities

Total temporarily impaired
securities

Total temporarily impaired
securities

December 31,
2023

U.S. treasuries

U.S. treasuries

U.S. treasuries

U.S. agencies

Obligations of
states and
political
subdivisions

Mortgage-backed
securities -
agency

Mortgage-backed
securities - non-
agency

Commercial
mortgage-backed
securities -
agency

Commercial
mortgage-backed
securities - non-
agency

Asset-backed
securities

Corporate bonds

Total temporarily impaired
securities

Total temporarily impaired
securities

Total temporarily impaired
securities

Securities held to maturity

Securities held to maturity

Securities held to maturity	Less than 12 months				12 months or longer				Total	Less than 12 months				12 months or longer				Total				
	Fair Value	Fair Value	Unrealized Losses	Count	Fair Value	Unrealized Losses	Count	Count		Fair Value	Unrealized Losses	Count	Count	Fair Value	Unrealized Losses	Count	Count		Fair Value	Unrealized Losses	Count	Count

March 31, 2024
June 30, 2024
Obligations of states and political subdivisions
Obligations of states and political subdivisions
Obligations of states and political subdivisions
Total temporarily impaired securities
December 31, 2023
Obligations of states and political subdivisions
Obligations of states and political subdivisions
Obligations of states and political subdivisions
Total temporarily impaired securities

HTLF reviews each security in the investment securities portfolio on a quarterly basis for potential credit losses, taking into consideration numerous factors, and the relative significance of any single factor can vary by security. Some factors HTLF may consider include changes in security ratings, financial condition of the issuer, and security and industry specific economic conditions. With regard to debt securities, HTLF may also evaluate payment structure, whether there are defaulted payments or expected defaults, prepayment speeds and the value of any underlying collateral. For certain debt securities in unrealized loss positions, HTLF prepares cash flow analyses to compare the present value of cash flows expected to be collected from the security with the amortized cost basis of the security.

The unrealized losses on HTLF's commercial mortgage, mortgage and asset-backed securities are the result of changes in market interest rates or widening of market spreads subsequent to HTLF's purchase of the securities. The losses are not related to concerns regarding the underlying credit of the issuers or the underlying collateral. It is expected that the securities will not be settled at a price less than the amortized cost of the investment. Because the decline in fair value is attributable to changes in interest rates or widening market spreads and not credit quality, and because, as of **March 31, 2024** **June 30, 2024**, HTLF has the intent and ability to hold these investments until a market price recovery or to maturity and does not believe it will be required to sell the securities before maturity, no credit losses were recognized on these securities during the three **and six** months ended **March 31, 2024** **June 30, 2024** and 2023.

The unrealized losses on HTLF's obligations of states and political subdivisions available for sale are the result of changes in market interest rates or widening of market spreads subsequent to the initial purchase of the securities. Management monitors the published credit ratings of these securities and the stability of the underlying municipalities. Because the declines in fair value are attributable to changes in interest rates or widening market spreads due to insurance company downgrades and not underlying credit quality, and because, as of **March 31, 2024** **June 30, 2024**, HTLF has the intent and ability to hold these investments until a market price recovery or to maturity and does not believe it will be required to sell the securities before maturity, no credit losses were recognized on these securities during the three **and six** months ended **March 31, 2024** **June 30, 2024** and 2023.

The following table summarizes, in thousands, the carrying amount of HTLF's held to maturity debt securities by investment rating as of **March 31, 2024** **June 30, 2024**, and December 31, 2023, which are updated quarterly and used to monitor the credit quality of the securities:

	March 31, 2024	December 31, 2023
	June 30, 2024	December 31, 2023
Rating		
AAA		
AAA		
AAA		
AA, AA+, AA-		
A+, A, A-		
BBB		
Not Rated		
Total		

Included in other investments were shares of stock in Federal Home Loan Bank (the "FHLB") at an amortized cost of \$2.6 million \$4.1 million at March 31, 2024 June 30, 2024, and \$25.8 million at December 31, 2023.

HTLF Bank is required by federal law to maintain FHLB stock as a member of the FHLB. These equity securities are "restricted" in that they can only be sold back to the respective institutions from which they were acquired or another member institution at par. Therefore, the FHLB stock is less liquid than other marketable equity securities, and the fair value approximates amortized cost. HTLF considers its FHLB stock as a long-term investment that provides access to competitive products and liquidity. HTLF evaluates impairment in these investments based on the ultimate recoverability of the par value and, at March 31, 2024 June 30, 2024, and December 31, 2023, did not consider the investments to be impaired.

NOTE 3: LOANS

Loans as of March 31, 2024 June 30, 2024, and December 31, 2023, were as follows, in thousands:

			March 31, 2024	December 31, 2023
			June 30, 2024	December 31, 2023
Loans receivable held to maturity:	Loans receivable held to maturity:	Loans receivable held to maturity:		
Commercial and industrial				
Paycheck Protection Program ("PPP")				
Owner occupied commercial real estate				
Non-owner occupied commercial real estate				
Real estate construction				
Agricultural and agricultural real estate				
Residential real estate				
Consumer				
Total loans receivable held to maturity				
Allowance for credit losses				
Allowance for credit losses				
Allowance for credit losses				
Loans receivable, net				

As of March 31, 2024 June 30, 2024, and December 31, 2023, HTLF had \$66.4 \$64.4 million and \$65.4 million, respectively, of accrued interest receivable, which is included in other assets on the consolidated balance sheets. HTLF does not consider accrued interest receivable in the allowance for credit losses calculation.

The following table shows the balance in the allowance for credit losses at March 31, 2024 June 30, 2024, and December 31, 2023, and the related loan balances, disaggregated on the basis of measurement methodology, in thousands. If a loan no longer shares similar risk characteristics with other loans in the pool, it is evaluated on an individual basis and is not included in the collective evaluation. Lending relationships on nonaccrual with \$500,000 or more of total exposure are individually assessed using a collateral dependency calculation. All other loans are collectively evaluated for losses.

Allowance For Credit Losses			Allowance For Credit Losses	Gross Loans Receivable Held to Maturity			Allowance For Credit Losses			Gross Loans Receivable Held to Maturity		
Individually Evaluated for Credit Losses	Individually Evaluated for Credit Losses	Collectively Evaluated for Credit Losses	Total	Loans Individually Evaluated for Credit Losses	Loans Collectively Evaluated for Credit Losses	Total	Individually Evaluated for Credit Losses	Collectively Evaluated for Credit Losses	Total	Loans Individually Evaluated for Credit Losses	Loans Collectively Evaluated for Credit Losses	Total
March 31, 2024												
June 30, 2024												
Commercial and industrial												
Commercial and industrial												
Commercial and industrial												
PPP												

Owner
occupied
commercial
real estate
Non-owner
occupied
commercial
real estate
Real estate
construction
Agricultural
and agricultural
real estate
Residential real
estate
Consumer
Total
Total
Total
December 31, 2023
December 31, 2023
December 31, 2023
Commercial and industrial
Commercial and industrial
Commercial and industrial
PPP
Owner
occupied
commercial
real estate
Non-owner
occupied
commercial
real estate
Real estate
construction
Agricultural
and agricultural
real estate
Residential real
estate
Consumer
Total
Total
Total

The following tables show the amortized cost basis as of **March 31, 2024** **June 30, 2024** and **March 31, 2023** **June 30, 2023**, of the loans modified during the three **and six** months ended **March 31, 2024** **June 30, 2024** and **March 31, 2023** **June 30, 2023**, to borrowers experiencing financial difficulty by loan category and type of concession granted, dollars in thousands.

Loan Modifications Made to Borrowers Experiencing Financial Difficulty	Loan Modifications Made to Borrowers Experiencing Financial Difficulty
---	--

	Loan Modifications Made to Borrowers Experiencing Financial Difficulty				Loan Modifications Made to Borrowers Experiencing Financial Difficulty			
	Term Extension		Term Extension		Term Extension and Interest Only Payments		Term Extension and Interest Rate Reduction	
For the Three Months Ended March 31, 2024								
For the Three Months Ended March 31, 2024								
For the Three Months Ended March 31, 2024								
Commercial and industrial								
Commercial and industrial								
Commercial and industrial								
For the Three Months Ended June 30, 2024	Amortized		Amortized		Amortized		Amortized	
	Cost Basis	% of Loan Category	Cost Basis	% of Loan Category	Cost Basis	% of Loan Category	Cost Basis	% of Loan Category
Non-owner occupied commercial real estate								
Non-owner occupied commercial real estate								
Non-owner occupied commercial real estate	\$ 614	0.03 %	\$ —	— %	\$ —	— %	\$ —	— %
Real estate construction								
Real estate construction								
Real estate construction								
Residential real estate								
Residential real estate								
Residential real estate								
Consumer								
Total	Total	\$ 2,131 0.02	\$ — 0.02 %	\$ — — %	\$ 3,116 0.03	\$ 3,116 0.03 %		
Total								
Total								

	Loan Modifications Made to Borrowers Experiencing Financial Difficulty			
	Term Extension		Term Extension and Interest Only Payments	
	Amortized Cost Basis	% of Loan Category	Amortized Cost Basis	% of Loan Category
For the Three Months Ended March 31, 2023				
Commercial	\$ 3,682	0.11 %	\$ —	— %
Owner occupied commercial real estate	—	—	5,043	0.22
Real estate construction	1,498	0.06	—	—
Residential real estate	762	0.01	—	—
Total	\$ 5,942	0.05 %	\$ 5,043	0.22 %

	Loan Modifications Made to Borrowers Experiencing Financial Difficulty					
	Term Extension		Term Extension and Interest Only Payments		Term Extension and Interest Rate Reduction	
	Amortized Cost Basis	% of Loan Category	Amortized Cost Basis	% of Loan Category	Amortized Cost Basis	% of Loan Category
For the Three Months Ended June 30, 2023						
Commercial	\$ 1,411	0.04 %	\$ —	— %	\$ —	— %
Agricultural and agricultural real estate	1,354	0.16	—	—	—	—

Total	\$ 2,765	0.02 %	\$ —	— %	\$ —	— %
Loan Modifications Made to Borrowers Experiencing Financial Difficulty						
For the Six Months Ended June 30, 2024	Term Extension		Term Extension and Interest Only Payments		Term Extension and Interest Rate Reduction	
	Amortized Cost Basis	% of Loan Category	Amortized Cost Basis	% of Loan Category	Amortized Cost Basis	% of Loan Category
	Commercial	\$ 266 0.01 %	\$ — — %		\$ — — %	
	Non-owner occupied commercial real estate	614 0.03	— 0 —		— —	
	Real estate construction	739 0.07	— —		3,116 0.29	
Residential real estate	1,348 0.18	— —			— —	
Consumer	169 0.04	— —				
Total	\$ 3,136 0.03 %		\$ — — %		\$ 3,116 0.03 %	
Loan Modifications Made to Borrowers Experiencing Financial Difficulty						
For the Six Months Ended June 30, 2023	Term Extension		Term Extension and Interest Only Payments		Term Extension and Interest Rate Reduction	
	Amortized Cost Basis	% of Loan Category	Amortized Cost Basis	% of Loan Category	Amortized Cost Basis	% of Loan Category
	Commercial	\$ 5,073 0.14 %	\$ — — %		\$ — — %	
	Owner occupied commercial real estate	— —	5,043 0.21		— —	
	Real estate construction	1,477 0.15	— —		— —	
Agricultural and agricultural real estate	1,354 0.16	— —			— —	
Residential real estate	752 0.09	— —			— —	
Total	\$ 8,656 0.07 %		\$ 5,043 0.04 %		\$ — — %	

The following tables describe the financial effect of the modifications made to borrowers experiencing financial difficulty in the **three six** months ending **March 31, 2024** **June 30, 2024** and **March 31, 2023** **June 30, 2023**.

For the Three Months Ended March 31, 2024		Weighted Average Term Extension (months)	Weighted Average Term Extension and Interest Only Payments (months)		
For the Six Months Ended June 30, 2024		Weighted Average Term Extension (months)	Weighted Average Term Extension and Interest Only Payments (months)	Weighted Average Term Extension and Interest Rate Reduction (months)	
Commercial and industrial	Commercial and industrial	6	Commercial and industrial	6	0
Non-owner occupied commercial real estate					
Non-owner occupied commercial real estate					
Non-owner occupied commercial real estate		4	0		25
Real estate construction	Real estate construction	4		0	
Real estate construction					
Real estate construction		4			0
Residential real estate					

Residential real estate					
Residential real estate		2		0	
Consumer		86		0	
		Weighted Average Term Extension (months)	Weighted Average Term Extension and Interest Only Payments (months)		
For the Three Months Ended March 31, 2023					
		Weighted Average Term Extension (months)	Weighted Average Term Extension and Interest Only Payments (months)	Weighted Average Term Extension and Interest Rate Reduction (months)	
For the Six Months Ended June 30, 2023					
Commercial and industrial	Commercial and industrial	10	0	9	0
Owner occupied commercial real estate					
Owner occupied commercial real estate					
Owner occupied commercial real estate		0	12	0	12
Real estate construction					
Real estate construction					
Real estate construction		6	0	6	0
Residential real estate					
Residential real estate					
Agricultural and agricultural real estate		9	0		
Residential real estate		12	0	12	0

At **March 31, 2024** **June 30, 2024**, there were no unfunded commitments to extend credit to the borrowers experiencing financial difficulty.

HTLF had no loans to borrowers experiencing financial difficulty that had a payment default during the three and six months ended **March 31, 2024** **June 30, 2024**, that had been modified in the twelve-month period prior to the default.

HTLF closely monitors the performance of the loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. The following tables show the performance of loans that have been modified in the **three** **six** months ended **March 31, 2024** **June 30, 2024** and **March 31, 2023** **June 30, 2023**, dollars in thousands.

	Accruing Loans					
	30-59 Days	60-89 Days	90 Days or More	Total Past Due	Current	Nonaccrual
	Past Due	Past Due	Past Due	Past Due	Past Due	Past Due
June 30, 2024						
Commercial and industrial	\$ —	\$ —	\$ —	\$ —	\$ 267	\$ —
Non-owner occupied commercial real estate	—	—	—	—	614	—
Real estate construction	—	—	—	—	3,855	—
Residential real estate	—	—	—	—	1,347	—
Consumer	—	—	—	—	—	169
Total	\$ —	\$ —	\$ —	\$ —	\$ 6,083	\$ 169

	Accruing Loans					
	30-59	60-89	90 Days or	Total Past Due	Current	Nonaccrual
	Days Past Due	Days Past Due	More Past Due			
March 31, 2024						
Commercial and industrial	\$ —	\$ —	\$ —	\$ —	\$ 267	\$ —
Real estate construction	—	—	—	—	739	—
Total	\$ —	\$ —	\$ —	\$ —	\$ 1,006	\$ —

	Accruing Loans
	Accruing Loans
	Accruing Loans
	30-59
	Days
	Past Due
	30-59
	Days
	Past Due
	30-59
	Days
	Past Due
March 31, 2023	
March 31, 2023	
March 31, 2023	
June 30, 2023	
June 30, 2023	
June 30, 2023	
Commercial and industrial	
Commercial and industrial	
Commercial and industrial	
Owner occupied commercial real estate	
Owner occupied commercial real estate	
Owner occupied commercial real estate	
Real estate construction	
Real estate construction	
Real estate construction	
Agricultural and agricultural real estate	
Agricultural and agricultural real estate	
Agricultural and agricultural real estate	
Residential real estate	
Residential real estate	
Residential real estate	
Total	
Total	
Total	

HTLF's internal rating system is a series of grades reflecting management's credit risk assessment, based on its analysis of the borrower's financial condition. The "pass" category consists of all loans that are not in the "nonpass" category and consists of a range of loan grades that reflect increasing, though still acceptable, risk. Movement of risk through the various grade levels in the pass category is monitored for early identification of credit deterioration and risk rating migration analysis.

The "nonpass" category consists of watch, substandard, doubtful and loss rated loans. The "watch" rating is attached to loans where the borrower exhibits negative trends in financial circumstances due to borrower specific or systemic conditions that, if left uncorrected, threaten the borrower's capacity to meet its debt obligations. The borrower is believed to have sufficient financial flexibility to react to and resolve its negative financial situation. These credits are closely monitored for improvement or deterioration.

The "substandard" rating is assigned to loans that are inadequately protected by the current net worth and repaying capacity of the borrower and that may be further at risk due to deterioration in the value of collateral pledged. Well-defined weaknesses jeopardize liquidation of the debt. These loans are still considered collectible; however, a distinct possibility exists that HTLF will sustain some loss if deficiencies are not corrected. Substandard loans may exhibit some or all of the following weaknesses: deteriorating financial trends, insufficient earnings, inadequate debt service capacity, excessive debt and/or lack of liquidity.

The "doubtful" rating is assigned to loans where identified weaknesses in the borrowers' ability to repay these loans make collection or liquidation in full, on the basis of existing facts, conditions and values, highly questionable and improbable. These borrowers are usually in default, lack liquidity, capital, and the resources necessary to remain as an operating entity. Specific pending events, such as capital injections, liquidations or perfection of liens on additional collateral, may strengthen the credit, thus deferring the rating of the loan as "loss" until the exact status of the loan can be determined. The "loss" rating is assigned to loans considered uncollectible. HTLF had no loans classified as "loss" or "doubtful" as of **March 31, 2024** **June 30, 2024**, and December 31, 2023.

The following table shows the risk category of loans by loan category, year of origination and charge-offs as of **March 31, 2024** **June 30, 2024**, in thousands:

As of March 31, 2024														
As of June 30, 2024														
2024														
2024														
	2024	2023	2022	2021	2020	2019 and Prior	Revolving	Total	2023	2022	2021	2020	2019 and Prior	Total
Commercial and industrial														
Pass														
Pass														
Pass														
Watch														
Substandard														
Commercial and industrial total														
Commercial and industrial charge-offs														
PPP														
PPP														
PPP														
Pass														
Pass														
Pass														
Watch														
Substandard														
PPP total														
PPP charge-offs														
Owner occupied commercial real estate														
Owner occupied commercial real estate														
Owner occupied commercial real estate														
Pass														
Pass														
Pass														
Watch														
Substandard														
Owner occupied commercial real estate total														
Owner occupied commercial real estate charge-offs														
Non-owner occupied commercial real estate														
Non-owner occupied commercial real estate														
Non-owner occupied commercial real estate														
Pass														
Pass														

Pass
Watch
Substandard
Non-owner occupied commercial real estate total
Non-owner occupied commercial real estate charge-offs

As of March 31, 2024	Amortized Cost Basis of Term Loans by Year of Origination						Revolving	Total
	2024	2023	2022	2021	2020	2019 and Prior		
PPP								
Pass	\$ —	\$ —	\$ —	\$ 1,877	\$ 41	\$ —	\$ —	\$ 1,918
Watch	—	—	—	254	—	—	—	254
Substandard	—	—	—	—	—	—	—	—
PPP total	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,131</u>	<u>\$ 41</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,172</u>
PPP charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Owner occupied commercial real estate								
Pass	\$ 83,691	\$ 406,814	\$ 532,653	\$ 728,430	\$ 209,476	\$ 413,348	\$ 43,734	\$ 2,418,146
Watch	—	3,924	30,954	8,071	3,802	12,888	—	59,639
Substandard	—	23,469	13,465	2,256	20,279	7,779	—	67,248
Owner occupied commercial real estate total	<u>\$ 83,691</u>	<u>\$ 434,207</u>	<u>\$ 577,072</u>	<u>\$ 738,757</u>	<u>\$ 233,557</u>	<u>\$ 434,015</u>	<u>\$ 43,734</u>	<u>\$ 2,545,033</u>
Owner occupied commercial real estate charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Non-owner occupied commercial real estate								
Pass	\$ 14,376	\$ 459,002	\$ 661,486	\$ 423,897	\$ 184,310	\$ 465,008	\$ 16,824	\$ 2,224,903
Watch	4,917	66,454	34,504	4,320	3,987	91,904	5,122	211,208
Substandard	—	5,043	—	8,648	—	45,266	—	58,957
Non-owner occupied commercial real estate total	<u>\$ 19,293</u>	<u>\$ 530,499</u>	<u>\$ 695,990</u>	<u>\$ 436,865</u>	<u>\$ 188,297</u>	<u>\$ 602,178</u>	<u>\$ 21,946</u>	<u>\$ 2,495,068</u>
Non-owner occupied commercial real estate charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Real estate construction								
Pass	\$ 12,901	\$ 308,707	\$ 410,479	\$ 121,769	\$ 7,877	\$ 11,397	\$ 7,544	\$ 880,674
Watch	—	708	70,775	51,157	107	—	—	122,747
Substandard	—	9,006	28,989	—	—	81	86	38,162
Real estate construction total	<u>\$ 12,901</u>	<u>\$ 318,421</u>	<u>\$ 510,243</u>	<u>\$ 172,926</u>	<u>\$ 7,984</u>	<u>\$ 11,478</u>	<u>\$ 7,630</u>	<u>\$ 1,041,583</u>
Real estate construction charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Agricultural and agricultural real estate								
Pass	\$ 17,192	\$ 121,110	\$ 182,587	\$ 103,742	\$ 54,124	\$ 62,884	\$ 220,613	\$ 762,252
Watch	340	3,738	1,546	744	723	49	2,444	9,584
Substandard	—	160	22,825	1,506	4	12,698	847	38,040
Agricultural and agricultural real estate total	<u>\$ 17,532</u>	<u>\$ 125,008</u>	<u>\$ 206,958</u>	<u>\$ 105,992</u>	<u>\$ 54,851</u>	<u>\$ 75,631</u>	<u>\$ 223,904</u>	<u>\$ 809,876</u>
Agricultural and agricultural real estate charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 167	\$ 100	\$ 267
Residential real estate								
Pass	\$ 13,804	\$ 65,266	\$ 167,944	\$ 223,447	\$ 70,074	\$ 183,684	\$ 17,444	\$ 741,663
Watch	3	176	146	935	686	3,704	252	5,902
Substandard	—	727	145	3,358	427	3,799	—	8,456
Residential real estate total	<u>\$ 13,807</u>	<u>\$ 66,169</u>	<u>\$ 168,235</u>	<u>\$ 227,740</u>	<u>\$ 71,187</u>	<u>\$ 191,187</u>	<u>\$ 17,696</u>	<u>\$ 756,021</u>

Residential real estate charge-offs	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—
Consumer																
Pass	\$	8,163	\$	40,081	\$	53,661	\$	31,283	\$	4,008	\$	7,704	\$	295,533	\$	440,433
Watch		—		749		175		94		612		962		2,528		5,120
Substandard		191		91		202		403		1,117		1,331		949		4,284
Consumer total	\$	8,354	\$	40,921	\$	54,038	\$	31,780	\$	5,737	\$	9,997	\$	299,010	\$	449,837
Consumer charge-offs	\$	—	\$	30	\$	76	\$	44	\$	10	\$	29	\$	1,340	\$	1,529

As of March 31, 2024

As of June 30, 2024

	2024															
	2024															
	2024	2023	2022	2021	2020	2019 and Prior	Revolving	Total	2023	2022	2021	2020	2019 and Prior	Revolving	Total	
Real estate construction																
Real estate construction																
Real estate construction																
Pass																
Pass																
Pass																
Watch																
Substandard																
Real estate construction total																
Real estate construction charge-offs																
Agricultural and agricultural real estate																
Agricultural and agricultural real estate																
Agricultural and agricultural real estate																
Pass																
Pass																
Pass																
Watch																
Substandard																
Agricultural and agricultural real estate total																
Agricultural and agricultural real estate charge-offs																
Residential real estate																
Residential real estate																
Residential real estate																
Pass																
Pass																
Pass																
Watch																
Substandard																
Residential real estate total																
Residential real estate charge-offs																
Residential real estate charge-offs																
Residential real estate charge-offs																
Consumer																
Consumer																

Consumer
Pass
Pass
Pass
Watch
Substandard
Consumer total
Consumer charge-offs
Total Pass
Total Pass
Total Pass
Total Watch
Total Substandard
Total Loans
Total charge-offs
Total charge-offs
Total charge-offs

The following table shows the risk category of loans by loan category and year of origination as of December 31, 2023, in thousands.

As of December 31, 2023								
As of December 31, 2023								
As of December 31, 2023								

Watch
Substandard
Substandard
Substandard
PPP total
PPP total
PPP total
PPP charge-offs
Owner occupied commercial real estate
Owner occupied commercial real estate
Owner occupied commercial real estate
Pass
Pass
Pass
Watch
Substandard
Owner occupied commercial real estate total
Owner occupied commercial real estate charge-offs
Non-owner occupied commercial real estate
Non-owner occupied commercial real estate
Non-owner occupied commercial real estate
Pass
Pass
Pass
Watch
Substandard
Non-owner occupied commercial real estate total
Non-owner occupied commercial real estate charge-offs
Real estate construction
Real estate construction
Real estate construction
Pass
Pass
Pass
Watch
Substandard
PPP charge-offs
PPP charge-offs

As of December 31, 2023
As of December 31, 2023
As of December 31, 2023
Owner occupied commercial real estate
Owner occupied commercial real estate
Owner occupied commercial real estate

2023								
2023								
2023	2022	2021	2020	2019	2018 and Prior		Revolving	Total

Pass
Pass
Pass
Watch
Watch
Watch
Substandard
Substandard
Substandard
Owner occupied commercial real estate total
Owner occupied commercial real estate total
Owner occupied commercial real estate total
Owner occupied commercial real estate charge-offs
Owner occupied commercial real estate charge-offs
Owner occupied commercial real estate charge-offs
Non-owner occupied commercial real estate
Non-owner occupied commercial real estate
Non-owner occupied commercial real estate
Pass
Pass
Pass
Watch
Watch
Watch
Substandard
Substandard
Substandard
Non-owner occupied commercial real estate total
Non-owner occupied commercial real estate total
Non-owner occupied commercial real estate total
Non-owner occupied commercial real estate charge-offs
Non-owner occupied commercial real estate charge-offs
Non-owner occupied commercial real estate charge-offs
Real estate construction
Real estate construction
Real estate construction
Pass
Pass
Pass
Watch
Watch
Watch
Substandard
Substandard
Substandard
Real estate construction total
Real estate construction total
Real estate construction total
Real estate construction charge-offs
Real estate construction charge-offs
Real estate construction charge-offs

Agricultural and agricultural real estate
Agricultural and agricultural real estate
Agricultural and agricultural real estate
Pass
Pass
Pass
Watch
Watch
Watch
Substandard
Substandard
Substandard
Agricultural and agricultural real estate total
Agricultural and agricultural real estate total
Agricultural and agricultural real estate total
Agricultural and agricultural real estate charge-offs
Agricultural and agricultural real estate charge-offs
Agricultural and agricultural real estate charge-offs
Residential real estate
Residential real estate
Residential real estate
Pass
Pass
Pass
Watch
Watch
Watch
Substandard
Substandard
Substandard
Residential real estate total
Residential real estate total
Residential real estate total
Residential real estate charge-offs
Residential real estate charge-offs
Residential real estate charge-offs
Consumer
Consumer
Consumer
Pass
Pass
Pass
Watch
Watch
Watch
Substandard
Substandard
Substandard
Consumer total
Consumer total
Consumer total

Consumer charge-offs
Consumer charge-offs
Consumer charge-offs
Total Pass
Total Pass
Total Pass
Total Watch
Total Watch
Total Watch
Total Substandard
Total Substandard
Total Substandard
Total Loans
Total Loans
Total Loans
Total charge-offs
Total charge-offs
Total charge-offs

Included in the nonpass loans at **March 31, 2024** **June 30, 2024**, and December 31, 2023, were **\$254,000** **\$223,000** and \$136,000, respectively, of nonpass PPP loans as a result of risk ratings on non-PPP related credits. HTLF's risk rating methodology assigns a risk rating to the

whole lending relationship. HTLF has no allowance recorded related to the PPP loans because of the 100% government guarantee through the United States Small Business Administration.

Changes in credit risk are monitored on a continuous basis as part of relationship management, and changes in risk ratings are made when credit quality improves or deteriorates in accordance with HTLF's credit risk rating framework. All individually assessed loans are reviewed at least annually.

As of **March 31, 2024** **June 30, 2024**, HTLF had **\$189,000** **\$1.1 million** of loans secured by residential real estate property that were in the process of foreclosure.

The following table sets forth information regarding accruing and nonaccrual loans at **March 31, 2024** **June 30, 2024**, and December 31, 2023, in thousands:

	Accruing Loans									
	30-59 Days Past Due									
	30-59 Days Past Due									
	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Nonaccrual	Total Loans	60-89 Days Past Due	90 Days or More Past Due	Total Past Due
March 31, 2024										
June 30, 2024										
Commercial and industrial										
Commercial and industrial										
Commercial and industrial										
PPP										
Owner occupied commercial real estate										
Non-owner occupied commercial real estate										

Real estate construction
Agricultural and agricultural real estate
Residential real estate
Consumer
Total loans receivable held to maturity
December 31, 2023
Commercial and industrial
Commercial and industrial
Commercial and industrial
PPP
Owner occupied commercial real estate
Non-owner occupied commercial real estate
Real estate construction
Agricultural and agricultural real estate
Residential real estate
Consumer
Total loans receivable held to maturity

Loans delinquent 30 to 89 days as a percent of total loans were 0.31% 0.25% at March 31, 2024 June 30, 2024, compared to 0.09% at December 31, 2023.

HTLF recognized \$0 of interest income on nonaccrual loans during the three and six months ended March 31, 2024 June 30, 2024 and March 31, 2023 June 30, 2023. As of March 31, 2024 June 30, 2024, and December 31, 2023, HTLF had \$51.1 \$28.1 million and \$52.5 million of nonaccrual loans with no related allowance, respectively.

NOTE 4: ALLOWANCE FOR CREDIT LOSSES

Changes in the allowance for credit losses on loans for the three three- and six- months ended March 31, 2024 June 30, 2024, and March 31, 2023 June 30, 2023, were as follows, in thousands:

	Commercial and Industrial							
	Commercial and Industrial							
	Commercial and Industrial							
		Owner Occupied Commercial Real Estate	Non-Owner Occupied Commercial Real Estate	Real Estate Construction	Agricultural and Residential Real Estate		Consumer	Total
Balance at March 31, 2024								
Charge-offs								
Recoveries								
Provision (benefit)								
Balance at June 30, 2024								
	Commercial and Industrial							
	Commercial and Industrial							

	Commercial and Industrial	Owner Occupied Commercial Real Estate	Non-Owner Occupied Commercial Real Estate	Real Estate Construction	Agricultural and Agricultural Real Estate	Residential Real Estate	Consumer Total	Owner Occupied Commercial Real Estate	Non-Owner Occupied Commercial Real Estate	Real Estate Construction	Agricultural and Agricultural Real Estate	Residential Real Estate	Consumer Total
Balance at December 31, 2023													
Charge-offs													
Charge-offs													
Charge-offs													
Recoveries													
Provision (benefit)													
Balance at March 31, 2024													
Balance at June 30, 2024													

	Commercial and Industrial	Owner Occupied Commercial Real Estate	Non-Owner Occupied Commercial Real Estate	Real Estate Construction	Agricultural and Agricultural Real Estate	Residential Real Estate	Consumer	Total
Balance at December 31, 2022	\$ 29,071	\$ 13,948	\$ 16,539	\$ 29,998	\$ 2,634	\$ 7,711	\$ 9,582	\$ 109,483
Charge-offs	(1,451)	(14)	—	—	—	—	(686)	(2,151)
Recoveries	1,722	112	—	17	10	19	1,311	3,191
Provision (benefit)	2,481	105	523	123	(98)	(166)	(784)	2,184
Balance at March 31, 2023	\$ 31,823	\$ 14,151	\$ 17,062	\$ 30,138	\$ 2,546	\$ 7,564	\$ 9,423	\$ 112,707

	Commercial and Industrial	Owner Occupied Commercial Real Estate	Non-Owner Occupied Commercial Real Estate	Real Estate Construction	Agricultural and Agricultural Real Estate	Residential Real Estate	Consumer	Total
Balance at March 31, 2023	\$ 31,823	\$ 14,151	\$ 17,062	\$ 30,138	\$ 2,546	\$ 7,564	\$ 9,423	\$ 112,707
Charge-offs	(3,686)	(5)	(29)	—	(5,309)	(59)	(525)	(9,613)
Recoveries	118	—	—	2	1	—	154	275
Provision (benefit)	1,141	563	943	(1,894)	6,273	139	664	7,829
Balance at June 30, 2023	\$ 29,396	\$ 14,709	\$ 17,976	\$ 28,246	\$ 3,511	\$ 7,644	\$ 9,716	\$ 111,198

	Commercial and Industrial	Owner Occupied Commercial Real Estate	Non-Owner Occupied Commercial Real Estate	Real Estate Construction	Agricultural and Agricultural Real Estate	Residential Real Estate	Consumer	Total
Balance at December 31, 2022	\$ 29,071	\$ 13,948	\$ 16,539	\$ 29,998	\$ 2,634	\$ 7,711	\$ 9,582	\$ 109,483
Charge-offs	(5,137)	(19)	(29)	—	(5,309)	(59)	(1,211)	(11,764)
Recoveries	1,840	112	—	19	11	19	1,465	3,466
Provision (benefit)	3,622	668	1,466	(1,771)	6,175	(27)	(120)	10,013
Balance at June 30, 2023	\$ 29,396	\$ 14,709	\$ 17,976	\$ 28,246	\$ 3,511	\$ 7,644	\$ 9,716	\$ 111,198

Management allocates the allowance for credit losses by pools of risk within each loan portfolio. The total allowance for credit losses is available to absorb losses from any segment of the loan portfolio. The provision expense in the **three** six months ended **March 31, 2024** **June 30, 2024** was **impacted** reduced by **\$2.0** \$2.6 million **for** due to the transfer of **\$352.7** \$348.8 million of Rocky Mountain Bank loans to **the** held for **sale category**. sale.

Changes in the allowance for credit losses for unfunded commitments for the three and six months ended March 31, 2024 June 30, 2024, and March 31, 2023 June 30, 2023, were as follows:

For the Three Months Ended September 30,				
For the Three Months Ended June 30,				
	2024		2023	
Balance at March 31,	\$	13,786	\$	21,086
Provision (benefit)		(729)		(2,450)
Balance at June 30,	\$	13,057	\$	18,636

For the Three Months Ended March 31,			For the Six Months Ended June 30,		
2024		2024	2024		2023
Balance at December 31,					
Provision (benefit)					
Provision (benefit)					
Provision (benefit)					
Balance at March 31,					
Balance at June 30,					

NOTE 5: GOODWILL AND CORE DEPOSIT INTANGIBLE ASSETS

HTLF had goodwill of \$576.0 million at both March 31, 2024 June 30, 2024, and December 31, 2023. HTLF conducts an annual internal assessment of the goodwill both at the consolidated level and at the reporting unit level as of September 30, as well as when required due to triggering events related to the uncertainty of the value of the goodwill on HTLF's balance sheet. HTLF conducted its annual internal assessment of the goodwill at HTLF or HTLF's reporting units as of September 30. There was no goodwill impairment as of the most recent assessment.

The gross carrying amount of other intangible assets consisted of core deposit intangibles and the associated accumulated amortization at March 31, 2024 June 30, 2024, and December 31, 2023, are presented in the table below, in thousands:

March 31, 2024			December 31, 2023	June 30, 2024			December 31, 2023					
Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	
Amortizing intangible assets:												
Core deposit intangibles												
Core deposit intangibles												
Core deposit intangibles												
Total												
Total												
Total												

The following table shows the estimated future amortization expense for amortizable intangible assets, in thousands:

Nine months ending December 31, 2024	
Nine months ending December 31, 2024	
Nine months ending December 31, 2024	
Six months ending December 31, 2024	
Six months ending December 31, 2024	
Six months ending December 31, 2024	
Year ending December 31,	
Year ending December 31,	

Year ending December 31,

2025
2025
2025
2026
2026
2026
2027
2027
2027
2028
2028
2028
2029
2029
2029
Thereafter
Thereafter
Thereafter
Total
Total
Total

NOTE 6: DERIVATIVE FINANCIAL INSTRUMENTS

HTLF uses derivative financial instruments as part of its interest rate risk management strategy, which may include interest rate swaps, fair value hedges, risk participation agreements, caps, floors, and collars. HTLF’s current strategy includes the use of interest rate swaps as well as back-to-back loan swaps to assist customers in managing their interest rate risk while executing offsetting interest rate swaps with dealer counterparties.

HTLF’s objectives are to add stability to its net interest margin and to manage its exposure to movements in interest rates. The contract or notional amount of a derivative is used to determine, along with the other terms of the derivative, the amounts to be

exchanged between the counterparties. HTLF is exposed to credit risk in the event of nonperformance by counterparties to financial instruments. HTLF minimizes this risk by entering into derivative contracts that contain collateral posting provisions with counterparties that meet HTLF’s credit standards, and the contracts contain collateral provisions protecting the at-risk party standards. HTLF has not experienced any losses from nonperformance by these counterparties. HTLF monitors counterparty risk in accordance with the provisions of ASC 815. HTLF was required to post \$590,000 \$591,000 of collateral at March 31, 2024 June 30, 2024, compared to \$27.7 million as of December 31, 2023, related to derivative financial instruments. HTLF’s counterparties were required to pledge \$93.6 \$104.5 million at March 31, 2024 June 30, 2024, compared to \$44.8 million at December 31, 2023.

HTLF’s derivative and hedging instruments are recorded at fair value on the consolidated balance sheets. See Note 7, "Fair Value," for additional fair value information and disclosures.

Cash Flow Hedges

In 2021, one interest rate swap terminated, and the debt was converted to variable rate subordinated debentures. HTLF recognized all remaining cash payments related to the terminated derivatives in the first quarter of 2024 and reclassified the remaining cash payments from accumulated other comprehensive income (loss) to interest expense.

In the first quarter of 2023, HTLF terminated its interest rate swap agreement, which effectively converted \$500.0 million of variable rate loans to fixed rate loans. For the next twelve months, HTLF estimates cash payments and reclassification from accumulated other comprehensive income (loss) to interest income will total \$982,000.

HTLF had no derivative instruments designated as cash flow hedges at March 31, 2024 June 30, 2024.

The table below identifies the gains and losses recognized on HTLF's terminated derivative instruments designated as cash flow hedges for the three and six months ended March 31, 2024 June 30, 2024, and March 31, 2023 June 30, 2023, in thousands:

	Effective Portion
	Effective Portion
	Effective Portion
	Recognized in OCI
	Recognized in OCI
	Recognized in OCI
	Amount of Gain (Loss)
	Amount of Gain (Loss)
	Amount of Gain (Loss)
Three Months Ended March 31, 2024	
Three Months Ended March 31, 2024	
Three Months Ended March 31, 2024	
Three Months Ended June 30, 2024	
Three Months Ended June 30, 2024	
Three Months Ended June 30, 2024	
Interest rate swap	
Interest rate swap	
Interest rate swap	
Three Months Ended March 31, 2023	
Three Months Ended March 31, 2023	
Three Months Ended March 31, 2023	
Six Months Ended June 30, 2024	
Six Months Ended June 30, 2024	
Six Months Ended June 30, 2024	
Interest rate swap	
Interest rate swap	
Interest rate swap	
Three Months Ended June 30, 2023	
Three Months Ended June 30, 2023	
Three Months Ended June 30, 2023	
Interest rate swap	
Interest rate swap	
Interest rate swap	
Six Months Ended June 30, 2023	
Six Months Ended June 30, 2023	
Six Months Ended June 30, 2023	
Interest rate swap	
Interest rate swap	
Interest rate swap	

Fair Value Hedges

HTLF uses interest rate swaps to convert certain long term fixed rate loans to floating rates to hedge interest rate risk exposure. HTLF also uses interest rate swaps to mitigate the risk of changes in the fair market value of certain municipal and mortgage-backed securities. The changes in the fair values of derivatives that have been designated and qualify for fair value hedge accounting are recorded in the same line item in the consolidated statements of income as the changes in the fair value of the hedged items attributable to the risk being hedged.

HTLF uses statistical regression to assess hedge effectiveness, both at the inception of the hedge as well as on a continual basis. The regression analysis involves regressing the periodic change in the fair value of the hedging instrument against the periodic changes in the fair value of the asset being hedged due to changes in the hedge risk.

During 2023, HTLF entered into interest rate swaps designated as fair value hedges with initial notional amounts totaling \$838.1 million primarily designed to provide protection for unrealized securities losses against the impact of higher mid-to-long term interest rates. HTLF also executed interest rate swaps designated as a fair value hedges with total original notional amounts of \$2.5 \$2.50 billion to convert certain long-term fixed rate loans to floating rates to hedge interest rate risk exposure using the portfolio layer method, which allows HTLF to designate as the hedged item a stated amount of the assets that are not expected to be affected by prepayments, defaults and other factors that would affect the timing and amount of cash flow.

The table below identifies the fair value of the interest rate swaps designated as fair value hedges and the balance sheet category of the interest rate swaps as of March 31, 2024 June 30, 2024 and December 31, 2023, in thousands:

	Fair Value	Balance Sheet Category
March 31, June 30, 2024		
Interest rate swaps-loans receivable held to maturity	\$ 13,901 14,914	Other assets
Interest rate swaps-securities carried at fair value	42,972 51,297	Other assets
Interest rate swaps-loans receivable held to maturity	5,946 2,267	Other liabilities
December 31, 2023		
Interest rate swaps-loans receivable held to maturity	\$ 5,027	Other assets
Interest rate swaps-securities carried at fair value	23,182	Other assets
Interest rate swaps-loans receivable held to maturity	27,554	Other liabilities

The table below identifies the carrying amount of the hedged assets and cumulative amount of fair value hedging adjustment included in the carrying amount of the hedged assets that are designated as fair value hedge accounting relationships at March 31, 2024 June 30, 2024, and December 31, 2023, in thousands:

	Location in the consolidated balance sheet
	Location in the consolidated balance sheet
	Location in the consolidated balance sheet
March 31, 2024	
March 31, 2024	
March 31, 2024	
June 30, 2024	
June 30, 2024	
June 30, 2024	
Interest rate swap	
Interest rate swap	
Interest rate swap	
Interest rate swap	
Interest rate swap	
Interest rate swap	
December 31, 2023	
December 31, 2023	
December 31, 2023	
Interest rate swap	
Interest rate swap	
Interest rate swap	
Interest rate swap	
Interest rate swap	

Interest rate swap

The table below identifies the net impact to interest income recognized on HTLF's fair value hedges specific to the fair value remeasurements and the income statement classification where it is recorded in comparison to the total amount of interest income presented on the consolidated statements of income for the ~~three~~ **three-** and **six-** months ended **March 31, 2024** **June 30, 2024**, and **March 31, 2023** **June 30, 2023**, in thousands:

	Three Months Ended March 31,	Three Months Ended March 31,	Three Months Ended March 31,		
	2024				
	2024				
		Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2024	2023	2024	2023
Gain (loss) recognized in interest income and fees on loans					
Gain (loss) recognized in interest income and fees on loans					
Gain (loss) recognized in interest income and fees on loans					
Total amount of interest and fees on loans					
Total amount of interest and fees on loans					
Total amount of interest and fees on loans					
Gain (loss) recognized in interest income on securities-taxable					
Gain (loss) recognized in interest income on securities-taxable					
Gain (loss) recognized in interest income on securities-taxable					
Total amount of interest on securities-taxable					
Total amount of interest on securities-taxable					
Total amount of interest on securities-taxable					

The table below identifies the effect of fair value hedge accounting on the consolidated statements of income, in thousands:

	Three Months Ended March 31,	Three Months Ended March 31,	Three Months Ended March 31,		
	2024				
	2024				
		Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2024	2023	2024	2023
Hedged item (loans receivable held to maturity)					
Hedged item (loans receivable held to maturity)					
Hedged item (loans receivable held to maturity)					
Hedged item (securities carried at fair value)					
Hedged item (securities carried at fair value)					
Hedged item (securities carried at fair value)					
Derivatives designated as hedging instruments on loans receivable held to maturity					
Derivatives designated as hedging instruments on loans receivable held to maturity					
Derivatives designated as hedging instruments on loans receivable held to maturity					
Derivatives designated as hedging instruments on securities carried at fair value					
Derivatives designated as hedging instruments on securities carried at fair value					
Derivatives designated as hedging instruments on securities carried at fair value					

Embedded Derivatives

HTLF has fixed rate loans with embedded derivatives. These loans contain terms that affect the cash flows or value of the loan similar to a derivative instrument, and therefore are considered to contain an embedded derivative. The embedded derivatives are bifurcated from the loans because the terms of the derivative instrument are not clearly and closely related to the loans. The embedded derivatives are recorded at fair value on the consolidated balance sheets as a part of other assets, and changes in the fair value are a component of noninterest income. The table below identifies the notional amount, fair value and balance sheet category of the embedded derivatives at **March 31, 2024** **June 30, 2024**, and December 31, 2023, in thousands:

	Notional Amount
	Notional Amount
	Notional Amount
March 31, 2024	
March 31, 2024	
March 31, 2024	
June 30, 2024	
June 30, 2024	
June 30, 2024	
Embedded derivatives	
Embedded derivatives	
Embedded derivatives	
December 31, 2023	
December 31, 2023	
December 31, 2023	
Embedded derivatives	
Embedded derivatives	
Embedded derivatives	

The table below identifies the gains and losses recognized on HTLF's embedded derivatives for the **three** **three-** and **six-** months ended **March 31, 2024** **June 30, 2024**, and **March 31, 2023** **June 30, 2023**, in thousands:

	Three Months Ended March 31, Three Months Ended March 31, Three Months Ended March 31, 2024 2024	Three Months Ended June 30, 2024	Six Months Ended June 30, 2023	2024	2023
Gain (loss) recognized in other noninterest income on embedded derivatives					
Gain (loss) recognized in other noninterest income on embedded derivatives					
Gain (loss) recognized in other noninterest income on embedded derivatives					

Back-to-Back Loan Swaps

HTLF has loan interest rate swap relationships with customers to assist them in managing their interest rate risk. Upon entering into these loan swaps, HTLF enters into offsetting positions with counterparties in order to minimize interest rate risk to HTLF. These back-to-back loan swaps qualify as free standing financial derivatives with the fair values reported in other assets and other liabilities on the consolidated balance sheets. Any gains and losses on these back-to-back swaps are recorded in noninterest income on the consolidated statements of income, and for the three and six months ended **March 31, 2024** **June 30, 2024**, and **March 31, 2023** **June 30, 2023**, no gain or loss was recognized. HTLF recognized **\$891,000** **\$1.6 million** and **\$2.5 million** in fee income related to executing back-to-back loan swaps for customers for the three and six months ended **March 31, 2024** **June 30, 2024**, respectively, compared to **\$2.0** **\$3.1 million** and **\$5.1 million** for the three and six months ended **March 31, 2023** **June 30, 2023**, respectively.

The table below identifies the balance sheet category and fair values of the derivative instruments designated as loan swaps at **March 31, 2024** **June 30, 2024**, and December 31, 2023, in thousands:

	Notional Amount
	Notional Amount
	Notional Amount
March 31, 2024	
March 31, 2024	
March 31, 2024	
June 30, 2024	
June 30, 2024	
June 30, 2024	
Customer interest rate swaps	
Customer interest rate swaps	
Customer interest rate swaps	
Customer interest rate swaps	
Customer interest rate swaps	
Customer interest rate swaps	
December 31, 2023	
December 31, 2023	
December 31, 2023	
Customer interest rate swaps	
Customer interest rate swaps	
Customer interest rate swaps	
Customer interest rate swaps	
Customer interest rate swaps	
Customer interest rate swaps	

Other Free Standing Derivatives

HTLF acquired undesignated interest rate swaps in 2015. These swaps were entered into primarily for the benefit of customers seeking to manage their interest rate risk and are not designated against specific assets or liabilities on the consolidated balance sheets or forecasted transactions and therefore do not qualify for hedge accounting in accordance with ASC 815. These swaps are carried at fair value on the consolidated balance sheets as a component of other liabilities, with changes in the fair value recorded as a component of other noninterest income.

The table below identifies the balance sheet category and fair values of HTLF's other free standing derivative instruments not designated as hedging instruments at **March 31, 2024** **June 30, 2024**, and December 31, 2023, in thousands:

	Notional Amount	Fair Value		Balance Sheet Category	Notional Amount	Fair Value		Balance Sheet Category
March 31, 2024								
June 30, 2024								
Undesignated interest rate swaps								
Undesignated interest rate swaps								
Undesignated interest rate swaps	2,344	(70)	(70)	Other liabilities	Other liabilities	\$ 2,296	\$ (62)	Other liabilities
December 31, 2023								
December 31, 2023								
December 31, 2023								

Undesignated interest rate swaps												
Undesignated interest rate swaps												
Undesignated interest rate swaps	2,391	(61)	(61)	Other liabilities		Other liabilities	\$ 2,391	\$ (61)	Other liabilities		Other liabilities	

	Three Months Ended March 31, Three Months Ended March 31, Three Months Ended March 31,				
		Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023		2024	2023
Interest rate lock commitments (mortgage)					
Interest rate lock commitments (mortgage)					
Interest rate lock commitments (mortgage)					
Forward commitments					
Forward commitments					
Forward commitments					
Undesignated interest rate swaps					
Undesignated interest rate swaps					
Undesignated interest rate swaps					

HTLF utilizes fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Securities carried at fair value, which include available for sale, trading securities and equity securities with a readily determinable fair value, and derivatives are recorded in the consolidated balance sheets at fair value on a recurring basis. Additionally, from time to time, HTLF may be required to record at fair value other assets on a nonrecurring basis such as loans held for sale, loans held to maturity and certain other assets including, but not limited to, commercial servicing rights and other real estate owned. These nonrecurring fair value adjustments typically involve application of the lower of cost or fair value accounting or write-downs of individual assets.

Under ASC 820, assets and liabilities are grouped at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 2 — Valuation is based upon quoted prices for similar instruments in active markets, or similar instruments in markets that are not active, and model-based valuation techniques for all significant assumptions are observable in the market.

The following is a description of valuation methodologies used for assets and liabilities recorded at fair value on a recurring or non-recurring basis.

Securities Available for Sale and Held to Maturity

Securities available for sale are recorded at fair value on a recurring basis. Securities held to maturity are generally recorded at cost. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions and other factors such as credit loss assumptions. Level

1 securities include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury

securities. Level 2 securities include U.S. government and agency securities, mortgage and asset-backed securities and private collateralized mortgage obligations, municipal bonds and corporate debt securities. On a quarterly basis, a secondary independent pricing service is used for the securities portfolio to validate the pricing from HTLF's primary pricing service.

Equity Securities with a Readily Determinable Fair Value

Equity securities with a readily determinable fair value generally include Community Reinvestment Act mutual funds and are classified as Level 2 due to the infrequent trading of these securities. The fair value is based on the price per share.

Loans Held for Sale

Loans held for sale are carried at the lower of cost or fair value on an aggregate basis. The fair value of loans held for sale is based on what secondary markets are currently offering for portfolios with similar characteristics. As such, HTLF classifies loans held for sale subjected to nonrecurring fair value adjustments as Level 2. As of March 31, 2024 June 30, 2024, loans held for sale includes \$352.7 \$348.8 million related to the Rocky Mountain Bank division. HTLF Bank signed definitive agreements in February of 2024 to sell all nine Rocky Mountain Bank branches in Montana.

Loans Held to Maturity

HTLF does not record loans held to maturity at fair value on a recurring basis. However, from time to time, certain loans are considered collateral dependent and an allowance for credit losses is established. The fair value of individually assessed loans is measured using the fair value of the collateral. In accordance with ASC 820, individually assessed loans measured at fair value are classified as nonrecurring Level 3 in the fair value hierarchy.

Premises, Furniture and Equipment Held for Sale

HTLF considers third party appraisals less estimated disposal costs, as well as independent fair value assessments from realtors or persons involved in selling bank premises, furniture and equipment, in determining the fair value of particular properties held for sale. Accordingly, the valuation of premises, furniture and equipment held for sale is subject to significant external and internal judgment. HTLF periodically reviews premises, furniture and equipment held for sale to determine if the fair value of the property, less disposal costs, has declined below its recorded book value and records any adjustments accordingly. Premises, furniture and equipment held for sale are classified as nonrecurring Level 3 in the fair value hierarchy. As of March 31, 2024 June 30, 2024, premises, furniture and equipment held for sale includes \$13.2 million related to the Rocky Mountain Bank division. HTLF Bank signed definitive agreements in February of 2024 to sell all nine Rocky Mountain Bank branches in Montana. The properties will transfer upon completion of the sales transactions.

Derivative Financial Instruments

HTLF's current interest rate risk strategy includes cash flow hedges and interest rate swaps. The valuation of these instruments is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves and implied volatilities. To comply with the provisions of ASC 820, HTLF incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, HTLF has considered the impact of netting any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

Although HTLF has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. However, as of March 31, 2024 June 30, 2024, and December 31, 2023, HTLF has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, HTLF has determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

Other Real Estate Owned

Other real estate owned ("OREO") represents property acquired through foreclosures and settlements of loans. Property acquired is carried at the fair value of the property at the time of acquisition (representing the property's cost basis), plus any acquisition costs, or the estimated fair value of the property, less disposal costs. HTLF considers third party appraisals, as well as independent fair value assessments from realtors or persons involved in selling OREO, in determining the fair value of particular properties. Accordingly, the valuation of OREO is subject to significant external and internal judgment. HTLF periodically reviews OREO to determine if the fair value of the property, less disposal costs, has declined below its recorded book value and records any adjustments accordingly. OREO is classified as nonrecurring Level 3 of the fair value hierarchy.

The table below presents HTLF's assets and liabilities that are measured at fair value on a recurring basis as of March 31, 2024 June 30, 2024, and December 31, 2023, in thousands, aggregated by the level in the fair value hierarchy within which those measurements fall:

Total Fair Value	Total Fair Value	Level 1	Level 2	Level 3	Total Fair Value	Level 1	Level 2	Level 3
------------------	------------------	---------	---------	---------	------------------	---------	---------	---------

March 31, 2024

June 30, 2024

Assets

Assets

Assets

Securities available for sale

Securities available for sale

Securities available for sale

U.S. treasuries

U.S. treasuries

U.S. treasuries

U.S. agencies

Obligations of states and political subdivisions

Mortgage-backed securities - agency

Mortgage-backed securities - non-agency

Commercial mortgage-backed securities - agency

Commercial mortgage-backed securities - non-agency

Asset-backed securities

Corporate bonds

Equity securities with a readily determinable fair value

Derivative financial instruments⁽¹⁾

Total assets at fair value

Total assets at fair value

Total assets at fair value

Liabilities

Derivative financial instruments⁽²⁾

Derivative financial instruments⁽²⁾

Derivative financial instruments⁽²⁾

Total liabilities at fair value

Total liabilities at fair value

Total liabilities at fair value

December 31, 2023

Assets

Securities available for sale

Securities available for sale

Securities available for sale

U.S. treasuries

U.S. treasuries

U.S. treasuries

U.S. agencies

Obligations of states and political subdivisions

Mortgage-backed securities - agency

Mortgage-backed securities - non-agency

Commercial mortgage-backed securities - agency

Commercial mortgage-backed securities - non-agency

Asset-backed securities

Corporate bonds

Equity securities with a readily determinable fair value

Derivative financial instruments⁽¹⁾

Total assets at fair value

Total assets at fair value

Total assets at fair value

Liabilities

Derivative financial instruments⁽²⁾

Derivative financial instruments⁽²⁾

Derivative financial instruments⁽²⁾

Total liabilities at fair value

Total liabilities at fair value

Total liabilities at fair value

(1) Includes interest rate swaps, fair value hedges, embedded derivatives and back-to-back loan swaps.

(1) Includes interest rate swaps, fair value hedges, embedded derivatives and back-to-back loan swaps.

(1) Includes interest rate swaps, fair value hedges, embedded derivatives and back-to-back loan swaps.

(2) Includes fair value hedges, back-to-back loan swaps and free standing derivatives.

The tables below present HTLF's assets that are measured at fair value on a nonrecurring basis as of **March 31, 2024** **June 30, 2024**, and December 31, 2023, in thousands:

Fair Value Measurements at March 31, 2024						Fair Value Measurements at June 30, 2024				
Total	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Year-to- Date (Gains) Losses	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Year- to- Date (Gains) Losses

**Collateral dependent individually
assessed loans:**

Commercial and industrial

Commercial and industrial

Commercial and industrial

Owner occupied commercial real estate

Non-owner occupied commercial real estate

Real estate construction

Agricultural and agricultural real estate

Residential real estate

Total collateral dependent individually assessed
loans

Total collateral dependent individually assessed
loans

Total collateral dependent individually assessed
loans

Loans held for sale

Other real estate owned

Premises, furniture and equipment held for
sale

Fair Value Measurements at December 31, 2023				
Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Year-to- Date (Gains) Losses

Collateral dependent individually assessed loans:

Commercial and industrial	\$	23,422	\$	—	\$	—	\$	23,422	\$	554
Owner occupied commercial real estate		30,400		—		—		30,400		—
Non-owner occupied commercial real estate		—		—		—		—		—
Real estate construction		642		—		—		642		—
Agricultural and agricultural real estate		4,768		—		—		4,768		5,309
Residential real estate		741		—		—		741		—
Total collateral dependent individually assessed loans	\$	59,973	\$	—	\$	—	\$	59,973	\$	5,863
Loans held for sale	\$	5,071	\$	—	\$	5,071	\$	—	\$	—
Other real estate owned		12,548		—		—		12,548		2,967
Premises, furniture and equipment held for sale		4,069		—		—		4,069		2,786

The following tables present additional quantitative information about assets measured at fair value on a recurring and nonrecurring basis and for which HTLF has utilized Level 3 inputs to determine fair value, in thousands:

Fair Value at 3/31/2024										Valuation Technique		Unobservable Input		Range (Weighted Average)	
Fair Value at 6/30/2024										Valuation Technique		Unobservable Input		Range (Weighted Average)	
Other real estate owned															
Other real estate owned	Other real estate owned	2,590	Modified appraised value		Modified appraised value			Third party appraisal		(1)	Other real estate owned	\$			
							Appraisal discount			0-10%(2)					
Premises, furniture and equipment held for sale															
Premises, furniture and equipment held for sale															
Premises, furniture and equipment held for sale	16,064	Modified appraised value		Modified appraised value			Third party appraisal		(1)	16,181		Modified appraised value			
							Appraisal discount			0-10%(2)					
Collateral dependent individually assessed loans:															
Commercial															
Commercial	Commercial	22,292	Modified appraised value		Modified appraised value			Third party appraisal		(1)	Commercial				
							Appraisal discount			0-12%(2)					
Owner occupied commercial real estate	Owner occupied commercial real estate	30,089	Modified appraised value		Modified appraised value			Third party appraisal		(1)	Owner occupied commercial real estate	12,579	Modi		

				Appraisal discount					Apprais			
Non-owner occupied commercial real estate	Non-owner occupied commercial real estate	—	Modified appraised value		Modified appraised value		Third party appraisal		(1)	Non-owner occupied commercial real estate	—	Modi
				Appraisal discount					Apprais			
Real estate construction	Real estate construction	642	Modified appraised value		Modified appraised value		Third party appraisal		(1)	Real estate construction	675	Modi
				Appraisal discount						0-10% ⁽²⁾	Real estat	constructi
Agricultural and agricultural real estate	Agricultural and agricultural real estate	4,664	Modified appraised value		Modified appraised value		Third party appraisal		(1)	Agricultural and agricultural real estate	24,711	Modified appraised value
				Appraisal discount						0-10% ⁽²⁾	Agricu	agricul
Residential real estate	Residential real estate	727	Modified appraised value		Modified appraised value		Third party appraisal		(1)	Residential real estate	727	Modified appraised value
				Appraisal discount						0-10% ⁽²⁾	Reside	estate
<p>(1) Third party appraisals are obtained and updated at least annually to establish the value of the underlying asset, but the disclosure of the unobservable inputs used by the appraisers would not be meaningful because the range will vary widely from appraisal to appraisal.</p> <p>(1) Third party appraisals are obtained and updated at least annually to establish the value of the underlying asset, but the disclosure of the unobservable inputs used by the appraisers would not be meaningful because the range will vary widely from appraisal to appraisal.</p> <p>(1) Third party appraisals are obtained and updated at least annually to establish the value of the underlying asset, but the disclosure of the unobservable inputs used by the appraisers would not be meaningful because the range will vary widely from appraisal to appraisal.</p> <p>(2) (2) Discounts applied to the appraised values primarily include estimated sales costs, but also consider the age of the appraisal, changes in local market conditions and changes in the current condition of the collateral.</p> <p>Discounts applied to the appraised values primarily include estimated sales costs, but also consider the age of the appraisal, changes in local market conditions and changes in the current condition of the collateral.</p>												
Fair Value at 12/31/2023		Fair Value at 12/31/2023	Valuation Technique		Unobservable Input		Range (Weighted Average)		Fair Value at 12/31/2023			

Other real estate owned												
Other real estate owned												
Other real estate owned	2,590	Modified appraised value		Modified appraised value		Third party appraisal		(1)	\$ 12,548	Modified appraised value		Modified appraised value
							Appraisal discount		0-10% ⁽²⁾			
Premises, furniture and equipment held for sale												
Premises, furniture and equipment held for sale												
Premises, furniture and equipment held for sale	16,064	Modified appraised value		Modified appraised value		Third party appraisal		(1)	4,069	Modified appraised value		Modified appraised value
							Appraisal discount		0-10% ⁽²⁾			
Collateral dependent individually assessed loans:												
Collateral dependent individually assessed loans:												
Collateral dependent individually assessed loans:												
Commercial and industrial												
Commercial and industrial												
Commercial and industrial	23,422	Modified appraised value		Modified appraised value		Third party appraisal		(1)	23,422	Modified appraised value		Modified appraised value
							Appraisal discount			Appraisal discount		
Owner occupied commercial real estate	Owner occupied commercial real estate	30,400	Modified appraised value		Modified appraised value		Third party appraisal		(1)	Owner occupied commercial real estate	30,400	Modified appraised value
							Appraisal discount			0-20% ⁽²⁾	Owner occupied	
Non-owner occupied commercial real estate	Non-owner occupied commercial real estate	—	Modified appraised value		Modified appraised value		Third party appraisal		(1)	Non-owner occupied commercial real estate	—	Modified appraised value
							Appraisal discount			0-10% ⁽²⁾	Non-owner occupied	
Real estate construction	Real estate construction	642	Modified appraised value		Modified appraised value		Third party appraisal		(1)	Real estate construction	642	Modified appraised value
							Appraisal discount				Appraisal discount	
Agricultural and agricultural real estate	Agricultural and agricultural real estate	4,768	Modified appraised value		Modified appraised value		Third party appraisal		(1)	Agricultural and agricultural real estate	4,768	Modified appraised value
							Appraisal discount			0-15% ⁽²⁾	Agricultural and agricultural real estate	

Residential real estate	Residential real estate	741	Modified appraised value	Modified appraised value	Third party appraisal		(1)	Residential real estate	741	Modified appraised value	Modified appraised value
							Appraisal discount			0-10%(2)	Residential real estate

(1) Third-party appraisals are obtained and updated at least annually to establish the value of the underlying asset, but the disclosure of the unobservable inputs used by the appraisers would not be meaningful because the range will vary widely from appraisal to appraisal.

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(2) Discounts applied to the appraised values primarily include estimated sales costs, but also consider the age of the appraisal, changes in local market conditions and changes in the current condition of the collateral.

The table below is a summary of the estimated fair value of HTLF's financial instruments (as defined by ASC 825) as of **March 31, 2024** **June 30, 2024**, and December 31, 2023, in thousands. The carrying amounts in the following tables are recorded in the consolidated balance sheets under the indicated captions. In accordance with ASC 825, the assets and liabilities that are not financial instruments are not included in the disclosure, including the value of premises, furniture and equipment, premises, furniture and equipment held for sale, OREO, goodwill, and other intangibles and other liabilities.

HTLF does not believe that the estimated information presented herein is representative of the earnings power or value of HTLF. The following analysis, which is inherently limited in depicting fair value, also does not consider any value associated with either existing customer relationships or the ability of HTLF to create value through loan origination, deposit gathering or fee generating activities. Many of the estimates presented herein are based upon the use of highly subjective information and assumptions and, accordingly, the results may not be precise. Management believes that fair value estimates may not be comparable between financial institutions due to the wide range of permitted valuation techniques and numerous estimates which must be made. Furthermore, because the disclosed fair value amounts were estimated as of the balance sheet date, the amounts actually realized or paid upon maturity or settlement of the various financial instruments could be significantly different.

Fair Value Measurements at March 31, 2024						Fair Value Measurements at June 30, 2024				
Carrying Amount	Carrying Amount	Estimated Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Carrying Amount	Estimated Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:										
Cash and cash equivalents										
Cash and cash equivalents										
Cash and cash equivalents										
Time deposits in other financial institutions										
Securities:										
Carried at fair value										
Carried at fair value										
Carried at fair value										
Held to maturity										
Other investments										
Loans held for sale										
Loans, net:										
Commercial and industrial										

Commercial and industrial
Commercial and industrial
PPP
Owner occupied commercial real estate
Non-owner occupied commercial real estate
Real estate construction
Agricultural and agricultural real estate
Residential real estate
Consumer
Total Loans, net
Cash surrender value on life insurance
Derivative financial instruments ⁽¹⁾

Financial liabilities:

Financial liabilities:

Financial liabilities:

Deposits
Deposits
Deposits
Demand deposits
Demand deposits
Demand deposits
Savings deposits
Time deposits
Deposits held for sale
Borrowings
Term Debt
Derivative financial instruments ⁽²⁾

(1) Includes interest rate swaps, fair value hedges, embedded derivatives and back-to-back loan swaps.

(1) Includes interest rate swaps, fair value hedges, embedded derivatives and back-to-back loan swaps.

(1) Includes interest rate swaps, fair value hedges, embedded derivatives and back-to-back loan swaps.

(2) Includes fair value hedges, back-to-back loan swaps and undesignated interest rate swaps.

(2) Includes fair value hedges, back-to-back loan swaps and undesignated interest rate swaps.

(2) Includes fair value hedges, back-to-back loan swaps and undesignated interest rate swaps.

	Fair Value Measurements at December 31, 2023				
	Carrying Amount	Estimated Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:					
Cash and cash equivalents	\$ 323,013	\$ 323,013	\$ 323,013	\$ —	\$ —
Time deposits in other financial institutions	1,240	1,240	1,240	—	—
Securities:					
Carried at fair value	4,646,891	4,646,891	32,118	4,614,773	—
Held to maturity	838,241	816,399	—	816,399	—
Other investments	91,277	91,277	—	91,277	—

Loans held for sale	5,071	5,071	—	5,071	—
Loans, net:					
Commercial and industrial	3,611,368	3,396,628	—	3,373,206	23,422
PPP	2,777	2,777	—	2,777	—
Owner occupied commercial real estate	2,621,019	2,444,540	—	2,414,140	30,400
Non-owner occupied commercial real estate	2,536,462	2,393,931	—	2,393,931	—
Real estate construction	982,943	979,105	—	978,463	642
Agricultural and agricultural real estate	914,892	839,572	—	834,804	4,768
Residential real estate	791,984	687,428	—	686,687	741
Consumer	484,634	465,686	—	465,686	—
Total Loans, net	11,946,079	11,209,667	—	11,149,694	59,973
Cash surrender value on life insurance	197,085	197,085	—	197,085	—
Derivative financial instruments ⁽¹⁾	84,904	84,904	—	84,904	—

Financial liabilities:

Deposits					
Demand deposits	4,500,304	4,500,304	—	4,500,304	—
Savings deposits	8,805,597	8,805,597	—	8,805,597	—
Time deposits	2,895,813	2,895,813	—	2,895,813	—
Borrowings					
Term Debt	372,396	374,017	—	374,017	—
Derivative financial instruments ⁽²⁾	84,249	84,249	—	84,249	—

(1) Includes interest rate swaps, fair value hedges, embedded derivatives and back-to-back loan swaps.

(2) Includes fair value hedges, back-to-back loan swaps and undesignated interest rate swaps.

Cash and Cash Equivalents — The carrying amount is a reasonable estimate of fair value due to the short-term nature of these instruments.

Time Deposits in Other Financial Institutions — The carrying amount is a reasonable estimate of fair value due to the short-term nature of these instruments.

Securities — For equity securities with a readily determinable fair value and debt securities either held to maturity, 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. **For Level 3 securities, HTLF utilizes independent pricing provided by third party vendors or brokers.**

Other Investments — Fair value measurement of other investments, which consists primarily of FHLB stock, are based on their redeemable value, which is at cost due to the restrictions placed on their transferability. The market for these securities is restricted to the issuer of the stock and subject to impairment evaluation.

Loans — The fair value of loans is determined using an exit price methodology. The exit price estimation of fair value is based on the present value of the expected cash flows. The projected cash flows are based on the contractual terms of the loans, adjusted for prepayments and a discount rate based on the relative risk of the cash flows. Other considerations include the loan type, remaining life of the loan and credit risk.

The fair value of individually assessed or impaired loans is measured using the fair value of the underlying collateral. The fair value of loans held for sale is estimated using quoted market prices.

Cash surrender value on life insurance — Life insurance policies are held on certain officers. The carrying value of these policies approximates fair value as it is based on the cash surrender value adjusted for other charges or amounts due that are probable at settlement. As such, HTLF classifies the estimated fair value of the cash surrender value on life insurance as Level 2.

Derivative Financial Instruments — The fair value of all derivatives is estimated based on the amount that HTLF would pay or would be paid to terminate the contract or agreement, using current rates and prices, and, when appropriate, the current creditworthiness of the counterparty.

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. If the fair value of the fixed maturity certificates of deposit is calculated at less than the carrying amount, the carrying value of these deposits is reported as the fair value. The fair value of deposits held for sale is estimated using quoted market prices.

Borrowings and Term Debt — Rates currently available to HTLF 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 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.

NOTE 8: STOCK COMPENSATION

Under its 2020 2024 Long-Term Incentive Plan (the "Plan"), HTLF's Compensation and Human Capital Committee, (the "Compensation Committee"), may grant non-qualified and incentive stock options, stock appreciation rights, stock awards, restricted stock, restricted stock units and cash incentive awards. The Plan was approved by stockholders in May 2024 and replaces the 2020 Long-Term Incentive Plan. The Plan has authorized 1,460,000 a total of 2,460,000 shares of common stock for issuance, of which 474,721 1,464,540 shares of common stock were available as of March 31, 2024 June 30, 2024, for issuance of future awards to employees and directors of, and service providers to, HTLF or its subsidiaries.

The cost of each award is based upon its fair value estimated on the date of grant and recognized in the consolidated statements of income over the vesting period of the award. The fair market value of restricted stock and restricted stock units is based on the fair value of the underlying shares of common stock on the date of grant. Forfeitures are accounted for as they occur.

HTLF's income tax expense included \$418,000 of tax expense \$330,000 and \$75,000 during the three six months ended March 31, 2024 June 30, 2024 and June 30, 2023, and a tax benefit of \$46,000 during the three months ended March 31, 2023, respectively, related to the exercise, vesting and forfeiture of equity-based awards.

Restricted Stock Units

The Plan permits the Compensation Committee to grant restricted stock units ("RSUs"). The time-based RSUs are generally granted in the first quarter of each year and represent the right, without payment, to receive shares of HTLF common stock on a specified date in the future. Generally, the time-based RSUs vest over three years in equal installments in March of each of the three years following the year of the grant.

The Compensation Committee has also granted three-year performance-based RSUs, generally in the first quarter of each year. These performance-based RSUs will be earned based on satisfaction of performance targets for the three-year performance period as defined in the RSU agreement. These performance-based RSUs or a portion thereof vest after measurement of performance in relation to the performance targets.

The time-based RSUs (and performance-based RSUs to the extent earned) also vest upon death, disability, a "qualified retirement" (as defined in the RSU agreement), or upon certain terminations of employment following related to a change in control, and the three-year performance-based RSUs may also vest to the extent that they are earned upon those same conditions. control.

All of HTLF's RSUs will be settled in common stock upon vesting. Most RSUs granted after March 2023 accrue dividend equivalents, which are paid in cash without interest only upon vesting. Dividend equivalents with respect to RSUs forfeited are also forfeited. RSUs granted prior to March 2023 are not entitled to dividend equivalents.

A summary of the RSUs outstanding as of March 31, 2024 June 30, 2024, and March 31, 2023 June 30, 2023, and changes during the three six months ended March 31, 2024 June 30, 2024 and 2023, follows:

	2024		2024		2023		2024		2023	
	Shares	Weighted-Average Grant Date Fair Value	Shares	Weighted-Average Grant Date Fair Value	Shares	Weighted-Average Grant Date Fair Value	Shares	Weighted-Average Grant Date Fair Value	Shares	Weighted-Average Grant Date Fair Value
Outstanding at January 1,										
Granted										
Vested										
Forfeited										
Outstanding at March 31,										
Outstanding at June 30,										

Total compensation costs recorded for RSUs were \$3.6 million \$5.9 million and \$4.3 \$6.7 million during the three six months ended March 31, 2024 June 30, 2024 and 2023, respectively. As of March 31, 2024 June 30, 2024, there were \$14.6 million \$12.9 million of total unrecognized compensation costs related to the Plan for RSUs that are expected to be recognized through 2027.

Stock Options

The Plan provides the Compensation Committee the authority to grant stock options. During the year ended December 31, 2022, 64,518 options were granted, and the fair value of the options granted was determined using the Black-Scholes valuation model. The options granted generally vest over the first four years in equal installments on the anniversary date of the grant. The options may also vest upon death, disability, upon a change in control or upon a "qualified retirement" as defined in the stock option agreement.

The exercise price of the stock options was established by the Compensation Committee, but the exercise price may not be less than the fair market value of the shares on the date the options are granted.

A summary of the status of stock options as of March 31, 2024 June 30, 2024, and March 31, 2023 June 30, 2023, and changes during the three six months ended March 31, 2024 June 30, 2024 and 2023, follows:

	2024		2024		2023		2024		2023	
	Shares	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding January 1,										
Granted										
Exercised										
Forfeited										
Outstanding at March 31,										
Options exercisable at March 31,										
Outstanding at June 30,										
Options exercisable at June 30										

At March 31, 2024 June 30, 2024, the options had a weighted average remaining contractual life of 8.67 8.42 years. The intrinsic value of the vested options as of March 31, 2024 June 30, 2024 was \$0. The intrinsic value of the options exercised during the three six months ended March 31, 2024 June 30, 2024, was \$0. The total fair value of the options that vested during the three six months ended March 31, 2024 June 30, 2024, was \$0. Total compensation costs recorded for stock options during the three six months ended March 31, 2024 June 30, 2024 and 2023 were 49,000 \$100,000 and 69,000 \$109,000, respectively. As of March 31, 2024 June 30, 2024, there were \$381,000 \$331,000 of total unrecognized compensation costs related to the Plan for options that are expected to be recognized through 2026.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

SAFE HARBOR STATEMENT

This Quarterly Report on Form 10-Q (including any information incorporated herein by reference) contains, and future oral and written statements of Heartland Financial USA, Inc. ("HTLF") and its management may contain, forward-looking statements within the meaning of such term in Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act") with respect to the business, financial condition, results of operations, plans, objectives and future performance of HTLF. Any statements about HTLF's expectations, beliefs, plans, objectives, assumptions or future events or performance are not historical facts and may be forward-looking. Forward-looking statements may include information about possible or assumed future results of HTLF's operations or performance, and may be based upon beliefs, expectations and assumptions of HTLF's management. These forward-looking statements are generally identifiable by the use of words such as "believe," "expect," "anticipate," "plan," "intend," "estimate," "project," "may," "will," "would," "could," "should," "view," "opportunity," "potential," or other similar expressions. Although HTLF has made these statements based on management's experience and best estimate of future events, the ability of HTLF to predict results or the actual effect or outcomes of plans or strategies is inherently uncertain, and there may be events or factors that management has not anticipated. Therefore, the accuracy and achievement of such forward-looking statements and estimates are subject to a number of risks, many of which are beyond the ability of management to control or predict, that could cause actual results to differ materially from those in its forward-looking statements. These factors, which HTLF currently believes could have a material adverse effect on its operations and future prospects include, among others, those described below and in the risk factors in HTLF's reports filed with the Securities and Exchange Commission ("SEC"), including the "Risk Factors" section under Item 1A of Part I of the company's Annual Report on Form 10-K for the year ended December 31, 2023, and subsequent Quarterly Reports filed on Form 10-Q:

- Economic and Market Conditions Risks, including risks related to the deterioration of the U.S. economy in general and in the local economies in which HTLF conducts its operations and future civil unrest, natural disasters, pandemics and governmental measures addressing them, climate change and climate-related regulations, persistent inflation, higher interest rates, recession, supply chain issues, labor shortages, terrorist threats or acts of war;
- Credit Risks, including risks of increasing credit losses due to deterioration in the financial condition of HTLF's borrowers, changes in asset and collateral values due to climate and other borrower industry risks, which may impact the provision for credit losses and net charge-offs;
- Liquidity and Interest Rate Risks, including the impact of capital market conditions, rising interest rates and changes in monetary policy on our borrowings and net interest income;
- Risks related to the Merger, the fluctuation of the market value of the merger consideration, risks related to combining our businesses, including expenses related to the Merger and integration of the combined entity, risks that the Merger may not occur, and the risk of litigation related to the Merger;

- Operational Risks, including processing, information systems, cybersecurity, vendor, business interruption, and fraud risks;
- Strategic and External Risks, including economic, political, and competitive forces impacting our business; and
- Legal, Compliance and Reputational Risks, including regulatory and litigation risks.

For information regarding factors that could affect the Company's results of operations, financial condition and liquidity, see the risk factors disclosed in the "Risk Factors" section of sections above and in our Annual Report on Form 10-K for the year ended December 31, 2023. See also the Safe Harbor Statement above and the updated Risk Factors below.

Because the market price of UMB common stock may fluctuate, holders of our common stock cannot be certain of the market value of the merger consideration they will receive in the Merger.

Upon completion of the Merger, each share of our common stock issued and outstanding immediately prior to closing (other than certain shares held by us or UMB) will be converted into the right to receive 0.5500 shares of UMB common stock. This exchange ratio is fixed and will not be adjusted for changes in the market price of either UMB common stock or our common stock. Changes in the price of UMB common stock prior to the Merger will affect the value that holders of our common stock will receive in the Merger. We and UMB are not permitted to terminate the Merger Agreement as a result, in and of itself, of any increase or decrease in the market price of UMB common stock or our common stock.

There will be a time lapse between the date of this Quarterly Report filed on Form 10-Q the date on which our stockholders vote to approve the Merger Agreement at the special meeting and the date on which our stockholders entitled to receive shares of UMB common stock actually receive such shares. The market value of UMB common stock may fluctuate during these periods as a result of a variety of factors, including general market and economic conditions, regulatory considerations, including changes in U.S. monetary policy and its effect on global financial markets and on interest rates, changes in UMB's or our business,

operations and prospects and the impact that any of the foregoing may have on UMB, us or the customers or other constituencies of UMB or us, many of which factors are beyond UMB's or our control. Therefore, at the time our stockholders must decide whether to approve the Merger Agreement, they will not know the market value of the consideration to be received by holders of our common stock at closing. You should obtain current market quotations for shares of UMB common stock and for shares of our common stock.

Combining our company and UMB may be more difficult, costly or time consuming than expected and we and UMB may fail to successfully integrate the two businesses or to realize the anticipated benefits of the acquisition.

The success of the Merger will depend, in part, on the ability to realize the anticipated cost savings from integrating our business with that of UMB. This integration will depend substantially on our and UMB's ability to consolidate operations, corporate cultures, systems and procedures and to eliminate redundancies and costs. We may not be able to combine our business with that of UMB without encountering difficulties that could adversely affect the ability to maintain relationships with existing clients, customers, depositors and employees, such as:

- the loss of key employees;
- the disruption of operations and business;
- inability to maintain and increase competitive presence;
- loan and deposit attrition, customer loss and revenue loss;
- possible inconsistencies in standards, control procedures and policies;
- additional costs or unexpected problems with operations, personnel, technology and credit;
- inconsistencies in standards, controls, procedures and policies; and/or
- problems with the assimilation of new operations, systems, sites or personnel, which could divert resources from regular banking operations.

Any disruption to the businesses could cause customers to remove their accounts and move their business to a competing financial institution. Integration efforts between the two companies may also divert management attention and resources. Additionally, general market and economic conditions or governmental actions affecting the financial industry generally may inhibit the successful integration of our business and that of UMB.

We and UMB have operated and, until the completion of the Merger, will continue to operate, independently. The success of the Merger will depend, in part, on the Merger resulting in various benefits including, among other things, benefits relating to enhanced revenues, a strengthened market position for the combined company, cross selling opportunities, technological efficiencies, cost savings and operating efficiencies. Achieving the anticipated benefits of the Merger is subject to a number of uncertainties, including whether the integration of our business and that of UMB is completed in an efficient, effective and timely manner, and general competitive factors in the marketplace. Failure to achieve these anticipated benefits on the anticipated timeframe, or at all, could result in a reduction in the price of UMB common stock as well as in increased costs, decreases in the amount of expected revenues and diversion of management's time and energy and could materially and adversely affect the combined company's business, financial condition and operating results. Those integration matters could have an adverse effect on each of us and UMB for an undetermined period after completion of the Merger on the combined company.

We and UMB have, and the combined company following the Merger will, incur significant transaction and Merger-related costs in connection with the transactions contemplated by the Merger Agreement.

We and UMB have incurred and expect to incur significant non-recurring costs associated with combining our operations with those of UMB. These costs include legal, financial advisory, accounting, consulting and other advisory fees, severance/employment-related costs, public company filing fees and other regulatory fees, printing costs and other related costs. Additional unanticipated costs may be incurred in the integration of our business with the business of UMB, and there are many factors beyond our or UMB's control that

could affect the total amount or timing of integration costs. Although we expect that the elimination of duplicative costs, as well as the realization of other efficiencies related to the integration of the businesses, may offset incremental transaction and Merger-related costs over time, this net benefit may not be achieved in the near term, or at all.

Whether or not the Merger is consummated, we, UMB and the combined company will incur substantial expenses in pursuing the Merger and may adversely impact our and the combined company's earnings. Completion of the transactions contemplated by the Merger Agreement will be conditioned upon customary closing conditions, including the receipt of required governmental authorizations, consents, orders and approvals, including approval by certain federal banking regulators. We and UMB intend to pursue all required approvals in accordance with the Merger Agreement. However, there can be no assurance that such approvals will be obtained without additional cost, on the anticipated timeframe, or at all.

Regulatory approvals for the Merger may not be received, may take longer than expected or may impose conditions that are not currently anticipated or that could have an adverse effect on the combined company following the Merger.

Before the Merger and the Bank Merger may be completed, various approvals, consents and non-objections must be obtained from regulatory authorities. In determining whether to grant these approvals, regulatory authorities consider a variety of factors, including the regulatory standing of each party. These approvals could be delayed or not obtained at all, including due to any or all of the following: an adverse development in any party's regulatory standing or any other factors considered by regulators in granting such approvals, governmental, political or community group inquiries, investigations or opposition; changes in legislation or the political environment, including as a result of changes of the U.S. executive administration, or Congressional leadership and regulatory agency leadership.

Even if the approvals are granted, they may impose terms and conditions, limitations, obligations or costs, or place restrictions on the conduct of the combined company's business or require changes to the terms of the transactions contemplated by the Merger Agreement. There can be no assurance that regulators will not impose any such conditions, limitations, obligations or restrictions or that such conditions, limitations, obligations or restrictions will not have the effect of delaying the completion of any of the transactions contemplated by the Merger Agreement, imposing additional material costs on or materially limiting the revenues of the combined company following the Merger or will otherwise reduce the anticipated benefits of the Merger. In addition, there can be no assurance that any such conditions, limitations, obligations or restrictions will not result in the delay or abandonment of the Merger. Additionally, the completion of the Merger is conditioned on the absence of certain orders, injunctions or decrees by any governmental entity of competent jurisdiction that would prohibit or make illegal the completion of the transactions contemplated by the Merger Agreement.

Despite our and UMB's commitments to use our reasonable best efforts to respond to any request for information and resolve any objection that may be asserted by any governmental entity with respect to the Merger Agreement, neither party is required under the terms of the Merger Agreement to take any action, commit to take any action, or agree to any condition or restriction in connection with obtaining these approvals, that would reasonably be expected to have a material adverse effect on the combined company and its subsidiaries, taken as a whole, after giving effect to the proposed Merger (measured on a scale relative to us and our subsidiaries, taken as a whole) (a "materially burdensome regulatory condition") **quarter ended March 31, 2024.**

The Merger Agreement may be terminated in accordance with its terms and the Merger may not be completed. Such failure to complete the transactions contemplated by the Merger Agreement could cause our results to be adversely affected, our stock price to decline or have a material and adverse effect on our stock price and results of operations.

If the transactions contemplated by the Merger Agreement, including the Merger, are not completed for any reason, including as a result of our stockholders or UMB's shareholders failing to approve the transactions contemplated by the Merger Agreement, there may be various adverse consequences and we may experience negative reactions from the financial markets and from our respective customers and employees. Moreover, our stock price may decline because costs related to such transactions, such as legal, accounting and financial advisory fees, must be paid even if such transactions, including the Merger, are not completed. Moreover, we may be required to pay a termination fee of \$70 million to UMB upon a termination of the Merger Agreement in certain circumstances. In addition, if the transactions contemplated by the Merger Agreement are not completed, whether because of our failure to receive required regulatory approvals in a timely fashion or because we have breached our obligations in a way that permits UMB to terminate the Merger Agreement, or for any other reason, our stock price may decline.

The market price for UMB's common stock following the Merger may be affected by factors different from those that historically have affected or currently affect our common stock.

Subject to the terms and conditions of the Merger Agreement, upon completion of the Merger, holders of shares of our common stock will receive shares of UMB common stock. The combined company's business and financial position will differ from our business and financial position before the completion of the Merger and, accordingly, the results of operations of the combined company will be affected by some factors that are different from those currently affecting our results of operations and those currently affecting our results of operations. Accordingly, the market price and performance of UMB's common stock following the Merger is likely to be different from the performance of our common stock in the absence of the Merger.

The future results of the combined company following the Merger may suffer if the combined company does not effectively manage its expanded operations.

Following the Merger, the size of the business of the combined company will increase significantly beyond the current size of either our or UMB's business. The combined company's future success will depend, in part, upon its ability to manage this expanded business, which may pose challenges for management, including challenges related to the management and monitoring of new operations and associated increased costs and complexity. The combined company may also face increased scrutiny from governmental authorities as a result of the significant increase in the size of its business.

In addition, while HTLF Bank is a Colorado state-chartered non-member bank subject to primary federal bank regulatory oversight by the Federal Deposit Insurance Corporation, UMB's bank subsidiary, UMB Bank, National Association ("UMB Bank") is, and the bank subsidiary of the combined company upon completion of the Bank Merger will be, a national bank subject to oversight by the Office of the Comptroller of the Currency (the "OCC"). The laws, regulations and regulatory

guidance applicable to HTLF Bank and the bank subsidiary of the combined company will therefore differ in ways that may affect the operations of the combined company.

There can be no assurances that the combined company will be successful or that it will realize the expected operating efficiencies, cost savings or other benefits currently anticipated from the Merger.

We will be subject to business uncertainties and contractual restrictions while the Merger is pending.

Uncertainty about the effect of the Merger on employees and customers may have an adverse effect on us. These uncertainties may impair our ability to attract, retain and motivate key personnel until the Merger is completed, and could cause customers and others that deal with us to seek to change existing business relationships with us. In addition, subject to certain exceptions, we and UMB have agreed to operate our respective businesses in the ordinary course consistent with past practice in all material respects prior to closing, and we and UMB have agreed to agree not to take certain actions, which could cause us to be unable to pursue other beneficial opportunities that may arise prior to the completion of the Merger.

The shares of UMB common stock to be received by holders of our common stock as a result of the Merger will have different rights from the shares of our common stock.

Following the Merger, holders of our common stock will become holders of UMB common stock and their rights as shareholders of UMB common stock will be governed by Missouri law and the governing documents of the combined company. The rights associated with UMB common stock are different from the rights associated with our common stock.

Holders of our common stock will have a reduced ownership and voting interest in the combined company after the Merger and will exercise less influence over management.

Holders of our common stock currently have the right to vote in the election of the board of directors and on other matters affecting us. When the Merger is completed, each holder of our common stock who receives shares of UMB common stock will become a holder of common stock of the combined company, with a percentage ownership of the combined company that is smaller than the holder's percentage ownership of us. Based on the number of shares of UMB common stock and our common stock outstanding as of the close of business on April 26, 2024, and based on the number of shares of UMB common stock expected to be issued in the Merger, the former holders of our common stock, as a group, are estimated to own approximately thirty-one percent (31%) of the combined company immediately after closing. Additionally, five of the members of our Board of Directors will join the UMB Board of Directors at closing, which will be expanded to sixteen members. Because of this, holders of our common stock may have less influence on the management and policies of the combined company than they now have on our management and policies.

Litigation related to the Merger could prevent or delay completion of the Merger or otherwise negatively affect the business and operations of us and UMB.

We and UMB may incur costs in connection with the defense or settlement of any shareholder or stockholder lawsuits filed in connection with the Merger. Such litigation could have an adverse effect on our and UMB's financial condition and results of operations and could prevent or delay the completion of the Merger.

The Merger Agreement limits our ability to pursue alternatives to the Merger and may discourage other companies from trying to acquire us.

The Merger Agreement contains "no shop" covenants that restrict our ability to, directly or indirectly, initiate, solicit, knowingly encourage or knowingly facilitate any inquiries or proposals with respect to any acquisition proposal, engage or participate in any negotiations with any person concerning any acquisition proposal, provide any confidential or nonpublic information or data to, or have or participate in any discussions with, any person relating to any acquisition proposal, subject to certain exceptions, or, unless the Merger Agreement has been terminated in accordance with its terms, approve or enter into any term sheet, letter of intent, commitment, memorandum of understanding, agreement in principle, acquisition agreement, Merger Agreement or other agreement in connection with or relating to any acquisition proposal.

The Merger Agreement further provides that, during the twelve (12)-month period following the termination of the Merger Agreement under specified circumstances, including the entry into a definitive agreement or consummation of a transaction with respect to an alternative acquisition proposal, we may be required to pay a termination fee of \$70 million to UMB.

These provisions could discourage a potential third-party acquirer that might have an interest in acquiring all or a significant portion of us from considering or proposing that acquisition.

The Merger will not be completed unless important conditions are satisfied or waived, including adoption of the Merger Agreement by our stockholders and approval of the issuance of UMB stock and amendment of the UMB articles pursuant to the Merger Agreement by UMB's shareholders.

Specified conditions set forth in the Merger Agreement must be satisfied or waived to complete the Merger. If the conditions are not satisfied or, subject to applicable law, waived, the Merger will not occur or will be delayed and each of us and UMB may lose some or all of the intended benefits of the Merger. The following conditions must be satisfied or waived, if permissible, before we and UMB are obligated to complete the Merger: (1) (A) adoption of the Merger Agreement by our stockholders and (B) approval of the issuance of UMB stock and the amendment and the amendment of UMB's articles pursuant to the Merger Agreement by UMB's shareholders, (2) authorization for listing on the Nasdaq Global Select Market of the shares of UMB stock to be issued in the Merger, subject to official notice of issuance, (3) receipt of specified governmental consents and approvals, including from the Board of Governors of the Federal Reserve System and the Office of the Comptroller of the Currency, and termination or expiration of all applicable waiting periods in respect thereof, in each case without the imposition of a materially burdensome regulatory condition, (4) effectiveness of the registration statement on Form S-4 for the shares of UMB stock to be issued in the Merger, and (5) the absence of any order, injunction, decree or other legal restraint preventing the completion of the Merger or the Bank Merger or making the completion of the Merger or the Bank Merger illegal. Each party's obligation to complete the Merger is also subject to certain additional customary conditions, including (i) subject to certain exceptions, the accuracy of the representations and warranties of the other party, (ii) performance in all material respects by the other party of its obligations under the Merger Agreement and (iii) receipt by such party of an opinion from counsel to the effect that the first and second steps of the Merger, taken together, will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended.

These risks and uncertainties should be considered in evaluating forward-looking statements made by HTLF or on its behalf, and undue reliance should not be placed on these statements. There can be no assurance that other factors not currently anticipated by HTLF will not materially and adversely affect the company's business, financial condition and results of operations. All statements in this Quarterly Report on Form 10-Q, including forward-looking statements, speak only as of the date they are made. HTLF does not undertake and specifically disclaims any obligation to publicly release the results of any revisions which may be made or to correct or update any forward-looking statement to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events or to otherwise update any statement in light of new information or future events. Further information concerning HTLF and its business, including additional factors that could materially affect HTLF's financial results, is included in the company's filings with the SEC.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, income and expenses. These estimates are based upon historical experience and on various other

assumptions that management believes are reasonable under the circumstances. Among other things, the estimates form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The estimates and judgments that management believes have the most effect on HTLF's reported financial position and results of operations are described as critical accounting policies in the company's Annual Report on Form 10-K for the year ended December 31, 2023. There have been no significant changes in the critical accounting estimates or the assumptions and judgments utilized in applying these estimates since December 31, 2023.

OVERVIEW

Heartland Financial USA, Inc. is a bank holding company operating under the brand name "HTLF". HTLF's independently branded banks (referred to herein collectively as the "Banks", "Bank Markets") serve communities in Arizona, California, Colorado, Illinois, Iowa, Kansas, Minnesota, Missouri, Montana, New Mexico, Texas and Wisconsin. HTLF is committed to its core commercial business supported by a strong retail operation and provides a diversified line of financial services and products including treasury management, commercial credit cards, wealth management, investments and residential mortgages. As of March 31, 2024 June 30, 2024, HTLF operated under 11 local bank brands through a total of 116 locations.

HTLF'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 and fees, loan servicing income, trust fees, brokerage and insurance commissions, capital markets fees, net securities gains/(losses), net gains on sale of loans held for sale, and income on bank owned life insurance, also affects the results of operations. HTLF's principal operating expenses, aside from interest expense, consist of the provision for credit losses, salaries and employee benefits, occupancy, furniture and equipment costs, professional fees, FDIC insurance assessments, advertising, core deposit intangibles amortization, other real estate and loan collection expenses, (gains)/losses on sales/valuation of assets, partnership investment in tax credit projects and acquisition, integration and restructuring costs.

Overview of First Second Quarter and Year to Date results as of March 31, 2024 June 30, 2024

HTLF reported the following results for the quarter ended March 31, 2024 June 30, 2024, compared to the quarter ended March 31, 2023 June 30, 2023:

- Net income available to common stockholders of \$37.7 million compared to \$47.4 million, a decrease of \$9.7 million or 20%.
- Earnings per diluted common share of \$0.88 compared to \$1.11, a decrease of \$0.23 or 21%.
- Adjusted earnings available to common stockholders (non-GAAP) of \$49.6 million or \$1.15 per diluted common share compared to \$46.5 million or \$1.09 per diluted common share.
- Net interest income of \$158.7 million compared to \$147.1 million, an increase of \$11.6 million or 8%.
- Total revenue of \$176.9 million compared to \$179.6 million, a decrease of \$2.7 million or 1%.
- Annualized return on average assets of 0.84% compared to 0.98%. Adjusted annualized return on average assets (non-GAAP) of 1.09% compared to 0.96%.
- Annualized return on average common equity of 8.14% compared to 11.01%. Adjusted annualized return on average common equity (non-GAAP) of 10.71% compared to 10.80%.

- Annualized return on average tangible common equity (non-GAAP) of 12.28% compared to 17.31%. Adjusted annualized return on average tangible common equity (non-GAAP) of 16.05% compared to 17.00%.

HTLF reported the following results for the six months ended June 30, 2024, compared to the six months ended June 30, 2023 :

- Net income available to common stockholders of \$87.4 million compared to \$98.2 million, a decrease of \$10.7 million or 11%.
- Earnings per diluted common share of \$2.03 compared to \$2.30, a decrease of \$0.27 or 12%.
- Adjusted earnings available to common stockholders (non-GAAP) of \$102.0 million or \$2.37 per diluted common share compared to \$100.2 million or \$2.34 per diluted common share.
- Net interest income of \$313.0 million compared to \$299.3 million, an increase of \$13.6 million or 5%.
- Total revenue of \$358.8 million compared to \$361.8 million, a decrease of \$3.0 million or 1%.
- Annualized return on average assets of 0.96% compared to 1.02%. Adjusted annualized return on average assets (non-GAAP) of 1.11% compared to 1.04%
- Annualized return on average common equity of 9.51% compared to 11.70%. Adjusted annualized return on average common equity (non-GAAP) of 11.10% compared to 11.95%.

- net income available to common stockholders of \$49.7 million compared to \$50.8 million, a decrease of \$1.1 million or 2%.
- earnings per diluted common share of \$1.16 compared to \$1.19, a decrease of \$0.03 or 3%.
- adjusted earnings available to common stockholders (non-GAAP)⁽¹⁾ of \$52.4 million or \$1.22 per diluted common share compared to \$53.7 million of \$1.26 per diluted common share.
- net interest income of \$154.2 million compared to \$152.2 million, an increase of \$2.0 million or 1%.
- return on average assets was 1.08% compared to 1.06%.
- return on average common equity was 10.90% compared to 12.43%, and
- Annualized return on average tangible common equity (non-GAAP) was 16.49% of 14.36% compared to 20.03% 18.62%. Adjusted annualized return on average tangible common equity (non-GAAP) of 16.70% compared to 19.00%.

For the first second quarter of 2024, net interest margin was 3.52% (3.57% 3.68% (3.73% on a fully tax-equivalent basis, non-GAAP), which compares compared to 3.47% (3.52% on a fully tax-equivalent basis, non-GAAP) for the fourth quarter of 2023, and 3.36% (3.40% 3.52% (3.57% on a fully tax-equivalent basis, non-GAAP) for the first quarter of 2024, and 3.19% (3.23% on a fully tax-equivalent basis, non-GAAP) for the second quarter of 2023. For the first six months of 2024, net interest margin was 3.60% (3.65% on a fully tax-equivalent basis, non-GAAP) compared to 3.27% (3.32% on a fully tax-equivalent basis, non-GAAP) for the first six months of 2023.

The efficiency ratio was 62.46% (58.77% 65.69% (57.73% on an adjusted efficiency ratio, fully tax-equivalent basis, non-GAAP) for the first second quarter of 2024 compared to 60.94% (57.16% 60.93% (59.88% on an adjusted fully-tax equivalent fully tax-equivalent basis, non-GAAP) for the same quarter of 2023. For the first six months of 2024, the efficiency ratio was 64.05% (58.25% on an adjusted fully tax-equivalent basis, non-GAAP) compared to 60.94% (58.48% on an adjusted fully tax-equivalent basis, non-GAAP) for the first six months of 2023.

Total assets were \$19.13 billion \$18.81 billion at March 31, 2024 June 30, 2024, a decrease of \$278.9 million \$599.0 million or 1% 3% since December 31, 2023. Securities represented 28% 27% and 29% of total assets at March 31, 2024 June 30, 2024 and December 31, 2023, respectively. Total loans held to maturity were \$11.64 billion \$11.61 billion at March 31, 2024 June 30, 2024, compared to \$12.07 billion at December 31, 2023, a decrease of \$424.0 million \$460.3 million or 4%.

The total allowance for lending related credit losses was \$137.7 million \$139.9 million or 1.18% 1.21% of total loans at March 31, 2024 June 30, 2024, compared to \$139.0 million or 1.15% of total loans at December 31, 2023.

Total deposits were \$15.30 billion \$14.96 billion as of March 31, 2024 June 30, 2024, compared to \$16.20 billion at December 31, 2023, a decrease of \$899.5 million \$1.25 billion or 6% 8%. As of March 31, 2024 June 30, 2024, 69% 70% of HTLF's deposits were insured or collateralized.

Total equity was \$1.98 billion \$2.03 billion at March 31, 2024 June 30, 2024, compared to \$1.93 billion at December 31, 2023. Book value per common share was \$43.66 \$44.74 at March 31, 2024 June 30, 2024, compared to \$42.69 at year-end 2023. The unrealized loss on securities available for sale including the unrealized gain on the fair value security hedges, net of applicable taxes, was \$447.4 million \$426.4 million at March 31, 2024 June 30, 2024, compared to an unrealized loss of \$453.7 million, net of applicable taxes, at December 31, 2023.

Refer to "Non-GAAP Financial Measures" for additional information on the usage and presentation of the foregoing non-GAAP measures, and refer to the financial tables under "Financial Highlights" for the reconciliations to the most directly comparable GAAP measures.

2024 Developments

Rocky Mountain Bank Sale

HTLF Bank has signed definitive agreements to sell closed on the sale of all nine Rocky Mountain Bank branches in Montana in mid-July along with all associated deposits and certain related assets to two purchasers. Per the terms of the agreements, six branches will be sold to Glacier Bank and three branches will be sold to Stockman Bank of Montana.

Loans of \$352.7 million \$348.8 million, deposits of \$596.3 million \$538.3 million and fixed assets of \$13.2 million have been moved to held for sale categories as of March 31, 2024 June 30, 2024. The transactions are expected to close early gain of \$30 million will be realized in the third quarter of this year with an estimated pre-tax premium 2024 and may potentially be utilized to offset future losses related to selling securities or disposing of \$30-\$35 million based upon current deposit balances.

Subsequent Events

On April 28, 2024 (the "Signing Date"), HTLF entered into an Agreement and Plan of Merger (the "Merger Agreement") with UMB Financial Corporation, a Missouri corporation ("UMB") and Blue Sky Merger Sub Inc., a Delaware corporation and wholly owned subsidiary of UMB ("Blue Sky Merger Sub"). The Merger Agreement provides that, upon the terms and subject to the conditions set forth therein, (i) Blue Sky Merger Sub will merge with and into HTLF (the "Merger"), with HTLF surviving the Merger as a wholly owned subsidiary of UMB (the "Surviving Entity") and (ii) immediately following the effective time of the Merger (the "Effective Time") and as part of a single, integrated transaction, the Surviving Entity will merge with and into UMB (the "Second Merger", and together with the Merger, the "Mergers"), with UMB surviving the Second Merger (the "Surviving Corporation"). On the day immediately following the closing date of the Mergers, UMB will cause HTLF's wholly owned banking subsidiary, HTLF Bank, to merge with and into UMB's wholly owned banking subsidiary, UMB Bank, National Association (the "Bank Merger"), with UMB Bank, National Association continuing as the surviving bank in the Bank Merger. The Merger Agreement was unanimously approved by the Board of Directors of each of HTLF and UMB.

Upon the terms and subject to the conditions set forth in the Merger Agreement, at the Effective Time, each share of common stock, par value \$1.00 per share, of HTLF ("HTLF Common Stock") issued and outstanding immediately prior to the Effective Time, other than certain shares held by UMB or HTLF, will be converted into the right to receive 0.55 shares (the "Exchange Ratio," and such shares, the "Merger Consideration") of common stock, \$1.00 par value, of UMB ("UMB Common Stock") and cash in lieu of fractional shares. At the Effective Time, each share of 7.00% Fixed-Rate Non-Cumulative Perpetual Preferred Stock, Series E, par value \$1.00 per share of HTLF (the "HTLF Preferred Stock"), issued and outstanding immediately before the Effective Time will be converted into the right to receive one share of a newly created series of preferred stock of UMB ("UMB Preferred Stock") with such rights, preferences, privileges and powers (including voting powers) as set forth in the Certificate of Designations attached as an exhibit to the Merger Agreement.

FINANCIAL HIGHLIGHTS		
(Dollars in thousands, except per share data)	Three Months Ended	
	March 31,	
	2024	2023
STATEMENT OF INCOME DATA		
Interest income	\$ 251,722	\$ 216,978
Interest expense	97,507	64,766
Net interest income	154,215	152,212
Provision for credit losses	986	3,074
Net interest income after provision for credit losses	153,229	149,138
Noninterest income	27,663	29,999
Noninterest expenses	113,595	111,043
Income taxes	15,590	15,318
Net income	51,707	52,776
Preferred dividends	(2,013)	(2,013)
Net income available to common stockholders	\$ 49,694	\$ 50,763
KEY PERFORMANCE RATIOS		
Annualized return on average assets	1.08 %	1.06 %
Annualized return on average common equity (GAAP)	10.90	12.43
Annualized return on average tangible common equity (non-GAAP) ⁽¹⁾	16.49	20.03
Annualized ratio of net charge-offs/(recoveries) to average loans	0.08	(0.04)
Annualized net interest margin (GAAP)	3.52	3.36
Annualized net interest margin, fully tax-equivalent (non-GAAP) ⁽¹⁾	3.57	3.40
Efficiency ratio (GAAP)	62.46	60.94
Adjusted efficiency ratio, fully tax-equivalent (non-GAAP) ⁽¹⁾	58.77	57.16
Total noninterest expenses to average assets	2.37	2.24
Core noninterest expenses to average assets (non-GAAP) ⁽¹⁾	2.25	2.14

real estate.

Dollars in thousands, except per share data	As Of and For the Quarter Ended				
	3/31/2024	12/31/2023	9/30/2023	6/30/2023	3/31/2023
BALANCE SHEET DATA					
Investments	\$ 5,327,801	\$ 5,576,409	\$ 6,408,156	\$ 6,705,005	\$ 7,001,119
Loans held for sale	352,744	5,071	6,262	14,353	10,425
Loans receivable held to maturity	11,644,641	12,068,645	11,872,436	11,717,974	11,495,353
Allowance for credit losses	123,934	122,566	110,208	111,198	112,707
Total assets	19,132,827	19,411,707	20,129,793	20,224,716	20,182,544
Total deposits	15,302,166	16,201,714	17,100,993	17,663,543	17,681,346
Term debt	372,652	372,396	372,059	372,403	372,097
Common equity	1,868,128	1,822,412	1,714,825	1,748,285	1,718,700
COMMON SHARE DATA					
Book value per common share (GAAP)	\$ 43.66	\$ 42.69	\$ 40.20	\$ 41.00	\$ 40.38
Tangible book value per common share (non-GAAP) ⁽¹⁾	\$ 29.81	\$ 28.77	\$ 26.23	\$ 26.98	\$ 26.30
ASC 320 effect on book value per common share	\$ (11.18)	\$ (11.00)	\$ (16.27)	\$ (14.04)	\$ (13.35)
Common shares outstanding, net of treasury stock	42,783,670	42,688,008	42,656,303	42,644,544	42,558,726
Tangible common equity ratio (non-GAAP) ⁽¹⁾	6.88 %	6.53 %	5.73 %	5.86 %	5.72 %
Adjusted tangible common equity ratio (non-GAAP) ⁽¹⁾	9.07 %	8.72 %	8.73 %	8.54 %	8.37 %
(1) Refer to "Non-GAAP Financial Measures" for additional information on the usage and presentation of these non-GAAP measures, and refer to these financial tables for the reconciliations to the most directly comparable GAAP measures.					

FINANCIAL HIGHLIGHTS					
(Dollars in thousands, except per share data)	Three Months Ended		Six Months Ended		
	June 30,		June 30,		
	2024	2023	2024	2023	
STATEMENT OF INCOME DATA					
Interest income	\$ 255,629	\$ 235,500	\$ 507,351	\$	452,478
Interest expense	96,888	88,368	194,395		153,134
Net interest income	158,741	147,132	312,956		299,344
Provision for credit losses	9,008	5,379	9,994		8,453
Net interest income after provision for credit losses	149,733	141,753	302,962		290,891
Noninterest income	18,207	32,493	45,870		62,492
Noninterest expenses	116,244	109,446	229,839		220,489
Income taxes	11,954	15,384	27,544		30,702
Net income	39,742	49,416	91,449		102,192
Preferred dividends	(2,012)	(2,012)	(4,025)		(4,025)
Net income available to common stockholders	\$ 37,730	\$ 47,404	\$ 87,424	\$	98,167
Adjusted earnings available to common stockholders (non-GAAP) ⁽¹⁾	\$ 49,637	\$ 46,514	\$ 102,017	\$	100,247
KEY PERFORMANCE RATIOS					
Annualized return on average assets	0.84 %	0.98 %	0.96 %		1.02 %
Adjusted annualized return on average assets (non-GAAP) ⁽¹⁾	1.09	0.96	1.11		1.04
Annualized return on average common equity (GAAP)	8.14	11.01	9.51		11.70
Adjusted annualized return on average common equity (non-GAAP) ⁽¹⁾	10.71	10.80	11.10		11.95
Annualized return on average tangible common equity (non-GAAP) ⁽¹⁾	12.28	17.31	14.36		18.62
Adjusted annualized return on average tangible common equity (non-GAAP) ⁽¹⁾	16.05	17.00	16.70		19.00

Annualized ratio of net charge-offs/(recoveries) to average loans	0.23	0.32	0.15	0.15
Annualized net interest margin (GAAP)	3.68	3.19	3.60	3.27
Annualized net interest margin, fully tax-equivalent (non-GAAP) ⁽¹⁾	3.73	3.23	3.65	3.32
Efficiency ratio (GAAP)	65.69	60.93	64.05	60.94
Adjusted efficiency ratio, fully tax-equivalent (non-GAAP) ⁽¹⁾	57.73	59.88	58.25	58.51
Annualized ratio of total noninterest expenses to average assets (GAAP)	2.46	2.17	2.41	2.20
Annualized ratio of core expenses to average assets (non-GAAP) ⁽¹⁾	2.30	2.16	2.28	2.15
(1) Refer to "Non-GAAP Financial Measures" for additional information on the usage and presentation of these non-GAAP measures, and refer to these financial tables for the reconciliations to the most directly comparable GAAP measures.				

(Dollars in thousands, except per share data)	As Of and For the Quarter Ended				
	6/30/2024	3/31/2024	12/31/2023	9/30/2023	6/30/2023
BALANCE SHEET DATA					
Investments	\$ 5,098,718	\$ 5,327,801	\$ 5,576,409	\$ 6,408,156	\$ 6,705,005
Loans held for sale	348,761	352,744	5,071	6,262	14,353
Loans receivable held to maturity	11,608,309	11,644,641	12,068,645	11,872,436	11,717,974
Allowance for credit losses	126,861	123,934	122,566	110,208	111,198
Total assets	18,812,670	19,132,827	19,411,707	20,129,793	20,224,716
Total deposits	14,956,590	15,302,166	16,201,714	17,100,993	17,663,543
Term debt	372,988	372,652	372,396	372,059	372,403
Common equity	1,917,145	1,868,128	1,822,412	1,714,825	1,748,285
COMMON SHARE DATA					
Book value per common share (GAAP)	\$ 44.74	\$ 43.66	\$ 42.69	\$ 40.20	\$ 41.00
Tangible book value per common share (non-GAAP) ⁽¹⁾	30.94	29.81	28.77	26.23	26.98
ASC 320 effect on book value per common share	(10.82)	(11.18)	(11.00)	(16.27)	(14.04)
Common shares outstanding, net of treasury stock	42,852,180	42,783,670	42,688,008	42,656,303	42,644,544
Tangible common equity ratio (non-GAAP) ⁽¹⁾	7.28 %	6.88 %	6.53 %	5.73 %	5.86 %
(1) Refer to "Non-GAAP Financial Measures" for additional information on the usage and presentation of these non-GAAP measures, and refer to these financial tables for the reconciliations to the most directly comparable GAAP measures.					

Non-GAAP Reconciliations (Dollars in thousands, except per share data)	As Of and For the Quarter Ended				
	3/31/2024	12/31/2023	9/30/2023	6/30/2023	3/31/2023

NON-GAAP RECONCILIATIONS

(Dollars in thousands, except per share data)	As Of and For the Quarter Ended				
	6/30/2024	3/31/2024	12/31/2023	9/30/2023	6/30/2023

Reconciliation of Tangible Book Value

Per Common Share (non-GAAP)

Common stockholders' equity (GAAP)

Common stockholders' equity (GAAP)

Common stockholders' equity (GAAP)

Less goodwill

Less core deposit intangibles, net

Tangible common stockholders' equity
(non-GAAP)

Common shares outstanding, net of treasury stock

Common shares outstanding, net of treasury stock

Common shares outstanding, net of treasury stock

Tangible book value per common share
(non-GAAP)

Reconciliation of Tangible Common Equity Ratio (non-GAAP)

Total assets (GAAP)

Less goodwill

Less core deposit intangibles, net

Total tangible assets (non-GAAP)

		2019	2018	2017	2016	2015	2014
Tangible common equity ratio (non-GAAP)	Tangible common equity ratio (non-GAAP)	6.88 %	6.53 %	5.73 %	5.86 %	5.72 %	7.28 %
Tangible common equity ratio (non-GAAP)	Tangible common equity ratio (non-GAAP)	6.88 %	6.53 %	5.73 %	5.86 %	5.72 %	7.28 %

Tangible common equity (non-GAAP)Tangible common equity (non-GAAP)

Tangible common equity (non-GAAP)

Accumulated other comprehensive lossAdjusted tangible common equity (non-GAAP)Total tangible assets (non-GAAP)

Total tangible assets (non-GAAP)

Total tangible assets (non-GAAP)

Fair value adjustment for securities and derivatives, net of deferred taxes

Total adjusted tangible assets (non-GAAP)

Adjusted tangible common equity ratio (non-GAAP)	9.07 %	8.72 %	8.73 %	8.54 %	8.37 %
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(1) Computed on a tax-equivalent basis using an effective tax rate of 21%.

(1) Computed on a tax-equivalent basis using an effective tax rate of 21%.

(1) Computed on a tax-equivalent basis using an effective tax rate of 21%.

(Dollars in thousands, except per share data)

(Dollars in thousands, except per share data)	For the Quarter Ended		For the Six Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Reconciliation of Annualized Return on Average Tangible Common Equity (non-GAAP)				
Earnings available to common stockholders (GAAP)	\$ 37,730	\$ 47,404	\$ 87,424	\$ 98,167
Plus core deposit intangibles amortization, net of tax ⁽²⁾	1,081	1,309	2,211	2,673
Earnings available to common stockholders excluding intangible amortization (non-GAAP)	<u>\$ 38,811</u>	<u>\$ 48,713</u>	<u>\$ 89,635</u>	<u>\$ 100,840</u>
Average common equity (GAAP)	\$ 1,863,236	\$ 1,727,013	\$ 1,848,098	\$ 1,691,633

Less average goodwill	576,005	576,005	576,005	576,005
Less average core deposit intangibles, net	16,185	22,481	16,913	23,355
Average tangible common equity (non-GAAP)	<u>\$ 1,271,046</u>	<u>\$ 1,128,527</u>	<u>\$ 1,255,180</u>	<u>\$ 1,092,273</u>
Annualized return on average common equity (GAAP)	8.14 %	11.01 %	9.51 %	11.70 %
Annualized return on average tangible common equity (non-GAAP)	12.28	17.31	14.36	18.62
Reconciliation of Annualized Net Interest Margin, Fully Tax-Equivalent (non-GAAP)				
Net interest income (GAAP)	\$ 158,741	\$ 147,132	\$ 312,956	\$ 299,344
Plus tax-equivalent adjustment ⁽¹⁾	<u>1,991</u>	<u>2,136</u>	<u>3,971</u>	<u>4,345</u>
Net interest income, fully tax-equivalent (non-GAAP)	<u>\$ 160,732</u>	<u>\$ 149,268</u>	<u>\$ 316,927</u>	<u>\$ 303,689</u>
Average earning assets	17,331,435	18,523,552	17,464,253	18,458,462
Annualized net interest margin (GAAP)	3.68 %	3.19 %	3.60 %	3.27 %
Annualized net interest margin, fully tax-equivalent (non-GAAP) ⁽¹⁾	3.73	3.23	3.65	3.32
Net purchase accounting discount accretion on loans included in annualized net interest margin	0.01	0.03	0.02	0.02

Non-GAAP Reconciliations (Dollars in thousands, except per share data)	For the Quarter Ended	
	March 31,	
	2024	2023
Reconciliation of Annualized Return on Average Tangible Common Equity (non-GAAP)		
Net income available to common stockholders (GAAP)	\$ 49,694	\$ 50,763
Plus core deposit intangibles amortization, net of tax ⁽²⁾	<u>1,131</u>	<u>1,413</u>
Adjusted net income available to common stockholders (non-GAAP)	<u>\$ 50,825</u>	<u>\$ 52,176</u>
Average common stockholders' equity (GAAP)	\$ 1,832,959	\$ 1,655,860
Less average goodwill	576,005	576,005
Less average other intangibles, net	<u>17,641</u>	<u>24,238</u>
Average tangible common equity (non-GAAP)	<u>\$ 1,239,313</u>	<u>\$ 1,055,617</u>
Annualized return on average common equity (GAAP)	10.90 %	12.43 %
Annualized return on average tangible common equity (non-GAAP)	16.49 %	20.05 %
Reconciliation of Annualized Net Interest Margin, Fully Tax-Equivalent (non-GAAP)		
Net interest income (GAAP)	\$ 154,215	\$ 152,212
Plus tax-equivalent adjustment ⁽¹⁾	<u>1,981</u>	<u>2,209</u>
Net interest income, fully tax-equivalent (non-GAAP)	<u>\$ 156,196</u>	<u>\$ 154,421</u>
Average earning assets	\$ 17,597,068	\$ 18,392,649
Annualized net interest margin (GAAP)	3.52 %	3.36 %
Annualized net interest margin, fully tax-equivalent (non-GAAP)	3.57	3.40
Net purchase accounting discount accretion on loans included in annualized net interest margin	0.02	0.02
Reconciliation of Adjusted Efficiency Ratio (non-GAAP)		
Net interest income (GAAP)	\$ 154,215	\$ 152,212
Tax-equivalent adjustment ⁽¹⁾	<u>1,981</u>	<u>2,209</u>
Fully tax-equivalent net interest income	156,196	154,421
Noninterest income (GAAP)	27,663	29,999
Securities (gains)/losses, net	(58)	1,104
Unrealized (gain)/loss on equity securities, net	(95)	(193)
Valuation adjustment on servicing rights	—	—
Adjusted revenue (non-GAAP)	<u>\$ 183,706</u>	<u>\$ 185,331</u>

Total noninterest expenses (GAAP)	\$ 113,595	\$ 111,043
Less:		
Core deposit intangibles amortization	1,492	1,788
Partnership investment in tax credit projects	494	538
(Gain)/loss on sales/valuation of assets, net	214	1,115
Acquisition, integration and restructuring costs	1,375	1,673
FDIC special assessment	2,049	—
Core expenses (non-GAAP)	\$ 107,971	\$ 105,929
Efficiency ratio (GAAP)	62.46 %	60.94 %
Adjusted efficiency ratio, fully tax-equivalent (non-GAAP)	58.77 %	57.16 %
(1) Computed on a tax-equivalent basis using an effective tax rate of 21%.		
(2) Tax effect is calculated based on the respective periods' year-to-date effective tax rate excluding the impact of discrete items.		

Non-GAAP Reconciliations (Dollars in thousands, except per share data)	For the Quarter Ended March 31,	
	2024	2023
Reconciliation of Annualized Ratio of Core Expenses to Average Assets (non-GAAP)		
Total noninterest expenses (GAAP)	\$ 113,595	\$ 111,043
Core expenses (non-GAAP)	107,971	105,929
Average assets	\$ 19,296,638	\$ 20,118,005
Total noninterest expenses to average assets (GAAP)	2.37 %	2.24 %
Core expenses to average assets (non-GAAP)	2.25 %	2.14 %
Acquisition, integration and restructuring costs		
Salaries and employee benefits	\$ 168	\$ 74
Professional fees	931	934
Advertising	—	122
Other noninterest expenses	276	543
Total acquisition, integration and restructuring costs	\$ 1,375	\$ 1,673
After tax impact on diluted earnings per common share ⁽¹⁾	\$ 0.03	\$ 0.03
Reconciliation of Adjusted Earnings		
Net income/(loss)	\$ 51,707	\$ 52,776
(Gain) loss from sale of securities	(58)	1,104
(Gain) loss on sales/valuation of assets, net	214	1,115
Acquisition, integration and restructuring costs	1,375	1,673
FDIC special assessment	2,049	—
Total adjustments	3,580	3,892
Tax effect of adjustments ⁽²⁾	(866)	(922)
Adjusted earnings	\$ 54,421	\$ 55,746
Preferred dividends	(2,013)	(2,013)
Adjusted earnings available to common stockholders	\$ 52,408	\$ 53,733
Plus core deposit intangibles amortization, net of tax ⁽²⁾	1,131	1,364
Earnings available to common stockholders excluding intangible amortization (non-GAAP)	\$ 53,539	\$ 55,097

Reconciliation of Adjusted Annualized Return on Average Assets

Average assets	\$	19,296,638	\$	20,118,005
Adjusted annualized return on average assets (non-GAAP)		1.13 %		1.12 %

Reconciliation of Adjusted Annualized Return on Average Common Equity

Average common stockholders' equity (GAAP)	\$	1,832,959	\$	1,655,860
Adjusted annualized average common equity (non-GAAP)		11.50 %		13.16 %

Reconciliation of Adjusted Annualized Return on Average Tangible Common Equity

Average tangible common equity (non-GAAP)	\$	1,239,313	\$	1,055,617
Adjusted annualized average tangible common equity (non-GAAP)		17.38 %		21.17 %

Reconciliation of Adjusted Diluted Earnings Per Common Share

Weighted average shares outstanding-diluted		42,915,768		42,742,878
Adjusted diluted earnings per common share	\$	1.22	\$	1.26

(1) Computed on a tax-equivalent basis using an effective tax rate of 21%.

(2) Tax effect is calculated based on the respective periods' year-to-date effective tax rate excluding the impact of discrete items.

NON-GAAP RECONCILIATIONS

(Dollars in thousands, except per share data)

	For the Quarter Ended		For the Six Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Reconciliation of Adjusted Efficiency Ratio (non-GAAP)				
Net interest income (GAAP)	\$ 158,741	\$ 147,132	\$ 312,956	\$ 299,344
Tax-equivalent adjustment ⁽¹⁾	1,991	2,136	3,971	4,345
Fully tax-equivalent net interest income	160,732	149,268	316,927	303,689
Noninterest income (GAAP)	18,207	32,493	45,870	62,492
Securities (gains)/losses, net	10,111	314	10,053	1,418
Unrealized (gain)/loss on equity securities, net	(133)	41	(228)	(152)
Adjusted revenue (non-GAAP)	<u>\$ 188,917</u>	<u>\$ 182,116</u>	<u>\$ 372,622</u>	<u>\$ 367,447</u>
Total noninterest expenses (GAAP)	\$ 116,244	\$ 109,446	\$ 229,839	\$ 220,489
Less:				
Core deposit intangibles amortization	1,421	1,715	2,913	3,503
Partnership investment in tax credit projects	222	154	716	692
(Gain)/loss on sales/valuation of assets, net	193	(3,372)	407	(2,257)
Acquisition, integration and restructuring costs	5,973	1,892	7,348	3,565
FDIC special assessment	(631)	—	1,418	—
Core expenses (non-GAAP)	<u>\$ 109,066</u>	<u>\$ 109,057</u>	<u>\$ 217,037</u>	<u>\$ 214,986</u>
Efficiency ratio (GAAP)	65.69 %	60.93 %	64.05 %	60.94 %
Adjusted efficiency ratio, fully tax-equivalent (non-GAAP)	57.73	59.88	58.25	58.51
Reconciliation of Annualized Ratio of Core Expenses to Average Assets (non-GAAP)				
Total noninterest expenses (GAAP)	\$ 116,244	\$ 109,446	\$ 229,839	\$ 220,489
Core expenses (non-GAAP)	109,066	109,057	217,037	214,986
Average assets	\$ 19,043,362	\$ 20,221,511	\$ 19,170,002	\$ 20,170,044
Total noninterest expenses to average assets (GAAP)	2.46 %	2.17 %	2.41 %	2.20 %
Core expenses to average assets (non-GAAP)	2.30	2.16	2.28	2.15
Acquisition, integration and restructuring costs				
Salaries and employee benefits	\$ 462	\$ 93	\$ 631	\$ 167

Furniture and equipment	53	—	53	—
Professional fees	5,385	1,068	6,316	2,002
Advertising	—	222	—	344
Other noninterest expenses	73	509	348	1,052
Total acquisition, integration and restructuring costs	\$ 5,973	\$ 1,892	\$ 7,348	\$ 3,565
After tax impact on diluted earnings per common share ⁽¹⁾	\$ 0.11	\$ 0.03	\$ 0.13	\$ 0.07

NON-GAAP RECONCILIATIONS

(Dollars in thousands, except per share data)

	For the Quarter Ended June 30,		For the Six Months Ended June 30,	
	2024	2023	2024	2023
Reconciliation of Adjusted Earnings (non-GAAP)				
Net income/(loss)	\$ 39,742	\$ 49,416	\$ 91,449	\$ 102,192
(Gain)/loss from sale of securities	10,111	314	10,053	1,418
(Gain)/loss on sales/valuation of assets, net	193	(3,372)	407	(2,257)
Acquisition, integration and restructuring costs	5,973	1,892	7,348	3,565
FDIC special assessment	(631)	—	1,418	—
Total adjustments	15,646	(1,166)	19,226	2,726
Tax effect of adjustments ⁽²⁾	(3,739)	276	(4,633)	(646)
Adjusted earnings	\$ 51,649	\$ 48,526	\$ 106,042	\$ 104,272
Preferred dividends	(2,012)	(2,012)	(4,025)	(4,025)
Adjusted earnings available to common stockholders	\$ 49,637	\$ 46,514	\$ 102,017	\$ 100,247
Plus core deposit intangibles amortization, net of tax ⁽²⁾	1,081	1,309	2,211	2,673
Earnings available to common stockholders excluding intangible amortization (non-GAAP)	\$ 50,718	\$ 47,823	\$ 104,228	\$ 102,920
Reconciliation of Adjusted Annualized Return on Average Assets				
Average assets	\$ 19,043,362	\$ 20,221,511	\$ 19,170,002	\$ 20,170,044
Adjusted annualized return on average assets (non-GAAP)	1.09 %	0.96 %	1.11 %	1.04 %
Reconciliation of Adjusted Annualized Return on Average Common Equity				
Average common stockholders' equity (GAAP)	\$ 1,863,236	\$ 1,727,013	\$ 1,848,098	\$ 1,691,633
Adjusted annualized return on average common equity (non-GAAP)	10.71 %	10.80 %	11.10 %	11.95 %
Reconciliation of Adjusted Annualized Return on Average Tangible Common Equity				
Average tangible common equity (non-GAAP)	\$ 1,271,046	\$ 1,128,527	\$ 1,255,180	\$ 1,092,273
Adjusted annualized return on average tangible common equity (non-GAAP)	16.05 %	17.00 %	16.70 %	19.00 %
Reconciliation of Adjusted Diluted Earnings Per Common Share				
Weighted average shares outstanding-diluted	43,060,354	42,757,603	43,001,157	42,753,197
Adjusted diluted earnings per common share	\$ 1.15	\$ 1.09	\$ 2.37	\$ 2.34

(1) Computed on a tax-equivalent basis using an effective tax rate of 21%.

(2) Tax effect is calculated based on the respective periods' year-to-date effective tax rate excluding the impact of discrete items.

Non-GAAP Financial Measures

This **Annual Quarterly** Report on Form **10-K 10-Q** contains references to financial measures which are not defined by generally accepted accounting principles ("GAAP"). Management believes the non-GAAP measures are helpful for investors to analyze and evaluate HTLF's financial condition and operating results. However, these non-GAAP measures have inherent limitations and should not be considered a substitute for operating results determined in accordance with GAAP. Additionally, because non-GAAP measures are not standardized, it may not be possible to compare the non-GAAP measures presented in this section with other companies' non-GAAP measures. Reconciliations of each non-GAAP measure to the most directly comparable GAAP measure may be found in the financial tables above.

The non-GAAP measures presented in this **Annual Quarterly** Report on Form **10-K, 10-Q**, management's reason for including each measure and the method of calculating each measure are presented below:

- Adjusted earnings available to common stockholders and adjusted diluted earnings per common share, adjusts net income for the loss/(gain) from sale of securities, and other non-operating expenses as well as the tax effect of those transactions. Management believes this measure enhances the comparability net income available to common stockholders as it reflects adjustments commonly made by management, investors and analysts to evaluate the ongoing operations and enhance comparability with the results of prior periods.
- Adjusted annualized return on average assets, adjusts net income for the loss/(gain) from sale of securities, and other non-operating expenses as well as the tax effect of those transactions. Management believes this measure enhances the comparability of annualized return on average assets as it reflects adjustments commonly made by management, investors and analysts to evaluate the ongoing operations and enhance comparability with the results of prior periods.
- Adjusted annualized return on average common equity, adjusts net income for the loss/(gain) from sale of securities, and other non-operating expenses as well as the tax effect of those transactions. Management believes this measure enhances the comparability of annualized return on average assets as it reflects adjustments commonly made by management, investors and analysts to evaluate the ongoing operations and enhance comparability with the results of prior periods.
- Tangible book value per common share is total common equity less goodwill and core deposit and customer relationship intangibles, net, divided by common shares outstanding, net of treasury. This measure is included as it is considered to be a critical metric to analyze and evaluate use of equity, financial condition and capital strength.
- Tangible common equity ratio is total common equity less goodwill and core deposit and customer relationship intangibles, net, divided by total assets less goodwill and core deposit and customer relationship intangibles, net. This measure is included as it is considered to be a critical metric to analyze and evaluate financial condition and capital strength.
- Annualized return on average tangible common equity is net income excluding intangible amortization calculated as (1) net income excluding tax-effected core deposit and customer relationship intangibles amortization, divided by (2) average common equity less goodwill and core deposit and customer relationship intangibles, net. This measure is included as it is considered to be a critical metric to analyze and evaluate use of equity, financial condition and capital strength.
- Adjusted annualized return on average tangible common equity, adjusts net income available to common stockholders for the loss/(gain) from sale of securities, and other non-operating expenses as well as the tax effect of those transactions. Management believes this measure enhances the comparability of annualized return on average assets as it reflects adjustments commonly made by management, investors and analysts to evaluate the ongoing operations and enhance comparability with the results of prior periods.
- Net interest income, fully tax equivalent, tax-equivalent, is net income adjusted for the tax-favored status of certain loans and securities. Management believes this measure enhances the comparability of net interest income arising from taxable and tax-exempt sources.
- Annualized net interest margin, fully tax-equivalent, adjusts net interest income for the tax-favored status of certain loans and securities. Management believes this measure enhances the comparability of net interest income arising from taxable and tax-exempt sources.
- Adjusted efficiency ratio, fully tax equivalent, tax-equivalent, expresses adjusted noninterest expenses as a percentage of fully tax-equivalent net interest income and adjusted noninterest income. This adjusted efficiency ratio is presented on a tax-equivalent basis which adjusts net interest income and noninterest expenses for the tax favored status of certain loans, securities, and tax credit projects. Management believes the presentation of this non-GAAP measure provides supplemental useful information for proper understanding of the financial results as it enhances the comparability of income and expenses arising from taxable and nontaxable sources and excludes specific items as noted in the reconciliation contained in this Annual Report on Form 10-K.
- Annualized ratio of core expenses to average assets adjusts noninterest expenses to exclude specific items noted in the reconciliation. Management includes this measure as it is considered to be a critical metric to analyze and evaluate controllable expenses related to primary business operations.

RESULTS OF OPERATIONS

Net Interest Margin and Net Interest Income

HTLF's management seeks to optimize net interest income and net interest margin through the growth of earning assets and customer deposits while managing asset and liability positions because they are key indicators of HTLF's profitability.

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

For the Quarters ended **March 31, 2024** **June 30, 2024** and 2023

Net interest margin, expressed as a percentage of average earning assets, was 3.52% (3.57% 3.68% (3.73% on a fully tax-equivalent basis, non-GAAP) during the first second quarter of 2024 compared to 3.36% (3.40% 3.19% (3.23% on a fully tax-equivalent basis, non-GAAP) during the first second quarter of 2023. For both quarters ended March 31, 2024 and 2023, net Net interest margin included 21 basis point and 3 basis points of net purchase accounting discount amortization. amortization for the quarter ended June 30, 2024, and 2023, respectively. HTLF's net interest margin may be impacted in future periods as a result of market pressures to increase deposit pricing due to competition. Management anticipates utilizing cash flow from the investment portfolio to pay down wholesale deposits and short-term borrowings, which would positively impact net interest margin.

Total interest income and average earning asset changes for the first second quarter of 2024 compared to the first second quarter of 2023 were:

- Total interest income was \$251.7 million \$255.6 million compared to \$217.0 million \$235.5 million, an increase of \$34.7 million \$20.1 million or 16% 9% and primarily attributable to an increase in yields on average earning assets. Interest income on investments and loans recognized from derivatives was \$10.1 million during the second quarter of 2024 compared to \$5.3 million during the second quarter of 2023, an increase of \$4.8 million. Interest income on loans during the second quarter of 2024 was positively impacted by \$2.0 million due to the payoff of a \$29.6 million owner-occupied commercial real estate loan which had previously been on nonaccrual.
- Total interest income on a tax-equivalent basis (non-GAAP) was \$253.7 million \$257.6 million, an increase of \$34.5 million \$20.0 million or 16% 8% from \$219.2 million \$237.6 million.
- Average earning assets decreased \$795.6 million \$1.19 billion or 4% 6% to \$17.60 billion \$17.33 billion compared to \$18.39 billion \$18.52 billion, primarily due to the sale of \$865.4 million of securities during the fourth quarter of 2023, and \$108.4 million of securities during the second quarter of 2024. The proceeds were utilized to pay down high-cost wholesale deposits and borrowings.
- The average rate on earning assets increased 97 83 basis points to 5.80% 5.98% compared to 4.83% 5.15%, primarily due to recent interest rate increases. increases on earning assets.

Total interest expense and average interest bearing interest-bearing liability changes for the first second quarter of 2024 compared to the first second quarter of 2023 were:

- Total interest expense was \$97.5 million \$96.9 million, an increase of \$32.7 million \$8.5 million from \$64.8 million \$88.4 million, due to increases in the average interest rate paid and the on interest-bearing liabilities, partially offset by decreases in average balance of interest bearing interest-bearing liabilities.
- The average interest rate paid on interest bearing interest-bearing liabilities increased 102 45 basis points to 3.11% 3.13% from 2.09% 2.68%.
- Average interest bearing interest-bearing deposits decreased \$395.8 million \$1.54 billion or 3% 12% to \$11.59 billion \$11.21 billion from \$11.99 billion \$12.75 billion, including a decrease of \$312.4 million \$2.23 billion in wholesale and institutional deposits.
- The average interest rate paid on interest bearing interest-bearing deposits increased 100 31 basis points to 2.92% 2.89% from 1.92% 2.58%, primarily due to recent interest rate increases and increased competition for deposits.
- Average borrowings increased \$421.3 million \$792.9 million or 71% 172% to \$1.02 billion \$1.25 billion from \$594.7 million \$461.7 million, and the average interest rate paid on borrowings was 5.29% 5.26% compared to 5.37% 5.55%.

Net interest income changes for the first second quarter of 2024 compared to the first second quarter of 2023 were:

- Net interest income totaled \$154.2 million \$158.7 million compared to \$152.2 million \$147.1 million, an increase of \$2.0 million \$11.6 million or 1% 8%.
- Net interest income on a tax-equivalent basis (non-GAAP) totaled \$156.2 million \$160.7 million compared to \$154.4 million \$149.3 million, which was an increase of \$1.8 million \$11.5 million or 1% 8%.

For the Six Months ended June 30, 2024 and 2023

Net interest margin, expressed as a percentage of average earning assets, was 3.60% (3.65% on a fully tax-equivalent basis, non-GAAP) during the first six months of 2024, compared to 3.27% (3.32% on a fully tax-equivalent basis, non-GAAP) during the first six months of 2023. For the six months ended June 30, 2024 and 2023, net interest margin included 2 basis points of net purchase accounting discount amortization.

Total interest income and average earning asset changes for the first six months of 2024 compared to the first six months of 2023 were:

- Total interest income was \$507.4 million, an increase of \$54.9 million or 12% from \$452.5 million, primarily attributable to an increase in yields on average earning assets. Interest income on investments and loans recognized from derivatives was \$20.0 million during the first six months of 2024 compared to \$4.6 million during the first six months of 2023, an increase of \$15.4 million.
- Total interest income on a tax-equivalent basis (non-GAAP) was \$511.3 million, an increase of \$54.3 million or 12% from \$457.0 million.
- Average earning assets decreased \$994.2 million or 5% to \$17.46 billion compared to \$18.46 billion, primarily due to the sale of \$865.4 million of securities during the fourth quarter of 2023, and \$108.4 million of securities during the second quarter of 2024. The proceeds were utilized to pay down high-cost wholesale deposits and borrowings.
- The average rate on earning assets increased 73 basis points to 3.12% compared to 2.39%, primarily due to recent increases in market interest rates.

Total interest expense and average interest-bearing liability changes for the first six months of 2024 compared to the first six months of 2023 were:

- Total interest expense was \$194.4 million, an increase of \$41.3 million from \$153.1 million, primarily due to increases in the average interest rate paid on average interest-bearing liabilities, partially offset by decreases in average interest-bearing liabilities.
- The average interest rate paid on interest-bearing liabilities increased to 3.12% compared to 2.39%.

- Average interest-bearing deposits decreased \$970.4 million or 8% to \$11.40 billion from \$12.37 billion which was primarily attributable to a decrease in wholesale and institutional deposits. Average wholesale and institutional deposits totaled \$1.01 billion for the first six months of 2024 compared to \$2.78 billion for the first six months of 2023.
- The average interest rate paid on interest bearing deposits was 2.90% for the first six months of 2024 compared to 2.26% for the first six months of 2023, an increase of 64 basis points.
- Average borrowings increased \$607.5 million or 115% to \$1.14 billion from \$527.8 million, and the average interest rate paid on borrowings was 5.27% compared to 5.45%.

See "Analysis of Average Balances, Tax-Equivalent Yields and Rates" for additional information relating to net interest income on a fully tax-equivalent basis, which is not defined by GAAP.

HTLF attempts to manage its balance sheet to minimize the effect that a change in interest rates has on its net interest income. Management continues to work toward improving both its earning assets and funding mix through targeted organic growth strategies, which management believes will result in additional net interest income. In addition, management continually monitors the balance sheet position for opportunities to increase net interest income. HTLF models and reviews simulations using various improving and deteriorating interest rate scenarios to assist in monitoring its exposure to interest rate risk. Based on these simulations, HTLF management considers actions necessary to maintain a balanced and manageable interest rate posture. Item 3 of Part I of this Quarterly Report on Form 10-Q contains additional information about the results of the most recent net interest income simulations. Note Six to the consolidated financial statements included in this Quarterly Report on Form 10-Q contains a detailed discussion of the derivative instruments utilized to manage its interest rate risk.

The following tables set forth certain information relating to average consolidated balance sheets and reflect the yield on average earning assets and the cost of average interest bearing liabilities for the periods indicated, in thousands. Such yields and costs are calculated by dividing income or expense by the average balance of assets or liabilities. Average balances are derived from daily balances, and nonaccrual loans and loans held for sale are included in each respective loan category. Assets that receive favorable tax treatment are evaluated on a tax-equivalent basis assuming a federal income tax rate of 21%. Tax-favored assets generally have lower contractual pre-tax yields than fully taxable assets. A tax-equivalent yield is calculated by adding the tax savings to the interest earned on tax favored assets and dividing this amount by the average balance of the tax favorable assets.

ANALYSIS OF AVERAGE BALANCES, TAX EQUIVALENT YIELDS AND RATES ⁽¹⁾										ANALYSIS OF AVERAGE BALANCES, TAX-EQUIVALENT YIELDS AND RATES ⁽¹⁾										
For the Quarter Ended										For the Quarter Ended										
For the Quarter Ended										For the Quarter Ended										
For the Quarter Ended										For the Quarter Ended										
March 31, 2024										December 31, 2023										
June 30, 2024										March 31, 2023										
June 30, 2024										March 31, 2024										
June 30, 2023										June 30, 2023										
Average Balance										Average Balance										
Interest										Interest										
Rate										Rate										
Earning Assets										Earning Assets										
Securities:										Securities:										
Securities:										Securities:										
Securities:										Securities:										
Taxable										Taxable										
Taxable										Taxable										
Taxable										Taxable										
		\$4,665,196	\$	\$	\$47,014	4.05	4.05	%	\$	5,119,970	\$	\$	\$54,573	4.23	4.23	%	\$	6,096,888	\$	\$55,976
Nontaxable ⁽¹⁾										Nontaxable ⁽¹⁾										
Total securities										Total securities										
Interest on deposits with other banks and short-term investments										Interest on deposits with other banks and short-term investments										
Federal funds sold										Federal funds sold										
Loans ⁽²⁾										Loans ⁽²⁾										

Loans:(2)

Loans:(2)

Commercial and industrial(1)
Commercial and industrial(1)
Commercial and industrial(1)

PPP loans

Owner occupied commercial real estate

Non-owner occupied commercial real estate

Real estate construction

Agricultural and agricultural real estate

Residential real estate

Consumer

Less: allowance for credit losses

Net loans

Total earning assets	Total earning assets	17,597,068	253,703	253,703	5.80	5.80	%	17,853,957	257,944	257,944	5.73	5.73	%	18,392,649	219,187	219,18
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Nonearning

Assets

Total Assets
Total Assets
Total Assets

Interest Bearing

Liabilities

Interest Bearing

Liabilities

Interest Bearing

Liabilities

Savings
Savings

Savings	\$8,809,530	\$	\$ 54,667	2.50	2.50	%	\$ 8,782,197	\$	\$53,807	2.43	2.43	%	\$9,730,494	\$	\$37,893
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Time deposits

Borrowings

Term debt

Total interest-bearing liabilities	Total interest-bearing liabilities	12,607,745	97,507	97,507	3.11	3.11	%	12,721,680	99,749	99,749	3.11	3.11	%	12,582,234	64,766	64,76
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Noninterest
Bearing
Liabilities

Noninterest-bearing deposits
Noninterest-bearing deposits
Noninterest-bearing deposits

Accrued interest and other liabilities
Accrued interest and other liabilities
Accrued interest and other liabilities

Total noninterest-bearing liabilities
Total noninterest-bearing liabilities
Total noninterest-bearing liabilities

Stockholders' Equity
Stockholders' Equity
Stockholders' Equity

Total Liabilities and Equity
Total Liabilities and Equity
Total Liabilities and Equity

Total Liabilities and Stockholders' Equity
Total Liabilities and Stockholders' Equity
Total Liabilities and Stockholders' Equity

Net interest income, fully tax-equivalent (non-GAAP) ^{(1),(3)}
Net interest income, fully tax-equivalent (non-GAAP) ^{(1),(3)}
Net interest income, fully tax-equivalent (non-GAAP) ^{(1),(3)}
Net interest spread ⁽¹⁾
Net interest spread ⁽¹⁾
Net interest spread ⁽¹⁾

		2.69 %		2.62	%
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	Net interest income, fully tax-equivalent to total earning assets (non-GAAP) ^{(1),(3)}				
Net interest income, fully tax-equivalent to total earning assets (non-GAAP) ^{(1),(3)}			3.57 %		
Interest-bearing liabilities to earning assets				3.52 %	

(1) Computed on a tax-equivalent basis using an effective tax rate of 21%.

(1) Computed on a tax-equivalent basis using an effective tax rate of 21%.

(1) Computed on a tax-equivalent basis using an effective tax rate of 21%.

(2) Nonaccrual loans and loans held for sale are included in the average loans outstanding.

ANALYSIS OF AVERAGE BALANCES, TAX-EQUIVALENT YIELDS AND RATES ⁽¹⁾						
	For the Six Months Ended					
	June 30, 2024			June 30, 2023		
	Average Balance	Interest	Rate	Average Balance	Interest	Rate
Earning Assets						
Securities:						
Taxable	\$ 4,577,802	\$ 94,395	4.14 %	\$ 6,029,175	\$ 114,148	3.82 %
Nontaxable ⁽¹⁾	768,933	14,766	3.85	908,992	15,704	3.48
Total securities	5,346,735	109,161	4.11	6,938,167	129,852	3.77
Interest bearing deposits with other banks and other short-term investments	224,007	6,051	5.42	129,645	3,182	4.95
Loans ⁽²⁾						
Commercial and industrial ⁽¹⁾	3,640,298	136,454	7.54	3,512,807	106,551	6.12
PPP loans	2,415	14	1.17	8,126	50	1.24
Owner occupied commercial real estate	2,612,638	72,545	5.58	2,327,702	54,800	4.75
Non-owner occupied commercial real estate	2,534,882	79,121	6.28	2,397,004	66,332	5.58
Real estate construction	1,077,621	42,619	7.95	1,063,372	36,659	6.95
Agricultural and agricultural real estate	879,164	27,146	6.21	842,136	23,609	5.65
Residential mortgage	784,034	19,589	5.02	846,618	18,656	4.44
Consumer	485,058	18,622	7.72	504,678	17,310	6.92
Less: allowance for loan losses	(122,599)	—	—	(111,793)	—	—
Net loans	11,893,511	396,110	6.70	11,390,650	323,967	5.74
Total earning assets	17,464,253	511,322	5.89 %	18,458,462	457,001	4.99 %
Nonearning Assets	1,705,749			1,711,582		
Total Assets	\$ 19,170,002			\$ 20,170,044		
Interest Bearing Liabilities						
Savings	\$ 8,822,138	\$ 110,107	2.51 %	\$ 9,330,939	\$ 79,177	1.71 %
Time deposits	2,577,424	54,526	4.25	3,038,985	59,696	3.96
Short-term borrowings	762,632	18,349	4.84	155,738	3,270	4.23
Other borrowings	372,658	11,413	6.16	372,085	10,991	5.96

Total interest bearing liabilities	12,534,852	194,395	3.12 %	12,897,747	153,134	2.39 %
Noninterest Bearing Liabilities						
Noninterest bearing deposits	4,403,099			5,228,085		
Accrued interest and other liabilities	273,248			241,874		
Total noninterest bearing liabilities	4,676,347			5,469,959		
Equity	1,958,803			1,802,338		
Total Liabilities and Equity	\$ 19,170,002			\$ 20,170,044		
Net interest income, fully tax-equivalent (non-GAAP) ⁽¹⁾⁽²⁾		\$ 316,927			\$ 303,867	
Net interest spread ⁽¹⁾			2.77 %			2.60 %
Net interest income, fully tax-equivalent (non-GAAP) to total earning assets ⁽¹⁾						
⁽²⁾			3.65 %			3.32 %
Interest bearing liabilities to earning assets	71.77 %			69.87 %		
(1) Computed on a tax-equivalent basis using an effective tax rate of 21%.						
(2) Nonaccrual loans and loans held for sale are included in the average loans outstanding.						
(3) Refer to "Non-GAAP Financial Measures" for additional information on the usage and presentation of these non-GAAP measures, and refer to the financial tables under "Financial Highlights" for the reconciliations to the most directly comparable GAAP measures.						

The following tables present the dollar amount of changes in interest income and interest expense for the major components of interest earning assets and interest bearing liabilities, in thousands, and quantify the changes in interest income and interest expense related to changes in the average outstanding balances (volume) and those changes caused by fluctuating interest rates. For each category of interest earning assets and interest bearing liabilities, information is provided on changes attributable to (i) changes in volume, calculated by multiplying the difference between the average balance for the current period and the average balance for the prior period by the rate for the prior period, and (ii) changes in rate, calculated by multiplying the difference between the rate for the current period and the rate for the prior period by the average balance for the prior period. The

unallocated change has been allocated pro rata to volume and rate variances.

	Three Months Ended								
	March 31, 2024			March 31, 2024			March 31, 2023		
	Compared to			Compared to			Compared to		
	March 31, 2023			December 31, 2023			March 31, 2022		
	Change Due to			Changes Due to			Change Due to		
	Volume	Rate	Net	Volume	Three Months Ended	Net	Volume	Rate	Net
Earnings Assets/Interest Income	June 30, 2024 Compared to June 30, 2023			June 30, 2024 Compared to March 31, 2024			June 30, 2023 Compared to June 30, 2022		
Investment securities:	Change Due to			Changes Due to			Change Due to		
Taxable	\$ Volume (4,650)	\$ Rate 4,403	\$ Net (8,962)	\$ Volume 919	\$ Rate (2,408)	\$ Net (1,559)	\$ Volume (5,403)	\$ Rate 5,182	\$ Net (221)
Earnings Assets/Interest Income	(4,650)	4,403	(247)	919	(1,217)	(298)	(5,403)	5,182	(221)
Investment securities deposits	1,753	122	1,875	3,280	(2,448)	832	(274)	1,334	1,060
Federal funds sold	\$ (37,398)	\$ 26,607	\$ (10,791)	\$ (7,724)	\$ 8,091	\$ 367	\$ (17,607)	\$ 37,681	\$ 20,074
Non-taxable ⁽¹⁾	(4,253)	32,743	41,550	(599)	2,189	2,784	(994)	38,006	51,602
Total earning assets	(29,001)	63,707	34,896	(3,895)	(3,866)	(4,241)	(4,258)	80,842	75,806
Liabilities/Interest Expense	5,562	24,732	30,294	(1,449)	4,960	3,511	13,011	47,275	60,286
Total earning assets	(35,489)	55,473	19,984	(13,130)	17,047	3,917	(7,349)	90,299	82,950
Savings/Interest Expense	(22,659)	39,433	16,774	90	770	860	248	35,251	35,499
Interest bearing deposits:	5,070	5,392	10,462	(4,501)	(296)	(4,797)	1,307	17,115	18,422
Savings	(3,202)	17,354	14,152	7,957	(6,936)	1,853	(4,013)	32,903	35,918
Time deposits	(15,317)	(305)	(15,622)	(4,321)	(82)	(4,403)	8,512	30,904	31,886
Total interest bearing liabilities	(12,651)	45,382	32,741	3,898	(5,828)	(2,242)	1,616	56,875	58,189
Term Debt	\$ (16,540)	\$ 18,315	\$ 1,775	\$ (3,931)	\$ 1,932	\$ (1,895)	\$ (5,836)	\$ 23,499	\$ 17,623
Net interest income	(8,862)	17,382	8,520	(1,226)	607	(619)	4,393	73,549	77,942
Total interest bearing liabilities	(8,862)	17,382	8,520	(1,226)	607	(619)	4,393	73,549	77,942
Net interest income	\$ (26,627)	\$ 38,091	\$ 11,464	\$ (11,904)	\$ 16,440	\$ 4,536	\$ (11,742)	\$ 16,750	\$ 5,008
(1) Computed on a tax-equivalent basis using an effective tax rate of 21%.									
(2) Nonaccrual loans and loans held for sale are included in average loans outstanding.									
(1) Computed on a tax-equivalent basis using an effective tax rate of 21%.									
(2) Nonaccrual loans and loans held for sale are included in average loans outstanding.									

	Six Months Ended					
	June 30, 2024 Compared to			June 30, 2023 Compared to		
	June 30, 2023 Change			June 30, 2022 Change		
	Due to			Due to		
	Volume	Rate	Net	Volume	Rate	Net
Earnings Assets/Interest Income						
Investment securities:						
Taxable	\$ (43,749)	\$ 23,996	\$ (19,753)	\$ (13,802)	\$ 57,232	\$ 43,430
Nontaxable ⁽¹⁾	(4,582)	3,644	(938)	(3,531)	4,412	881
Interest bearing deposits	2,530	339	2,869	(1,019)	3,567	2,548
Loans ⁽¹⁾⁽²⁾	15,029	57,114	72,143	28,170	83,727	111,897
Total earning assets	(30,772)	85,093	54,321	9,818	148,938	158,756
Liabilities/Interest Expense						
Interest bearing deposits:						
Savings	(12,356)	43,286	30,930	(287)	71,698	71,411
Time deposits	(15,454)	10,284	(5,170)	8,082	49,873	57,955
Short-term borrowings	14,546	533	15,079	54	3,082	3,136
Other borrowings	18	404	422	(13)	3,636	3,623
Total interest bearing liabilities	(13,246)	54,507	41,261	7,836	128,289	136,125
Net interest income	\$ (17,526)	\$ 30,586	\$ 13,060	\$ 1,982	\$ 20,649	\$ 22,631
(1) Computed on a tax-equivalent basis using an effective tax rate of 21%.						
(2) Nonaccrual loans and loans held for sale are included in average loans outstanding.						

Provision For Credit Losses

The allowance for credit losses is established through provision expense to provide, in management's opinion, an appropriate allowance for credit losses. The following table shows the components of provision for credit losses for the ~~three~~ ~~three-~~ and ~~six-~~ months ended **March 31, 2024** **June 30, 2024** and 2023, in thousands:

	Three Months Ended March 31,			Three Months Ended March 31,			Three Months Ended March 31,		
	2024			2024			2024		

of 2024, which was an increase of \$1.5 million from the provision expense of \$8.5 million for the first six months of 2023. The provision expense for the second quarter of 2024 compared to the first second quarter of 2023 was impacted by several factors, including:

- **Provision expense reflected** One new nonperforming food manufacturing loan which increased the specific reserve by \$10.0 million in the second quarter of 2024. The second quarter of 2023 was impacted by a benefit \$5.3 million charge-off related to an overdraft, the result of \$2.0 million for a fraud incident impacting the impact account of the Rocky Mountain Bank loans transferred to the held for sale category, a single long-term customer.
- **Net charge-offs** Changes in credit quality as indicated by nonpass loans as a percentage of \$2.3 million total loans. Nonpass loans were recorded for the first three months 8.1% of 2024 loans at June 30, 2024 and 7.2% of loans at March 31, 2024. Nonpass loans were 4.8% of total loans at June 30, 2023 and March 31, 2023.

The size of the loan portfolio, the levels of organic loan growth including government guaranteed loans, changes in credit quality and the variability that can occur in the factors, including the impact of economic conditions, are all considered when determining the appropriateness of the allowance for credit losses and will contribute to the variability in the provision for credit losses from quarter to quarter. For additional details on the specific factors considered in establishing the allowance for credit losses, refer to the discussion of critical accounting estimates set forth in Management's Discussion and Analysis of Financial Condition and Results of Operations contained in HTLF's Annual Report on Form 10-K for the year ended December 31, 2023, "Allowance For Credit Losses" and "Provision for Credit Losses" in Item 2 of this Quarterly Report on Form 10-Q and Note Four, "Allowance for Credit Losses," to the consolidated financial statements included herein.

Management believes that the allowance for credit losses as of March 31, 2024 June 30, 2024, was at a level commensurate with the overall risk exposure of the loan portfolio. However, deterioration in economic conditions, including a recession, could cause certain borrowers to experience difficulty and impede their ability to meet debt service. Due to the uncertainty of future economic conditions, including ongoing concerns regarding higher interest rates, supply chain challenges, workforce shortages and wage pressures, the provision for credit losses could be volatile in future quarters.

Noninterest Income

The tables below show noninterest income for the three three- and six- months ended March 31, 2024 June 30, 2024 and 2023, in thousands:

Three Months Ended March 31,		Three Months Ended June 30,													
		2024	2023	Change	% Change			2024	2023	Change	% Change			2024	2023
Service charges and fees	Service charges and fees	\$17,063	\$17,136	\$ (73)	— %	Service charges and fees		\$16,964	\$19,627	\$ (2,663)	(14) %	Service charges and fees		\$16,964	\$19,627
Loan servicing income															
Trust fees															
Brokerage and insurance commissions															
Capital markets fees															
Securities (losses) gains, net															
Unrealized (loss) gain on equity securities, net															
Net gains on sale of loans held for sale															
Net gains on sale of loans held for sale															
Net gains on sale of loans held for sale															
Income on bank owned life insurance															
Income on bank owned life insurance															
Income on bank owned life insurance															
Other noninterest income															
Total noninterest income	Total noninterest income	\$27,663	\$29,999	\$ (2,336)	(8) %	Total noninterest income		\$18,207	\$32,493	\$ (14,286)	(44) %	Total noninterest income		\$18,207	\$32,493

	Six Months Ended June 30,			
	2024	2023	Change	% Change
Service charges and fees	\$ 34,027	\$ 36,763	\$ (2,736)	(7)%
Loan servicing income	238	1,125	(887)	(79)
Trust fees	10,575	11,076	(501)	(5)
Brokerage and insurance commissions	1,648	1,373	275	20
Capital markets fees	2,887	6,486	(3,599)	(55)
Securities losses, net	(10,053)	(1,418)	(8,635)	609
Unrealized gain/(loss) on equity securities, net	228	152	76	(50)
Net gains on sale of loans held for sale	104	2,881	(2,777)	(96)
Income on bank owned life insurance	2,503	2,184	319	15
Other noninterest income	3,713	1,870	1,843	99
Total noninterest income	\$ 45,870	\$ 62,492	\$ (16,622)	(27)%

Service charges and fees

		Three Months Ended March 31,				Three Months Ended June 30,				Six Months Ended June 30,				Six Months Ended June 30,			
		2024				2024				2024				2024			
		2024	2023	Change	%	2024	2023	Change	%	2024	2023	Change	%	2024	2023	Change	%
Service charges and fees on deposit accounts	Service charges and fees on deposit accounts	\$ 5,961	\$ 4,911	\$ 1,050	21	\$ 6,042	\$ 5,229	\$ 813	16	\$ 12,003	\$ 10,140	\$ 1,863	18	\$ 12,084	\$ 10,369	\$ 1,715	16
Overdraft fees																	
Customer service and other service fees																	
Credit card fee income																	
Debit card income																	
Total service charges and fees	Total service charges and fees	\$ 17,063	\$ 17,136	\$ (73)	—	\$ 16,964	\$ 19,627	\$ (2,663)	(14)	\$ 33,027	\$ 36,769	\$ (3,742)	(11)	\$ 33,148	\$ 37,498	\$ (4,350)	(12)

	2024			
	2024	2023	Change	% Change
Service charges and fees on deposit accounts	\$ 12,002	\$10,140	\$ 1,862	18 %
Overdraft fees				
Customer service and other service fees				
Credit card fee income				
Debit card income				
Total service charges and fees	\$ 34,027	\$36,763	\$(2,736)	(7) %

The decrease in service charges and fees on deposit accounts was primarily attributable to the decrease in consumer NSF and overdrafts fees. In December 2023, in response to industry changes related to the consumer overdraft fees, HTLF modified its consumer deposit product and fee structure, including overdraft fees. As a result, management anticipated a decline in overdraft fees during 2024 and future periods.

Loan servicing income

Loan servicing income includes the fees collected for the servicing of commercial, agricultural, and mortgage loans, which depend upon the aggregate outstanding balances of these loans. In the first quarter of 2023, First Bank & Trust, a division of HTLF Bank, sold its mortgage servicing rights portfolio. **Loan** As a result, loan servicing income totaled \$131,000 declined \$887,000, or 79%, from \$1.1 million for the first six months of 2023 to \$238,000 for the first six months of 2024.

Trust fees

Trust fees totaled \$5.5 million for the second quarter of 2024 compared to \$714,000 for the first quarter of 2023, a decrease of \$583,000 or 82%.

Trust fees

Trust fees totaled \$5.0 million for the first quarter of 2024 compared to \$5.7 million \$5.4 million for the same quarter of 2023, an increase of \$113,000 or 2%. For the first half of 2024, trust fees totaled \$10.6 million compared to \$11.1 million for the first half of 2023, a decrease of \$614,000 \$501,000 or 11% 5%.

The decrease in the first half of 2024 compared to the first half of 2023 was primarily attributable to the sale of the administrative and recordkeeping services component of HTLF's Retirement Plan Services business that was completed in the second quarter of 2023. Retirement plan services income decreased \$685,000 \$1.4 million or 45% 47% to \$826,000 \$1.6 million for the first quarter half of 2024 compared to \$1.5 million \$3.1 million for the first quarter half of 2023.

Capital markets fees

Capital markets fees totaled \$891,000 \$2.0 for the first second quarter of 2024 compared to \$2.4 million \$4.0 million for the same quarter of 2023, a decrease of \$1.6 million \$2.0 million or 64% 51%. In Syndication income decreased \$596,000 or 61% to \$380,000 for the first second quarter of 2024 there was no syndication income compared to \$422,000 \$976,000 for the same quarter of 2023. Swap fee income decreased \$1.1 million \$1.4 million or 56% 47% to \$891,000 \$1.6 million for the first three months second quarter of 2024 compared to \$2.0 million \$3.1 million for the second quarter of 2023.

For the first half of 2024, capital markets fees totaled \$2.9 million, a decrease of \$3.6 million or 55% from \$6.5 million for the first three six months of 2023. Syndication income decreased \$1.0 million or 73% to \$380,000 for the first half of 2024 compared to \$1.4 million for the same period of 2023. Swap fee income decreased \$2.6 million or 51% to \$2.5 million for the first half of 2024 compared to \$5.1 million for the first half of 2023.

Capital markets fees vary, in part, based upon the size of the transaction and are recognized upon the closing of the transaction.

Securities (losses) gains, net

For the first second quarter of 2024, net security gains losses totaled \$58,000 \$10.1 million compared to net losses of \$1.1 million \$314,000 for the first second quarter of 2023, an increase of \$1.2 million or 105% \$9.8 million. For the first half of 2024, net security losses totaled \$10.1 million compared to net losses of \$1.4 million during the first half of 2023, a change of \$8.6 million. HTLF had minimal sales activity in sold \$108.4 million of securities with CRE exposure to improve the first quarter risk and liquidity profile of 2024 after the balance sheet repositioning which occurred in the fourth quarter of 2023, Bank.

Net gains on sale of loans held for sale

For the first second quarter of 2024, net gains on sale of loans held for sale totaled \$104,000, a decrease of \$1.7 million or 94% \$0, from \$1.8 million \$1.1 million in the same quarter of 2023.

Loans sold to investors during For the first quarter half of 2024, net gains on sale of loans held for sale totaled \$5.1 million \$104,000 compared to \$37.1 million during \$2.9 million for the first quarter half of 2023, a decrease of \$32.0 million \$2.8 million or 86% 96%. The decrease was primarily attributable to a reduction in residential mortgage activity due to increases in residential mortgage loan interest rates. Also, HTLF elected to significantly scale back mortgage originations, as a result of the decreased customer demand due loans no longer being sold to the continued challenging rate environment for secondary market as HTLF ceased originating mortgage loan originations. loans.

Income on bank owned life insurance

Income on bank owned life insurance totaled \$1.2 million \$1.3 million for the first second quarter of 2024, an increase of \$213,000 \$106,000 or 22% 9% from \$964,000 \$1.2 million recorded in the second quarter of 2023. For the first quarter half of 2024, income on bank owned life insurance totaled \$2.5 million, an increase of \$319,000 from \$2.2 million for the first half of 2023. The increase was attributable to market value changes. changes in bank-owned policies.

Other noninterest income

Other noninterest income totaled \$2.3 million \$1.4 million for the first second quarter of 2024 compared to \$1.5 million \$407,000 for the same quarter of 2023, an increase of \$884,000 \$959,000 or 60% 236%. For the first half of 2024, other noninterest income was \$3.7 million compared to \$1.9 million for the first half of 2023, an increase of \$1.8 million or 99%. During the first quarter half of 2024, HTLF recognized \$715,000 \$896,000 in income associated with the assets in the deferred compensation plan which was largely offset with additional salaries and benefits expense.

Noninterest Expenses

The tables below show noninterest expenses for the three three- and six- months ended March 31, 2024 June 30, 2024, and 2023, in thousands:

Three Months Ended March 31,		Three Months Ended June 30,											
		2024	2023	Change	% Change			2024	2023	Change	% Change		
Salaries and employee benefits	Salaries and employee benefits	\$ 63,955	\$ 62,149	\$ 1,806	3	3 %	Salaries and employee benefits	\$ 65,120	\$ 62,099	\$ 3,021	5	5 %	
Occupancy													
Furniture and equipment													
Professional fees													
FDIC insurance assessments													
Advertising													
Core deposit amortization													
Other real estate and loan collection expenses													
Losses/(gain) on sales/valuations of assets, net													
Acquisition, integration and restructuring costs													
Partnership investment in tax credit projects													
Other noninterest expenses													
Total noninterest expenses	Total noninterest expenses	\$113,595	\$111,043	\$ 2,552	2	2 %	Total noninterest expenses	\$116,244	\$109,446	\$ 6,798	6	6 %	

		Six Months Ended June 30,					
		2024	2023	Change	% Change		
Salaries and employee benefits		\$ 129,075	\$ 124,248	\$ 4,827	4 %		
Occupancy		13,525	13,900	(375)	(3)		
Furniture and equipment		4,492	5,978	(1,486)	(25)		
Professional fees		30,903	27,991	2,912	10		
FDIC insurance assessments		8,309	6,314	1,995	32		

Advertising	2,726	5,037	(2,311)	(46)
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	Six Months Ended June 30,		Change	% Change
	2024	2023		
Core deposit and customer relationship intangibles amortization	2,913	3,503	(590)	(17)
Other real estate and loan collection expenses	1,027	503	524	104
Loss/(gain) on sales/valuations of assets, net	407	(2,257)	2,664	(118)
Acquisition, integration and restructuring costs	7,348	3,565	3,783	106
Partnership investment in tax credit projects	716	692	24	3
Other noninterest expenses	28,398	31,015	(2,617)	(8)
Total noninterest expenses	\$ 229,839	\$ 220,489	\$ 9,350	4 %

For the first three months second quarter of 2024, noninterest expenses totaled \$113.6 million \$116.2 million compared to \$111.0 million during \$109.4 million for the first three months second quarter of 2023, an increase of \$2.6 million \$6.8 million or 2% 6%. For the first half of 2024, noninterest expenses totaled \$229.8 million compared to \$220.5 million during the first half of 2023, an increase of \$9.4 million or 4%.

Notable changes in noninterest expense categories for the three three- and six- months ended March 31, 2024 June 30, 2024 and 2023 are as follows:

Salaries and employee benefits

Salaries and employee benefits totaled \$64.0 million \$65.1 million for the first second quarter of 2024 compared to \$62.1 million for the first second quarter of 2023, an increase of \$1.8 million \$3.0 million or 3% 5%. For the first half of 2024, salaries and employee benefits totaled \$129.1 million compared to \$124.2 million for the first half of 2023, an increase of \$4.8 million or 4%. The increase was attributable to higher benefit costs including incentive compensation and retirement plans partially offset by a reduction of full-time equivalent employees. Full-time equivalent employees totaled 1,888 1,843 at June 30, 2024 compared to 1,991 1,966 at June 30, 2023, a decrease of 103 123 or 5% 6%.

Professional Fees

Professional fees totaled \$15.5 million \$15.4 million for the first second quarter of 2024 compared to \$12.8 million \$15.2 million for the first second quarter of 2023, an increase of \$2.7 million \$178,000 or 21% 1%. For the first half of 2024, professional fees totaled \$30.9 million compared to \$28.0 million for the first half of 2023, an increase of \$2.9 million or 10%. The increase was primarily driven by increases in consulting and legal expenses associated with the increased level of nonperforming loans in comparison with the prior year.

FDIC insurance assessments

FDIC insurance assessments totaled \$5.0 million \$3.3 million for the first second quarter of 2024 compared to \$3.3 million \$3.0 million for the first second quarter of 2023, an increase of \$1.7 million \$305,000 or 52% 10%. For the first half of 2024, FDIC insurance assessments totaled \$8.3 million compared to \$6.3 million for the first half of 2023, an increase of \$2.0 million or 32%. The increase was attributable to a one-time special assessment expense of \$2.0 million \$1.4 million in the first quarter half of 2024. This special assessment is in addition to the \$8.1 million HTLF recorded in the fourth quarter of 2023 based upon additional FDIC expected losses.

Advertising

Advertising expenses totaled \$1.4 million for the first second quarter of 2024, a decrease of \$627,000 \$1.7 million or 32% 55% from \$2.0 million \$3.1 million for the second quarter of 2023. For the first half of 2024, advertising expenses totaled \$2.7 million compared to \$5.0 million for the first quarter half of 2023, which was a decrease of \$2.3 million or 46%. The expenses were elevated in 2023 primarily driven by due to the deposit acquisition campaigns that were launched in 2023, during that time.

Losses (gain) on sales/valuations of assets, net

Net losses on sales/valuations of assets were \$214,000 \$193,000 for the first second quarter of 2024 compared to net gains of \$3.4 million for the second quarter of 2023. For the first half of 2024, net losses on sales/valuations of \$1.1 million assets totaled \$407,000 compared to net gains of \$2.3 million for the first half of 2023.

During the second quarter of 2023, the recordkeeping and administrative services component of HTLF's Retirement Plan Services business was sold, which generated a gain of \$4.3 million.

Acquisition, integration and restructuring costs

Acquisition, integration and restructuring costs totaled \$6.0 million for the second quarter of 2024, an increase of \$4.1 million or 216% from \$1.9 million for the second quarter of 2023. HTLF recorded \$813,000 of losses on fixed assets associated with branch optimization activities in For the first quarter half of 2023. 2024, acquisition, integration and restructuring costs totaled \$7.3 million compared to \$3.6 million for the first half of 2023, an increase of \$3.8 million or 106%. The increase in 2024 is primarily due to expenses related to the pending UMB merger and the sale of the Rocky Mountain Bank branches.

Other noninterest expenses

Other noninterest expenses totaled \$14.1 million \$14.3 million in the first second quarter of 2024 compared to \$15.4 million \$15.6 million in the first second quarter of 2023, a decrease of \$1.3 million or 9% in conjunction with 8%. For the first half of 2024, other noninterest expenses totaled \$28.4 million compared to \$31.0 million for the first half of 2023, a decrease of \$2.6 million or 8%. The decrease is primarily attributable to HTLF's 3.0 efficiency efforts.

Efficiency Ratio

During the first second quarter of 2024, the efficiency ratio was 62.46% (58.77% 65.69% (57.73% on an adjusted efficiency ratio, fully tax-equivalent basis, non-GAAP) compared to 60.94% (57.16% 60.93% (59.88% on an adjusted efficiency ratio, fully tax-equivalent basis, non-GAAP) for the second quarter of 2023.

During the first quarter six months of 2024, the efficiency ratio was 64.05% (58.25% on an adjusted fully tax-equivalent basis, non-GAAP) compared to 60.94% (58.51% on an adjusted fully tax-equivalent basis, non-GAAP) for the first six months of 2023.

HTLF continues to pursue strategies to improve operational efficiency and its adjusted efficiency ratio, on a fully tax-equivalent basis (non-GAAP), which include the following initiatives:

HTLF 3.0

HTLF's new strategic plan, HTLF 3.0, was announced and initiated in the fourth quarter of 2023. Initiatives of HTLF 3.0 include investing in growth through banker expansion and talent acquisition, expanding treasury management products and capabilities, enhancement of consumer and small business digital platforms, improving our efficiency ratio and footprint and facilities optimization.

During the three months ended March 31, 2024, HTLF took the following actions as part of HTLF 3.0:

- Reduced wholesale and institutional deposits by \$312.4 million.
- Announced the sale of the Rocky Mountain Bank division.
- Completed key hires and promotions in wealth management and commercial and middle market banking.

Branch Optimization Strategy

During 2023, HTLF's branch network was reduced by 2 locations. HTLF will continue to optimize its branch network and physical facilities as part of the HTLF 3.0 initiatives, which will likely result in write-downs of fixed assets and additional restructuring costs in future periods. efficiency.

Income Taxes

The effective tax rate was 23.17% 23.12% for the first second quarter of 2024, compared to 22.50% 23.74% for the first second quarter of 2023. The following items impacted the first second quarter 2024 and 2023 tax calculations:

- Solar energy tax credits of \$306,000 \$0 compared to \$310,000. \$0.
- Federal low-income housing tax credits of \$257,000 compared to \$311,000.
- New markets tax credits of \$90,000 compared to \$90,000.
- Historic rehabilitation tax credits of \$282,000 compared to \$258,000. \$167,000.
- Tax-exempt interest income as a percentage of pre-tax income of 11.08% 14.49% compared to 12.20% 12.40%.
- Tax expense benefit of \$418,000 \$92,000 compared to a tax benefit expense of \$46,000 \$121,000 resulting from the vesting of restricted stock units.
- Tax expense of \$1.3 million \$1.1 million compared to \$929,000 \$1.1 million resulting from the disallowed interest expense related to tax-exempt loans and securities, aligning with increases in total securities.

The effective tax rate was 23.15% for the six months ended June 30, 2024, compared to 23.10% for the six months ended June 30, 2023. The following items impacted HTLF's tax calculation for the first six months of 2024 and 2023:

- Solar energy tax credits of \$306,000 compared to \$310,000.
- Federal low-income housing tax credits of \$513,000 compared to \$621,000.
- New markets tax credits of \$180,000 compared to \$180,000.
- Historic rehabilitation tax credits of \$563,000 compared to \$425,000.
- Tax-exempt interest expense. income as a percentage of pre-tax income of 12.56% compared to 12.30%.
- Tax expense of \$330,000 compared to \$75,000 resulting from the vesting of restricted stock units.
- Tax expense of \$2.1 million compared to \$2.0 million resulting from the disallowed interest expense related to tax-exempt loans and securities.

FINANCIAL CONDITION

Total assets were \$19.13 billion\$18.81 billion at March 31, 2024June 30, 2024, a decrease of \$278.9 million\$599.0 million or 1%3% from \$19.41 billion at December 31, 2023. Securities represented 28%27% and 29% of total assets at March 31, 2024June 30, 2024, and December 31, 2023, respectively.

LENDING ACTIVITIES

Total loans held to maturity were \$11.64 billion\$11.61 billion at March 31, 2024June 30, 2024, and \$12.07 billion at December 31, 2023, a decrease of \$424.0 million\$460.3 million or 4%. Excluding the impact of the transfer of \$352.7 million\$348.8 million of loans to held for sale related to the planned sale of Rocky Mountain Bank, loans held to maturity decreased \$71.3 million\$111.6 million or 1%.

The following table shows the changes in loan balances by loan category since December 31, 2023, in thousands:

		March 31, 2024		December 31, 2023		Change		% Change				
		June 30, 2024		December 31, 2023		Change		% Change				
Commercial and industrial	Commercial and industrial	\$ 3,545,051	\$ 3,652,047	\$ (106,996)	(3)	(3)%	Commercial and industrial	\$ 3,541,239	\$ 3,652,047	\$ \$(110,808)	(3)	(3)%
Paycheck Protection Program ("PPP")												
Owner occupied commercial real estate												
Non-owner occupied commercial real estate												
Real estate construction												
Agricultural and agricultural real estate												
Residential mortgage												
Consumer												
Total loans held to maturity	Total loans held to maturity	\$11,644,641	\$12,068,645	\$ (424,004)	(4)	(4)%	Total loans held to maturity	\$11,608,309	\$12,068,645	\$ \$(460,336)	(4)	(4)%

Significant changes by loan category at March 31, 2024June 30, 2024 compared to December 31, 2023 included:

- Commercial and industrial loans decreased \$107.0 million\$110.8 million or 3% to \$3.55 billion\$3.54 billion compared to \$3.65 billion. Excluding the decrease transfer related to Rocky Mountain Bank, commercial and business lending decreased \$30.5 million\$35.4 million or 1%.
- Owner occupied commercial real estate decreased \$93.1 million\$82.2 million or 4%3% to \$2.55 billion\$2.56 billion compared to \$2.64 billion. Excluding the decrease transfer related to Rocky Mountain Bank, owner occupied commercial real estate lending decreased \$10.2 million increased \$167,000 or less than 1%.
- Non owner occupied commercial real estate decreased \$58.6 million\$119.5 million or 2%5% to \$2.50 billion\$2.43 billion compared to \$2.55 billion. Excluding the decrease transfer related to Rocky Mountain Bank, owner occupied commercial real estate lending decreased \$5.3 million\$67.6 million or less than 1%3%.
- Real estate construction loans increased \$29.9 million\$71.0 million or 3%7% to \$1.04 billion\$1.08 billion compared to \$1.01 billion. Excluding the decrease transfer related to Rocky Mountain Bank, construction loans increased \$41.0 million\$80.8 million or 4%8%.
- Agricultural and agricultural real estate loans decreased \$109.3 million\$116.2 million or 12%13% to \$809.9 million\$803.0 million compared to \$919.2 million. Excluding the decrease transfer related to Rocky Mountain Bank, agricultural and agricultural real estate loans decreased \$46.5 million\$50.8 million or 5%6%.
- Residential mortgage loans decreased \$41.8 million\$64.4 million or 5%8% to \$756.0 million\$733.4 million compared to \$797.8 million. Excluding the decrease transfer related to Rocky Mountain Bank, residential mortgage loans decreased \$9.9 million\$33.2 million or 1%4%.

- Consumer loans decreased \$43.4 million \$37.3 million or 9% 8% to \$449.8 million \$455.9 million compared to \$493.2 million. Excluding the decrease transfer related to Rocky Mountain Bank, consumer loans decreased \$9.6 million \$4.9 million or 2% 1%

The table below presents the composition of the loan portfolio as of March 31, 2024 June 30, 2024, and December 31, 2023, in thousands:

		March 31, 2024		December 31, 2023				June 30, 2024		December 31, 2023			
		Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Loans													
receivable													
held to													
maturity:													
Commercial and industrial													
Commercial and industrial													
Commercial and industrial													
		\$3,545,051	30.45	\$3,652,047	30.26	\$3,541,239	30.49	\$3,652,047	30.45	\$3,541,239	30.49	\$3,652,047	30.45
PPP													
Owner													
occupied													
commercial													
real estate													
Non-owner													
occupied													
commercial													
real estate													
Real estate													
construction													
Agricultural													
and													
agricultural													
real estate													
Residential													
mortgage													
Consumer													
Gross loans		loans		loans		loans		loans		loans		loans	
Gross loans		receivable		receivable		receivable		receivable		receivable		receivable	
held to		held to		held to		held to		held to		held to		held to	
maturity		maturity		maturity		maturity		maturity		maturity		maturity	
		11,644,641	100.00	12,068,645	100.00	11,608,309	100.00	11,644,641	100.00	12,068,645	100.00	11,608,309	100.00
Allowance for credit													
losses-loans													
Allowance for credit													
losses-loans													
Allowance for credit		(123,934)		(122,566)		(126,861)		(123,934)		(122,566)		(126,861)	
losses-loans													
Loans													
receivable,													
net													

The following table provides detail on owner occupied commercial real estate loans classified by industry diversification as of March 31, 2024 June 30, 2024, and December 31, 2023, in thousands:

	March 31, 2024	December 31, 2023
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June 30, 2024										December 31, 2023									
	Amount		Amount	%		Amount		%		Amount		%		Amount		%		Amount	
Health Care and Social Assistance	Health Care and Social Assistance	\$ 510,524	20.06	20.06 %	\$ 483,073	18.31	18.31 %		Health Care and Social Assistance	\$ 578,994	22.66	22.66 %	\$ 483,073	18.31	18.31 %				
Real Estate and Rental and Leasing																			
Manufacturing																			
Retail Trade																			
Other Services (except Public Administration)																			
Wholesale Trade																			
Construction																			
Accommodation and Food Services																			
Arts, Entertainment, and Recreation																			
All Other																			
Total	Total	\$2,545,033	100.00	100.00 %	\$2,638,175	100.00	100.00 %		Total	\$2,555,964	100.00	100.00 %	\$2,638,175	100.00	100.00 %				

The following table provides geographic diversification detail on owner occupied commercial real estate loans by bank division location as of **March 31, 2024**, **June 30, 2024**, and December 31, 2023, in thousands:

March 31, 2024										December 31, 2023									
June 30, 2024										December 31, 2023									
	Amount		Amount	%		Amount		%		Amount		%		Amount		%		Amount	
Colorado	Colorado	\$ 566,824	22.27	22.27 %	\$ 516,354	19.56	19.56 %		Colorado	\$ 588,242	23.01	23.01 %	\$ 516,354	19.56	19.56 %				
Illinois																			
Arizona																			
California																			
Wisconsin																			
Texas																			
Iowa																			
Minnesota																			
New Mexico																			
Kansas/Missouri																			
Montana																			
Total	Total	\$2,545,033	100.00	100.00 %	\$2,638,175	100.00	100.00 %		Total	\$2,555,964	100.00	100.00 %	\$2,638,175	100.00	100.00 %				

The following table provides detail on non-owner occupied commercial real estate loans classified by industry diversification as of **March 31, 2024**, **June 30, 2024**, and December 31, 2023, in thousands:

March 31, 2024										December 31, 2023									
June 30, 2024										December 31, 2023									
	Amount		Amount	%		Amount		%		Amount		%		Amount		%		Amount	
Office																			

Office														
Office	435,416	17.46	17.46 %	424,671	16.63	16.63 %	\$424,907	17.45	17.45 %	\$424,671				
Retail														
Hospitality														
Hospitality														
Hospitality														
Medical														
Multifamily														
Logistics/distribution														
Industrial flex/other														
Self-Storage														
Restaurant														
Other														
Total	Total	\$ 2,495,068	100.00	100.00 %	\$2,553,711	100.00	100.00 %	Total	\$2,434,258	100.00	100.00 %	\$2,553,711		

The following table provides geographic diversification detail on non-owner occupied commercial real estate loans by bank division location as of **March 31, 2024**, **June 30, 2024**, and December 31, 2023, in thousands:

	March 31, 2024			December 31, 2023				June 30, 2024			December 31, 2023			
	Amount		%	Amount		%		Amount		%	Amount		%	
Colorado	Colorado \$ 600,560	24.07	24.07 %	\$ 593,688	23.25	23.25 %	Colorado \$ 560,707	23.03	23.03 %	\$ 593,688	23.25	23.25 %		
Arizona														
New Mexico														
California														
Illinois														
Minnesota														
Texas														
Kansas/Missouri														
Iowa														
Wisconsin														
Montana														
Total	Total	\$2,495,068	100.00	100.00 %	\$2,553,711	100.00	100.00 %	Total	\$2,434,258	100.00	100.00 %	\$2,553,711	100.00	100.00 %

The shift to work-from-home and hybrid work arrangements has caused decreased utilization of and demand for office space. HTLF is actively monitoring its exposure to office space in the non-owner occupied commercial real estate portfolio and securities portfolio. As of **March 31, 2024**, **June 30, 2024**:

- Outstanding loans totaling **\$435.4 million**, **\$424.9 million** were collateralized by non-owner occupied office space, which represents **3.8%**, **3.7%** of the total loans held to maturity, and the average loan size was \$1.5 million.
- There were no loans collateralized by office space on nonaccrual.
- The collateral consists primarily of multi-tenant, non-central business district properties.

ALLOWANCE FOR CREDIT LOSSES

The process utilized by HTLF to determine the appropriateness of the allowance for credit losses is considered a critical accounting practice. The allowance for credit losses represents management's estimate of lifetime losses in the existing loan portfolio. For additional details on the specific factors considered in determining the allowance for credit losses, refer to the critical accounting estimates section of HTLF's Annual Report on Form 10-K for the year ended December 31, 2023.

Total Allowance for Lending Related Credit Losses

The total allowance for lending related credit losses was **\$137.7 million**, **\$139.9 million** at **March 31, 2024**, **June 30, 2024**, which was **1.18%**, **1.21%** of loans, compared to \$139.0 million or 1.15% of loans at December 31, 2023. The following table shows, in thousands, the components of the allowance for lending related credit losses as of **March 31, 2024**, **June 30, 2024**, and December 31, 2023:

	March 31, 2024
	March 31, 2024
	March 31, 2024
	June 30, 2024
	June 30, 2024
	June 30, 2024
	Amount
	Amount
	Amount
Quantitative	
Quantitative	
Quantitative	
Qualitative/Economic Forecast	
Qualitative/Economic Forecast	
Qualitative/Economic Forecast	
Total	
Total	
Total	

Quantitative Allowance
The quantitative allowance increased \$9.1 million \$13.5 million or 9% 13% to \$111.1 million \$115.5 million or 81% 83% of the total allowance for lending related credit losses at March 31, 2024 June 30, 2024, compared to \$102.0 million or 73% of the total allowance at December 31, 2023. Specific reserves for individually assessed loans totaled \$23.1 million \$29.5 million at March 31, 2024 June 30, 2024, an increase of \$2.7 million \$9.1 million or 13% 45% from \$20.4 million at December 31, 2023. Risk rating downgrades in The specific reserve for one new nonaccrual food manufacturing customer of \$10.0 million was recorded during the first second quarter of 2024 on six construction loan customers resulted in \$9.6 million of additional quantitative reserves. 2024.

Qualitative Allowance/Economic Forecast
The qualitative allowance totaled \$26.6 million \$24.4 million or 19% 17% of the total allowance for lending related credit losses at March 31, 2024 June 30, 2024, compared to \$37.0 million or 27% at December 31, 2023. The decrease in the qualitative allowance was driven by two factors. The policy exception factor showed significant improvement this quarter, in the first half of 2024. In addition, the increase in the construction quantitative calculation resulted in a decrease in the qualitative as more of the risk is recognized within the quantitative calculation and therefore is not included qualitatively.

HTLF has access to various third-party economic forecast scenarios provided by Moody's, which are updated quarterly in HTLF's methodology. HTLF continued to use a one year reasonable and supportable forecast period. At March 31, 2024 June 30, 2024, Moody's March 11, 2024 June 10, 2024, baseline forecast scenario was utilized, and management considered other downside forecast scenarios in addition to the baseline forecast to support the macroeconomic outlook used in the allowance for credit losses calculation.

Allowance for Credit Losses-Loans
The tables below present the changes in the allowance for credit losses for loans during the three three- and six- months ended March 31, 2024 June 30, 2024 and 2023, in thousands:

	Three Months Ended March 31,			Three Months Ended June 30,		
	2024	2024	2023	2024	2023	2023
Balance at beginning of period						
Provision for credit losses						
Provision for credit losses						
Provision for credit losses						
Recoveries on loans previously charged off						
Charge-offs on loans						
Balance at end of period						
Allowance for credit losses for loans as a percent of loans	Allowance for credit losses for loans as a percent of loans	1.06 %	0.98 %	Allowance for credit losses for loans as a percent of loans	1.09 %	0.95 %
Annualized ratio of net charge-offs/(recoveries) to average loans	Annualized ratio of net charge-offs/(recoveries) to average loans	0.08 %	(0.04) %			

	Six Months Ended June 30,	Six Months Ended June 30,	Six Months Ended June 30,
	2024	2023	
Balance at beginning of period			
Provision for credit losses			
Provision for credit losses			
Provision for credit losses			
Recoveries on loans previously charged off			
Charge-offs on loans			
Balance at end of period			
Allowance for credit losses for loans as a percent of loans	1.09 %	0.95 %	
Annualized ratio of net charge-offs to average loans			

The allowance for credit losses for loans totaled \$123.9 million \$126.9 million at March 31, 2024 June 30, 2024, compared to \$122.6 million at December 31, 2023, and \$112.7 million \$111.2 million at March 31, 2023 June 30, 2023. The allowance for credit losses for loans at March 31, 2024 June 30, 2024, was 1.06% 1.09% of loans compared to 1.02% of loans at December 31, 2023. The following items impacted the allowance for credit losses for loans for the three six months ended March 31, 2024 June 30, 2024:

- Net charge-offs for the first three six months of 2024 totaled \$2.3 million \$9.1 million compared to net recoveries charge-offs of \$1.0 million \$8.3 million for the first three six months of 2023, an increase of \$3.3 million. \$812,000.
- Provision expense totaling \$2.0 million \$10.0 million was recorded for an individually assessed loan one new nonperforming customer in the first second quarter of 2024.
- Loans outstanding declined \$424.0 million \$460.3 million during the first three six months of 2024 or \$71.3 million \$111.6 million excluding the impact of the Rocky Mountain Bank loans transferred from HTM to held for sale.

The following tables show, in thousands, the changes in the allowance for unfunded commitments for the three and six months ended

March 31, 2024 June 30, 2024 and 2023:

	Three Months Ended March 31,
	Three Months Ended March 31,
	Three Months Ended March 31,
	Three Months Ended June 30,
	Three Months Ended June 30,
	Three Months Ended June 30,
	2024
	2024
	2024

		Six Months Ended June 30,
		Six Months Ended June 30,
		Six Months Ended June 30,
		2024
		2024
		2024
Balance at beginning of period		
Balance at beginning of period		
Balance at beginning of period		
Provision (benefit) for credit losses		
Provision (benefit) for credit losses		
Provision (benefit) for credit losses		
Balance at end of period		
Balance at end of period		
Balance at end of period		

CREDIT QUALITY AND NONPERFORMING ASSETS

The nonpass loans totaled ~~\$838.6 million~~ ~~\$945.8 million~~ or ~~7.2%~~ 8% of total loans as of ~~March 31, 2024~~ June 30, 2024, compared to \$676.3 million or 6% of total loans as of December 31, 2023. As of ~~March 31, 2024~~ June 30, 2024, the nonpass loans consisted of approximately ~~61%~~ 62% watch loans and ~~39%~~ 38% substandard loans compared to approximately 62% watch loans and 38% substandard loans as of December 31, 2023. The percent of nonpass loans on nonaccrual status as of ~~March 31, 2024~~ June 30, 2024 was 11%.

The table below presents the amounts of nonperforming loans and other nonperforming assets on the dates indicated, in thousands:

Other real estate												
Other repossessed assets												
Total nonperforming assets												
Nonperforming loans to total loans												
Nonperforming loans to total loans												
Nonperforming loans to total loans	0.82	%	0.51	%	0.81	%	0.51	%	0.89	%	0.54	%
Nonperforming assets to total loans plus repossessed property												
Nonperforming assets to total assets												

The schedules below summarize the changes in nonperforming assets during the three three- and six- months ended March 31, 2024 June 30, 2024, in thousands:

	Nonperforming Loans	Other Real Estate Owned	Other Repossessed Assets	Total Nonperforming Assets
March 31, 2024	\$ 95,411	\$ 2,590	\$ —	\$ 98,001
Loan foreclosures	(5,111)	5,100	11	—
Net loan charge-offs	(6,810)	—	—	(6,810)
Acquired nonperforming assets	—	—	—	—
New nonperforming loans	48,346	—	—	48,346
Reduction of nonperforming loans ⁽¹⁾	(28,050)	—	—	(28,050)
OREO/Repossessed assets sales proceeds	—	2	(9)	(7)
OREO/Repossessed assets writedowns, net	—	(159)	(2)	(161)
June 30, 2024	\$ 103,786	\$ 7,533	\$ —	\$ 111,319

(1) Includes principal reductions and transfers to performing status.

	Nonperforming Loans	Nonperforming Loans	Other Real Estate Owned	Other Repossessed Assets	Total Nonperforming Assets	Nonperforming Loans	Other Real Estate Owned	Other Repossessed Assets	Total Nonperforming Assets
December 31, 2023									
Loan foreclosures									
Net loan charge-offs									
New nonperforming loans									
New nonperforming loans									
New nonperforming loans									
Reduction of nonperforming loans ⁽¹⁾									
OREO/Repossessed assets sales proceeds									
OREO/Repossessed assets writedowns, net									
March 31, 2024									
March 31, 2024									
March 31, 2024									
June 30, 2024									
June 30, 2024									
June 30, 2024									

(1) Includes principal reductions and transfers to performing status.

(1) Includes principal reductions and transfers to performing status.

(1) Includes principal reductions and transfers to performing status.

Total nonperforming assets decreased \$12.5 million were \$111.3 million or 11% to \$98.0 million or 0.51% 0.59% of total assets at March 31, 2024 June 30, 2024, compared to \$110.5 million or 0.57% of total assets at December 31, 2023. Nonperforming loans were \$95.4 million \$103.8 million at March 31, 2024 June 30, 2024, compared to \$97.9 million at December 31, 2023, which represented 0.82% 0.89% and 0.81% of total loans at March 31, 2024 June 30, 2024, and December 31, 2023, respectively. At March 31, 2024 June 30, 2024, approximately \$70.6 million \$83.9 million or 75% 81% of HTLF's nonperforming loans had individual loan balances exceeding \$1.0 million and represented loans to 11 15 borrowers. The portion of the nonperforming nonresidential real estate loans covered by government guarantees totaled \$10.1 million \$8.9 million and \$10.3 million at March 31, 2024 June 30, 2024, and December 31, 2023, respectively.

Other real estate owned, net, decreased \$10.0 million \$5.0 million or 79% 40% to \$2.6 million \$7.5 million at March 31, 2024 June 30, 2024 from \$12.5 million at December 31, 2023. HTLF added one property with a book value of \$11.3 million to other real estate, net, during the third quarter of 2023 which was sold in the first quarter of 2024.

SECURITIES

The composition of the securities portfolio is managed to meet liquidity needs while maximizing the return on the portfolio within the established HTLF risk appetite parameters and in consideration of the impact it has on HTLF's asset/liability position. Securities represented 28% 27% and 29% of total assets at March 31, 2024 June 30, 2024, and December 31, 2023, respectively. Total securities carried at fair value as of March 31, 2024 June 30, 2024, were \$4.42 billion \$4.19 billion, a decrease of \$228.7 million \$461.8 million or 5% 10% from \$4.65 billion at December 31, 2023.

During the second quarter of 2024, HTLF sold \$108.4 million of securities with CRE exposure to improve the risk and liquidity profile of the Company, resulting in a pre-tax loss of \$10.6 million.

As of March 31, 2024 June 30, 2024, and December 31, 2023, securities with a carrying value of \$2.61 billion \$2.57 billion and \$2.63 billion, respectively, were pledged to secure public and trust deposits, short-term borrowings and for other purposes as required or permitted by law. As of March 31, 2024 June 30, 2024, approximately \$2.62 billion \$2.43 billion of securities remained available to pledge.

The table below presents the composition of the securities portfolio, including securities carried at fair value, held to maturity securities, net of allowance for credit losses, and other, by major category, as of March 31, 2024 June 30, 2024, and December 31, 2023, in thousands:

	March 31, 2024		December 31, 2023	
	Amount	Percent	Amount	Percent
U.S. treasuries	\$ 32,222	0.60 %	\$ 32,118	0.58 %
U.S. agencies	13,892	0.26	14,530	0.26
Obligations of states and political subdivisions	1,568,546	29.44	1,579,486	28.32
Mortgage-backed securities - agency	1,359,541	25.52	1,393,629	24.99
Mortgage-backed securities - non-agency	1,457,798	27.36	1,529,128	27.42
Commercial mortgage-backed securities - agency	64,074	1.20	64,788	1.16
Commercial mortgage-backed securities - non-agency	426,094	8.00	514,858	9.23
Asset-backed securities	197,108	3.70	217,370	3.90
Corporate bonds	118,701	2.23	118,169	2.12
Equity securities with a readily determinable fair value	21,301	0.40	21,056	0.38
Other securities	68,524	1.29	91,277	1.64
Total securities	\$ 5,327,801	100.00 %	\$ 5,576,409	100.00 %

	June 30, 2024		December 31, 2023	
	Amount	Percent	Amount	Percent
U.S. treasuries	\$ 15,847	0.31 %	\$ 32,118	0.58 %
U.S. agencies	12,600	0.25	14,530	0.26
Obligations of states and political subdivisions	1,567,445	30.73	1,579,486	28.32
Mortgage-backed securities - agency	1,329,288	26.07	1,393,629	24.99
Mortgage-backed securities - non-agency	1,336,140	26.21	1,529,128	27.42
Commercial mortgage-backed securities - agency	60,501	1.19	64,788	1.16
Commercial mortgage-backed securities - non-agency	387,939	7.61	514,858	9.23

Asset-backed securities	176,382	3.46	217,370	3.90
Corporate bonds	120,306	2.36	118,169	2.12
Equity securities with a readily determinable fair value	21,586	0.42	21,056	0.38
Other securities	70,684	1.39	91,277	1.64
Total securities	\$ 5,098,718	100.00 %	\$ 5,576,409	100.00 %

HTLF's securities portfolio had an expected modified duration of 6.76 6.80 years as of March 31, 2024 June 30, 2024, and 6.38 years as of December 31, 2023.

At March 31, 2024 June 30, 2024, HTLF had \$68.5 million \$70.7 million of other securities, including Federal Home Loan Bank ("FHLB") stock. These securities are recorded on the consolidated balance sheets in Securities: Other investments, at cost.

DEPOSITS

Total deposits were \$15.30 billion \$14.96 billion as of March 31, 2024 June 30, 2024, compared to \$16.20 billion at December 31, 2023, a decrease of \$899.5 million \$1.25 billion or 6% 8%. Excluding the impact of the transfer of \$596.3 million \$538.3 million of deposits to held for sale related to the planned sale of Rocky Mountain Bank, deposits decreased \$303.2 million \$706.8 million or 2% 4%. As of March 31, 2024 June 30, 2024, 69% 70% of HTLF's deposits were insured or collateralized. Total uninsured deposits were \$6.00 billion \$5.71 billion or 38% 37% of total deposits including deposits held for sale as of March 31, 2024 June 30, 2024.

HTLF maintains a granular and diverse deposit base. As of March 31, 2024 June 30, 2024, no Bank Market represented more than 15% 16% of total customers deposits, and no major industry represented more than 11% of total commercial customer deposits.

The following table shows the changes in deposit balances by deposit type since year-end 2023, in thousands:

		March 31, 2024		December 31, 2023		Change		% Change	
		June 30, 2024		December 31, 2023		Change		% Change	
Demand-customer	Demand-customer	\$ 4,264,390	\$ 4,500,304	\$ (235,914)	(5)	(5)%	Demand-customer	\$ 4,244,169	\$ 4,500,304
Savings-customer									
Savings-wholesale and institutional									
Total savings									
Time-customer									
Time-wholesale									
Total time									
Total deposits	Total deposits	\$ 15,302,166	\$ 16,201,714	\$ (899,548)	(6)	(6)%	Total deposits	\$ 14,956,590	\$ 16,201,714
Total customer deposits									
Total customer deposits									
Total customer deposits		\$ 14,269,317	\$ 14,856,428	\$ (587,111)	(4)	(4)%	\$ 14,133,686	\$ 14,856,428	

BORROWINGS

Borrowings were as follows as of **March 31, 2024** **June 30, 2024**, and December 31, 2023, in thousands:

			March 31, 2024		December 31, 2023		Change		% Change									
			June 30, 2024		December 31, 2023		Change		% Change									
Retail repurchase agreements	Retail repurchase agreements	\$ 47,961	\$	\$ 42,447	\$	\$ 5,514	13	13	%	Retail repurchase agreements	\$ 41,141	\$	\$ 42,447	\$	\$ (1,306)	(3)	(3)	%
Advances from the FHLB																		
Advances from the FHLB																		
Advances from the FHLB																		
Bank term funding program																		
Other borrowings																		
Total	Total	\$650,033	\$	\$622,255	\$	\$27,778	4	4	%	Total	\$694,909	\$	\$622,255	\$	\$72,654	12	12	%

Borrowings generally include federal funds purchased, securities sold under agreements to repurchase, swap margin payable, short-term FHLB advances, Bank Term Funding Program ("BTFP") and discount window borrowings from the Federal Reserve Bank. These funding sources are utilized in varying degrees depending on their pricing and availability. HTLF Bank owns FHLB stock in the FHLB of Topeka, enabling HTLF Bank to borrow funds for short-term or long-term purposes under a variety of programs. Borrowings totaled **\$650.0 million** **\$694.9 million** at **March 31, 2024** **June 30, 2024**, compared to \$622.3 million at December 31, 2023, an increase of **\$27.8 million** **\$72.7 million** or **4%** **12%**.

The BTFP is a Federal Reserve Bank program created in the first quarter of 2023 to assist banks in meeting the liquidity needs of depositors. The BTFP ceased extending new loans on March 11, 2024. During the first quarter of 2024, HTLF Bank utilized the BTFP to obtain a \$500.0 million advance due in January of 2025; prepayable at any time without penalty. HTLF Bank pledged **\$393.1 million** **\$523.0 million** of securities to support the borrowings as of **March 31, 2024** **June 30, 2024**.

HTLF Bank provides retail repurchase agreements to customers as a cash management tool. Although the aggregate balance of these retail repurchase agreements is subject to variation, the account relationships represented by these balances are principally local. The balances of retail repurchase agreements were **\$48.0 million** **\$41.1 million** at **March 31, 2024** **June 30, 2024**, compared to \$42.4 million at December 31, 2023, a decrease of **\$1.3 million** or **3%**.

Other borrowings, which include a swap margin payable account, was \$113.8 million at June 30, 2024, compared to \$58.6 million at December 31, 2023, an increase of **\$5.5 million** **\$55.1 million** or **13%** **94%**. Swap margin payable was \$104.5 million at June 30, 2024, compared to \$44.8 million at December 31, 2023, an increase of **\$59.6 million** or **133%**.

HTLF **renewed** **extended** its revolving credit line agreement with an unaffiliated bank on **June 14, 2022** **June 14, 2024**. This revolving credit line agreement, which has \$100.0 million of borrowing capacity, is included in short-term borrowings, and the primary purpose of this credit line agreement is to provide liquidity. No advances occurred on this line during the first **three** **six** months of 2024, and the outstanding balance was \$0 at both **March 31, 2024** **June 30, 2024**, and December 31, 2023. The credit agreement contains specific financial covenants which HTLF complied with as of **March 31, 2024** **June 30, 2024**.

TERM DEBT

The outstanding balances of term debt net of discount and issuance costs amortization as of **March 31, 2024** **June 30, 2024**, and December 31, 2023, in thousands:

		March 31, 2024		December 31, 2023		Change		% Change	
		June 30, 2024		December 31, 2023		Change		% Change	
Trust preferred securities									
Trust preferred securities									
Trust preferred securities		\$ 149,769	\$	\$ 149,288	\$	\$ 481	—	—	%
Contracts payable									
Contracts payable									
Contracts payable									
Subordinated notes									
Total									
Total									
Total		\$ 372,652	\$	\$ 372,396	\$	\$ 256	—	—	%
Total		\$ 372,652	\$	\$ 372,396	\$	\$ 256	—	—	%
Total		\$ 372,652	\$	\$ 372,396	\$	\$ 256	—	—	%
Total		\$ 372,652	\$	\$ 372,396	\$	\$ 256	—	—	%
Total		\$ 372,652	\$	\$ 372,396	\$	\$ 256	—	—	%
Total		\$ 372,652	\$	\$ 372,396	\$	\$ 256	—	—	%
Total		\$ 372,652	\$	\$ 372,396	\$	\$ 256	—	—	%
Total		\$ 372,652	\$	\$ 372,396	\$	\$ 256	—	—	%
Total		\$ 372,652	\$	\$ 372,396	\$	\$ 256	—	—	%
Total		\$ 372,652	\$	\$ 372,396	\$	\$ 256	—	—	%
Total		\$ 372,652	\$	\$ 372,396	\$	\$ 256	—	—	%
Total		\$ 372,652	\$	\$ 372,396	\$	\$ 256	—	—	%
Total		\$ 372,652	\$	\$ 372,396	\$	\$ 256	—	—	%
Total		\$ 372,652	\$	\$ 372,396	\$	\$ 256	—	—	%
Total		\$ 372,652	\$	\$ 372,396	\$	\$ 256	—	—	%
Total		\$ 372,652	\$	\$ 372,396	\$	\$ 256	—	—	%
Total		\$ 372,652	\$	\$ 372,396	\$	\$ 256	—	—	%
Total		\$ 372,652	\$	\$ 372,396	\$	\$ 256	—	—	%
Total		\$ 372,652	\$	\$ 372,396	\$	\$ 256	—	—	%
Total		\$ 372,652	\$	\$ 372,396	\$	\$ 256	—	—	%
Total		\$ 372,652	\$	\$ 372,396	\$	\$ 256	—	—	%
Total		\$ 372,652	\$	\$ 372,396	\$	\$ 256	—	—	%
Total		\$ 372,652	\$	\$ 372,396	\$	\$ 256	—	—	%
Total		\$ 372,652	\$	\$ 372,396	\$	\$ 256	—	—	%
Total		\$ 372,652	\$	\$ 372,396	\$	\$ 256	—	—	%
Total		\$ 372,652	\$	\$ 372,396	\$	\$ 256	—	—	%
Total		\$ 372,652	\$	\$ 372,396	\$	\$ 256	—	—	%
Total		\$ 372,652	\$	\$ 372,396	\$	\$ 256	—	—	%
Total		\$ 372,652	\$	\$ 372,396	\$	\$ 256	—	—	%
Total		\$ 372,652	\$	\$ 372,396	\$	\$ 256	—	—	%
Total		\$ 372,652	\$	\$ 372,396	\$	\$ 256	—	—	%
Total		\$ 372,652	\$	\$ 372,396	\$	\$ 256	—	—	%
Total		\$ 372,652	\$	\$ 372,396	\$	\$ 256	—	—	%
Total		\$ 372,652	\$	\$ 372,396	\$	\$ 256	—	—	%
Total		\$ 372,652	\$	\$ 372,396	\$	\$ 256	—	—	%
Total		\$ 372,652	\$	\$ 372,396	\$	\$ 256	—	—	%
Total		\$ 372,652	\$	\$ 372,396	\$	\$ 256	—	—	%
Total		\$ 372,652	\$	\$ 372,396	\$	\$ 256	—	—	%
Total		\$ 372,652	\$	\$ 372,396	\$	\$ 256	—	—	%
Total		\$ 372,652	\$	\$ 372,396	\$	\$ 256	—	—	%
Total		\$ 372,652	\$	\$ 372,396	\$	\$ 256	—	—	%
Total		\$ 372,652	\$	\$ 372,396	\$	\$ 256	—	—	%
Total		\$ 372,652	\$	\$ 372,396	\$	\$ 256	—	—	%
Total		\$ 372,652	\$	\$ 372,396	\$	\$ 256	—	—	%
Total		\$ 372,652	\$	\$ 372,396	\$	\$ 256	—	—	%
Total		\$ 372,652	\$	\$ 372,396	\$	\$ 256	—	—	%
Total		\$ 372,652	\$	\$ 372,396	\$	\$ 256	—	—	%
Total		\$ 372							

A schedule of HTLF's trust preferred securities outstanding excluding deferred issuance costs as of **March 31, 2024** **June 30, 2024**, is as follows, in thousands:

		Amount Issued	Amount Issued	Issuance Date	Interest Rate	Interest Rate as of 3/31/2024 ⁽¹⁾	Maturity Date	Callable Date	Amount Issued
Heartland Financial Statutory Trust IV	Heartland Financial Statutory Trust IV	\$ 10,310	03/17/2004	03/17/2004	2.75% over LIBOR	8.34%	03/17/2034	12/17/2023	Heartland Financial Statutory Trust IV \$10,310
Heartland Financial Statutory Trust V	Heartland Financial Statutory Trust V	20,619	01/27/2006	01/27/2006	1.33% over LIBOR	6.91	04/07/2036	01/07/2024	Heartland Financial Statutory Trust V 20,619
Heartland Financial Statutory Trust VI	Heartland Financial Statutory Trust VI	20,619	06/21/2007	06/21/2007	1.48% over LIBOR	7.07	09/15/2037	12/15/2023	Heartland Financial Statutory Trust VI 20,619
Heartland Financial Statutory Trust VII	Heartland Financial Statutory Trust VII	18,042	06/26/2007	06/26/2007	1.48% over LIBOR	7.08	09/01/2037	12/01/2023	Heartland Financial Statutory Trust VII 18,042
Morrill Statutory Trust I	Morrill Statutory Trust I	9,487	12/19/2002	12/19/2002	3.25% over LIBOR	8.82	12/26/2032	12/26/2023	Morrill Statutory Trust I 9,511
Morrill Statutory Trust II	Morrill Statutory Trust II	9,226	12/17/2003	12/17/2003	2.85% over LIBOR	8.44	12/17/2033	12/17/2023	Morrill Statutory Trust II 9,254
Sheboygan Statutory Trust I	Sheboygan Statutory Trust I	6,900	09/17/2003	09/17/2003	2.95% over LIBOR	8.54	09/17/2033	12/17/2023	Sheboygan Statutory Trust I 6,922
CBNM Capital Trust I	CBNM Capital Trust I	4,620	09/10/2004	09/10/2004	3.25% over LIBOR	8.84	12/15/2034	12/15/2023	CBNM Capital Trust I 4,632
Citywide Capital Trust III	Citywide Capital Trust III	6,675	12/19/2003	12/19/2003	2.80% over LIBOR	8.38	12/19/2033	01/23/2024	Citywide Capital Trust III 6,689
Citywide Capital Trust IV	Citywide Capital Trust IV	4,541	09/30/2004	09/30/2004	2.20% over LIBOR	7.78	09/30/2034	11/23/2023	Citywide Capital Trust IV 4,555
Citywide Capital Trust V	Citywide Capital Trust V	12,705	05/31/2006	05/31/2006	1.54% over LIBOR	7.13	07/25/2036	12/15/2023	Citywide Capital Trust V 12,761
OCGI Statutory Trust III	OCGI Statutory Trust III	3,029	06/27/2002	06/27/2002	3.65% over LIBOR	9.23	09/30/2032	12/30/2023	OCGI Statutory Trust III 3,031
OCGI Capital Trust IV	OCGI Capital Trust IV	5,582	09/23/2004	09/23/2004	2.50% over LIBOR	8.09	12/15/2034	12/15/2023	OCGI Capital Trust IV 5,595
BVBC Capital Trust II	BVBC Capital Trust II	7,369	04/10/2003	04/10/2003	3.25% over LIBOR	8.82	04/24/2033	01/24/2024	BVBC Capital Trust II 7,379
BVBC Capital Trust III	BVBC Capital Trust III	9,805	07/29/2005	07/29/2005	1.60% over LIBOR	7.16	09/30/2035	12/30/2023	BVBC Capital Trust III 9,850

Risk-weighted assets	Risk-weighted assets	\$15,187,911	\$	\$15,187,911	\$	\$15,187,911	N/A	Risk-weighted assets	\$15,073,793	\$	\$15
Average assets											
December 31, 2023											
December 31, 2023											
December 31, 2023		14.53 %		11.69 %		10.97 %		9.44 %	14.53 %		11.69 %
Minimum capital requirement											
Well capitalized requirement											
Minimum capital requirement, including fully-phased in capital conservation buffer	Minimum capital requirement, including fully-phased in capital conservation buffer	10.50		8.50		8.50		7.00		7.00	
Risk-weighted assets	Risk-weighted assets	\$15,399,653	\$	\$15,399,653	\$	\$15,399,653	N/A	Risk-weighted assets	\$15,399,653	\$	\$15
Average assets											

Retained earnings that could be available for the payment of dividends to HTLF from HTLF Bank totaled approximately \$788.8 million \$797.4 million and \$743.3 million at March 31, 2024 June 30, 2024, and December 31, 2023, respectively, under the most restrictive minimum capital requirements. Retained earnings that could be available for the payment of dividends to HTLF from HTLF Bank while remaining above the well capitalized levels totaled approximately \$486.7 million \$497.5 million and \$436.9 million at March 31, 2024 June 30, 2024, and December 31, 2023, respectively. These dividends are the principal source of funds to pay dividends on HTLF's common and preferred stock and to pay interest and principal on its debt.

As of March 31, 2024 June 30, 2024, management believes regulatory capital ratio buffers would withstand any changes in regulatory rules that require the inclusion of unrealized losses in the total investment portfolio and remain well capitalized.

On June 26, 2020, HTLF issued and sold 4.6 million depositary shares, each representing a 1/400th interest in a share of 7.00% Fixed-Rate Reset Non-Cumulative Perpetual Preferred Stock, Series E. The depositary shares are listed on The Nasdaq Global Select Market under the symbol "HTLFP." If declared, dividends are paid quarterly in arrears at a rate of 7.00% per annum beginning on October 15, 2020. For the dividend period beginning on the first reset date of July 15, 2025, and for dividend periods beginning every fifth anniversary thereafter, each a reset date, the rate per annum will be reset based on a recent five-year treasury rate plus 6.675%. The earliest redemption date for the preferred shares is July 15, 2025. Dividends payable on common shares are subject to quarterly dividends payable on these outstanding preferred shares at the applicable dividend rate.

On August 8, 2022, HTLF filed a universal shelf registration statement with the SEC to register debt or equity securities. This shelf registration statement, which was effective immediately, provides HTLF with the ability to raise capital, subject to market conditions and SEC rules and limitations, if the board of directors decides to do so. This registration statement permits HTLF, from time to time, in one or more public offerings, to offer debt securities, subordinated notes, common stock, preferred stock, depositary shares, warrants, rights or units of any combination of these securities. The amount of securities that may be offered was not specified in the registration statement, and the terms of any future offerings are to be established at the time of the offering. The registration statement expires on August 8, 2025.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

Commitments and Contractual Obligations

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. HTLF Bank evaluates the creditworthiness of customers to which they extend a credit commitment on a case-by-case basis and may require collateral to secure any credit extended. The amount of collateral obtained is based upon management's credit evaluation of the customer. 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 are conditional commitments issued by HTLF Bank 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 **March 31, 2024** **June 30, 2024**, and

December 31, 2023, **December 31, 2023**, commitments to extend credit totaled **\$4.54 billion** **\$4.38 billion** and \$4.62 billion, respectively. Standby letters of credit totaled **\$52.3 million** **\$50.3 million** at **March 31, 2024** **June 30, 2024**, and \$56.4 million at December 31, 2023.

At **March 31, 2024** **June 30, 2024**, and December 31, 2023, HTLF Bank had **\$921.4 million** **\$899.5 million** and \$917.0 million, respectively, of standby letters of credit with the respective FHLB to secure public funds and municipal deposits.

Contractual obligations and other commitments were disclosed in HTLF's Annual Report on Form 10-K for the year ended December 31, 2023. There have been no material changes to HTLF's contractual obligations and other commitments since the Annual Report on Form 10-K was filed.

There are certain legal proceedings pending against HTLF and its subsidiaries at **March 31, 2024** **June 30, 2024**, that are ordinary routine litigation incidental to business.

Derivative Financial Instruments

HTLF considers and uses derivative financial instruments as part of its interest rate risk management strategy, which may include interest rate swaps, fair value hedges, risk participation agreements, caps, floors and collars. In the first quarter of 2023, HTLF terminated cash flow hedges that were effectively converting \$500.0 million of variable rate loans to fixed rate loans. In the second and third quarter of 2023, HTLF continued the strategy of using derivatives by entering into fair value hedges to manage the exposure to changes in the fair value on \$2.5 billion of our loan portfolio and \$838.1 million of our investment portfolio. See Note Six to the consolidated financial statements included in this Quarterly Report on Form 10-Q for additional information on derivative financial instruments.

LIQUIDITY

Liquidity refers to the ability to maintain a cash flow that 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 HTLF 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.

At **March 31, 2024** **June 30, 2024**, HTLF had **\$444.4 million** **\$373.9 million** of cash and cash equivalents, time deposits in other financial institutions of **\$1.2 million** **\$1.3 million** and securities carried at fair value of **\$4.42 billion** **\$4.19 billion**. Management expects the securities portfolio to produce principal cash flows of approximately **\$733.5 million** **\$843.4 million** over the next twelve months.

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.

HTLF Bank's FHLB membership gives them the ability to borrow funds for short- and long-term purposes under a variety of programs. Borrowing balances depend on commercial cash management and smaller correspondent bank relationships and, as a result, will normally fluctuate. Management believes these balances to be stable sources of funds and has tested drawing on these sources. In the event of short-term liquidity needs, HTLF Bank may purchase federal funds from correspondent banks and may also borrow from the Federal Reserve Bank.

Additional funding is provided by term debt and borrowings. As of **March 31, 2024** **June 30, 2024**, HTLF had **\$372.7 million** **\$373.0 million** of term debt outstanding, and it which is an important funding source because of its multi-year borrowing structure.

HTLF's current liquidity strategy includes using overnight borrowings and reducing wholesale deposits. The use of overnight borrowings provides flexibility to make repayments on demand. As of **March 31, 2024** **June 30, 2024**, pledged securities totaled **\$2.61 billion** **\$2.57 billion**. As of **March 31, 2024** **June 30, 2024**, approximately **\$2.62 billion** **\$2.43 billion** of securities remained available to pledge.

The following table shows the source of funding, balance outstanding and available borrowing capacity as of **March 31, 2024** **June 30, 2024**, dollars in thousands:

Source	As of March 31, 2024			As of June 30, 2024		
	Source	Outstanding	Available	Source	Outstanding	Available
Federal Reserve Discount Window						
Bank Term Funding Program						
Federal Home Loan Bank						
Federal Funds						

Wholesale deposits/brokered CDs

Total

HTLF is focused on loan growth and strives to fund loan growth with the least expensive source of deposits, sales of securities or borrowings. Excluding any sales which management may pursue from time to time, the securities portfolio is expected to produce principal cash flows of approximately \$733.5 million \$843.4 million over the next twelve months, which could be used to fund loan growth, as well as reduce wholesale deposits. Additionally, growing customer deposits will continue to be a focus. HTLF offers the ICS and CDARS products accessed through the Intrafi network of financial institutions, which helps to reduce the amount of pledged securities.

On a consolidated basis, HTLF maintains a large balance of short-term securities that, when combined with cash from operations, management believes are adequate to meet its funding obligations.

At the parent company level, routine funding requirements consist primarily of dividends paid to stockholders, debt service on revolving credit arrangements and trust preferred securities, repayment requirements under other debt obligations and payments for acquisitions. The parent company obtains the funding to meet these obligations from dividends paid by HTLF Bank and the issuance of debt and equity securities.

At March 31, 2024 June 30, 2024, the parent company had cash of \$288.5 million \$266.0 million. Additionally, HTLF has a revolving credit agreement with an unaffiliated bank, which was renewed extended most recently on June 14, 2022 June 14, 2024. The revolving credit agreement has \$100.0 million of maximum borrowing capacity, of which none was outstanding at March 31, 2024 June 30, 2024. This credit agreement contains specific financial covenants, all of which HTLF complied with as of March 31, 2024 June 30, 2024.

The ability of HTLF to pay dividends to its stockholders depends upon dividends paid to HTLF by HTLF Bank. HTLF Bank is subject to statutory and regulatory restrictions on the amount they may pay in dividends. To maintain acceptable capital ratios at HTLF Bank, certain portions of their retained earnings are not available for the payment of dividends.

HTLF has filed a universal shelf registration statement with the SEC that provides HTLF the ability to raise both debt and capital, subject to SEC rules and limitations, if HTLF's board of directors decides to do so. This registration statement expires in August 2025.

Management believes that cash on hand, cash flows from operations and cash availability under existing borrower programs and facilities will be sufficient to meet any recurring and additional operating cash needs in 2024.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of loss arising from adverse changes in market prices and rates, including the risk that our net income will be materially impacted by changes in interest rates. HTLF's market risk is comprised primarily of interest rate risk resulting from HTLF Bank's core banking activities of lending and deposit gathering.

HTLF uses an interest rate management process to measure market risk and manage exposure within policy limits approved by the HTLF Board of Directors. Exposure to market risk is reviewed on a regular basis by HTLF Bank's Asset/Liability Committee as well as HTLF's and HTLF Bank's management and Board of Directors.

HTLF's balance sheet market risk profile is measured and reviewed at least quarterly. As part of the review, interest rate sensitivity analysis is performed, which simulates changes in net interest income in response to various hypothetical interest rate scenarios capturing asset and liability pricing mismatches over a one-year and two-year time horizon. Increasing net interest income in a rising rate environment would indicate that asset-related income will increase faster than liability-related expense over the simulation period.

The core interest rate risk analysis utilized by HTLF examines the balance sheet under many interest rate scenarios including shocks, ramps, yield curve twists, market-based, as well as those that may be deemed extreme or highly unlikely. We use a net interest income ("NII") simulation model to measure the estimated changes in NII that would result over various time horizons from immediate and sustained changes in interest rates. This model is an interest rate risk management tool, and the results are not necessarily an indication of our future net interest income. The model has inherent limitations, and these results are based on a given set of rate changes and assumptions at a point in time. Key assumptions in the analysis include balance sheet growth, product mix-shift, the repricing behavior of interest-bearing deposits (i.e., deposit betas), behavior of deposits with indeterminate maturities, prepayment assumptions on financial instruments with embedded options such as loans and investment securities, as well as cashflow reinvestment assumptions.

The base scenario assumes a static balance sheet and static interest rates as of March 31, 2024 June 30, 2024, no changes to product mix shift and cashflow reinvestment at current market interest rates. HTLF also assumes a correlation, referred to as a deposit beta, with respect to interest-bearing deposits, as the rates paid to deposit holders change at a different pace when compared with changes in average benchmark interest rates. Generally, time deposits are assumed to have a high correlation, while other interest-bearing accounts are assumed to have a lower correlation. The model assumes interest-bearing deposits reprice at 53% and total deposits reprice at 38% in an up rate scenario and that interest-bearing deposits reprice at 46% and total deposits reprice at 33% in a down rate scenario, as compared to the change in benchmark interest rates. The majority of our loans are variable rate and are assumed to reprice in accordance with their contractual terms. Some loans and investment securities include the opportunity of prepayment (embedded options) and the simulation model uses prepayment assumptions to estimate these accelerated cash flows and reinvests the proceeds at current simulated yields. Changes that could vary significantly from HTLF's assumptions include loan and deposit growth or contraction, loan and deposit pricing, changes in the mix of earning assets or funding sources, and future asset/liability management decisions, all of which may have significant effects on our net interest income.

Key assumptions are monitored at least annually or as needed, as part of the sensitivity analysis and back testing framework. When appropriate and applicable assumptions are recalibrated taking into consideration among other factors, the impact of a full interest rate cycle on the balance sheet. In 2023, HTLF recalibrated certain prepayment assumptions

and updated cash flow characteristics. None of the changes were material to the simulation model.

The following table presents the most recent simulation of net interest income at **March 31, 2024** **June 30, 2024**, in thousands. The interest rate scenarios assume parallel instantaneous changes to interest rate levels by 100 and 200 basis points.

	2024
	2024
	2024
<u>Year 1</u>	
<u>Year 1</u>	
<u>Year 1</u>	
Down 200 Basis Points	
Down 200 Basis Points	
Down 200 Basis Points	
Down 100 Basis Points	
Down 100 Basis Points	
Down 100 Basis Points	
Base	
Base	
Base	
Up 100 Basis Points	
Up 100 Basis Points	
Up 100 Basis Points	
Up 200 Basis Points	
Up 200 Basis Points	
Up 200 Basis Points	
<u>Year 2</u>	
<u>Year 2</u>	
<u>Year 2</u>	
Down 200 Basis Points	
Down 200 Basis Points	
Down 200 Basis Points	
Down 100 Basis Points	
Down 100 Basis Points	
Down 100 Basis Points	
Base	
Base	
Base	
Up 100 Basis Points	
Up 100 Basis Points	
Up 100 Basis Points	
Up 200 Basis Points	
Up 200 Basis Points	
Up 200 Basis Points	

As of **March 31, 2024** **June 30, 2024**, HTLF's through the cycle deposit beta (calculated by taking the change in company deposit rates compared to the benchmark federal funds target rate over a period of time) for customer deposits was approximately **33%** **34%** for all customer deposits and 37% including both customer and wholesale and institutional deposits. As of **March 31, 2024** **June 30, 2024**, HTLF's through the cycle beta excluding noninterest-bearing accounts was approximately 47% for customer deposits and 51% including both customer and wholesale and institutional deposits. As of December 31, 2023, HTLF's through the cycle beta for customer deposits was approximately 31% for all customer deposits and 37% including both customer and wholesale and institutional deposits. As of December 31, 2023, HTLF's through the cycle beta excluding noninterest-bearing accounts was approximately 45% for customer deposits and 51% including both customer and wholesale and institutional deposits. HTLF compares actual deposit betas to the betas utilized in the net interest margin simulation models to monitor model performance and to monitor our deposits in comparison with market competition. Management also uses deposit betas to understand the risk to net interest income in various interest rate environments.

We use derivative financial instruments to manage the impact of changes in interest rates on our future interest income or interest expense. We are exposed to credit-related losses in the event of nonperformance by the counterparties to these derivative instruments but believe we have minimized the risk of these losses by entering into the contracts with large, stable financial institutions. The estimated fair market values of these derivative instruments are presented in Note Seven to the consolidated financial statements.

We enter into financial instruments with off balance sheet risk in the normal course of business to meet the financing needs of our 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 relating to the commitment. Commitments generally have fixed expiration dates and may require collateral from the borrower. Standby letters of credit are conditional commitments issued by HTLF 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 loan is made or the letter of credit is issued.

ITEM 4. CONTROLS AND PROCEDURES

Based on an evaluation, as of the end of the period covered by this Quarterly Report on Form 10-Q, under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, the Chief Executive Officer and Chief Financial Officer have concluded that:

- HTLF's disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended) were effective.
- During the three months ended **March 31, 2024** **June 30, 2024**, there have been no changes in internal controls over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended) that have materially affected, or are reasonably likely to materially affect, the internal controls over financial reporting.

PART II

ITEM 1. LEGAL PROCEEDINGS

There are certain legal proceedings pending against HTLF and its subsidiaries at **March 31, 2024** **June 30, 2024**, that are ordinary routine litigation incidental to HTLF's business.

ITEM 1A. RISK FACTORS

***There have been no material* Because the market price of UMB common stock may fluctuate, holders of our common stock cannot be certain of the market value of the merger consideration they will receive in the Merger.**

Upon completion of the Merger, each share of our common stock issued and outstanding immediately prior to closing (other than certain shares held by us or UMB) will be converted into the right to receive 0.5500 shares of UMB common stock. This exchange ratio is fixed and will not be adjusted for changes in the **risk** market price of either UMB common stock or our common stock. Changes in the price of UMB common stock prior to the Merger will affect the value that holders of our common stock will receive in the Merger. We and UMB are not permitted to terminate the Merger Agreement as a result, in and of itself, of any increase or decrease in the market price of UMB common stock or our common stock.

There will be a time lapse between the date of this Quarterly Report on Form 10-Q and the date on which our stockholders entitled to receive shares of UMB common stock actually receive such shares. The market value of UMB common stock may fluctuate during these periods as a result of a variety of factors, including general market and economic conditions, regulatory considerations, including changes in U.S. monetary policy and its effect on global financial markets and on interest rates, changes in UMB's or our business, operations and prospects and the impact that any of the foregoing may have on UMB, us or the customers or other constituencies of UMB or us, many of which factors are beyond UMB's or our control.

Combining our company and UMB may be more difficult, costly or time consuming than expected and we and UMB may fail to successfully integrate the two businesses or to realize the anticipated benefits of the acquisition.

The success of the Merger will depend, in part, on the ability to realize the anticipated cost savings from integrating our business with that of UMB. This integration will depend substantially on our and UMB's ability to consolidate operations, corporate cultures, systems and procedures and to eliminate redundancies and costs. We may not be able to combine our business with that of UMB without encountering difficulties that could adversely affect the ability to maintain relationships with existing clients, customers, depositors and employees, such as:

- the loss of key employees;
- the disruption of operations and business;
- inability to maintain and increase competitive presence;

- loan and deposit attrition, customer loss and revenue loss;
- possible inconsistencies in standards, control procedures and policies;
- additional costs or unexpected problems with operations, personnel, technology and credit;
- inconsistencies in standards, controls, procedures and policies; and/or
- problems with the assimilation of new operations, systems, sites or personnel, which could divert resources from regular banking operations.

Any disruption to the businesses could cause customers to remove their accounts and move their business to a competing financial institution. Integration efforts between the two companies may also divert management attention and resources. Additionally, general market and economic conditions or governmental actions affecting the financial industry generally may inhibit the successful integration of our business and that of UMB.

We and UMB have operated and, until the completion of the Merger, will continue to operate, independently. The success of the Merger will depend, in part, on the Merger resulting in various benefits including, among other things, benefits relating to enhanced revenues, a strengthened market position for the combined company, cross selling opportunities, technological efficiencies, cost savings and operating efficiencies. Achieving the anticipated benefits of the Merger is subject to a number of uncertainties, including whether the integration of our business and that of UMB is completed in an efficient, effective and timely manner, and general competitive factors in the marketplace. Failure to achieve these anticipated benefits on the anticipated timeframe, or at all, could result in a reduction in the price of UMB common stock as well as in increased costs, decreases in the amount of expected revenues and diversion of management's time and energy and could materially and adversely affect the combined company's business, financial condition and operating results. Those integration matters could have an adverse effect on each of us and UMB for an undetermined period after completion of the Merger on the combined company.

We and UMB have, and the combined company following the Merger will, incur significant transaction and Merger-related costs in connection with the transactions contemplated by the Merger Agreement.

We and UMB have incurred and expect to incur significant non-recurring costs associated with combining our operations with those of UMB. These costs include legal, financial advisory, accounting, consulting and other advisory fees, severance/employment-related costs, public company filing fees and other regulatory fees, printing costs and other related costs. Additional unanticipated costs may be incurred in the integration of our business with the business of UMB, and there are many factors beyond our or UMB's control that could affect the total amount or timing of integration costs. Although we expect that the elimination of duplicative costs, as well as the realization of other efficiencies related to the integration of the businesses, may offset incremental transaction and Merger-related costs over time, this net benefit may not be achieved in the near term, or at all.

Whether or not the Merger is consummated, we, UMB and the combined company will incur substantial expenses in pursuing the Merger and may adversely impact our and the combined company's earnings. Completion of the transactions contemplated by the Merger Agreement will be conditioned upon customary closing conditions, including the receipt of required governmental authorizations, consents, orders and approvals, including approval by certain federal banking regulators. We and UMB intend to pursue all required approvals in accordance with the Merger Agreement. However, there can be no assurance that such approvals will be obtained without additional cost, on the anticipated timeframe, or at all.

Regulatory approvals for the Merger may not be received, may take longer than expected or may impose conditions that are not currently anticipated or that could have an adverse effect on the combined company following the Merger.

Before the Merger and the Bank Merger may be completed, various approvals, consents and non-objections must be obtained from regulatory authorities. In determining whether to grant these approvals, regulatory authorities consider a variety of factors, including the regulatory standing of each party. These approvals could be delayed or not obtained at all, including due to any or all of the following: an adverse development in any party's regulatory standing or any other factors considered by regulators in granting such approvals, governmental, political or community group inquiries, investigations or opposition; changes in legislation or the political environment, including as a result of changes of the U.S. executive administration, or Congressional leadership and regulatory agency leadership.

Even if the approvals are granted, they may impose terms and conditions, limitations, obligations or costs, or place restrictions on the conduct of the combined company's business or require changes to the terms of the transactions contemplated by the Merger Agreement. There can be no assurance that regulators will not impose any such conditions, limitations, obligations or restrictions or that such conditions, limitations, obligations or restrictions will not have the effect of delaying the completion of any of the transactions contemplated by the Merger Agreement, imposing additional material costs on or materially limiting the revenues of the combined company following the Merger or will otherwise reduce the anticipated benefits of the Merger. In addition, there can be no assurance that any such conditions, limitations, obligations or restrictions will not result in the delay or abandonment of the Merger. Additionally, the completion of the Merger is conditioned on the absence of certain orders, injunctions or decrees by any governmental entity of competent jurisdiction that would prohibit or make illegal the completion of the transactions contemplated by the Merger Agreement.

Despite our and UMB's commitments to use our reasonable best efforts to respond to any request for information and resolve any objection that may be asserted by any governmental entity with respect to the Merger Agreement, neither party is required under the terms of the Merger Agreement to take any action, commit to take any action, or agree to any condition or restriction in connection with obtaining these approvals, that would reasonably be expected to have a material adverse effect on the combined company and its subsidiaries, taken as a whole, after giving effect to the proposed Merger (measured on a scale relative to us and our subsidiaries, taken as a whole) (a "materially burdensome regulatory condition").

The Merger Agreement may be terminated in accordance with its terms and the Merger may not be completed. Such failure to complete the transactions contemplated by the Merger Agreement could cause our results to be adversely affected, our stock price to decline or have a material and adverse effect on our stock price and results of operations.

If the transactions contemplated by the Merger Agreement, including the Merger, are not completed for any reason, there may be various adverse consequences and we may experience negative reactions from the financial markets and from our respective customers and employees. Moreover, our stock price may decline because costs related to such transactions, such as legal, accounting and financial advisory fees, must be paid even if such transactions, including the Merger, are not completed. Moreover, we may be required to pay a termination fee of \$70 million to UMB upon a termination of the Merger Agreement in certain circumstances. In addition, if the transactions contemplated by the Merger Agreement are not completed, whether because of our failure to receive required regulatory approvals in a timely fashion or because we have breached our obligations in a way that permits UMB to terminate the Merger Agreement, or for any other reason, our stock price may decline.

The market price for UMB's common stock following the Merger may be affected by factors different from those that historically have affected or currently affect our common stock.

Subject to the terms and conditions of the Merger Agreement, upon completion of the Merger, holders of shares of our common stock will receive shares of UMB common stock. The combined company's business and financial position will differ from our business and financial position before the completion of the Merger and, accordingly, the results of operations of the combined

company will be affected by some factors that are different from those currently affecting our results of operations and those currently affecting our results of operations. Accordingly, the market price and performance of UMB's common stock following the Merger is likely to be different from the performance of our common stock in the absence of the Merger.

The future results of the combined company following the Merger may suffer if the combined company does not effectively manage its expanded operations.

Following the Merger, the size of the business of the combined company will increase significantly beyond the current size of either our or UMB's business. The combined company's future success will depend, in part, upon its ability to manage this expanded business, which may pose challenges for management, including challenges related to the management and monitoring of new operations and associated increased costs and complexity. The combined company may also face increased scrutiny from governmental authorities as a result of the significant increase in the size of its business.

In addition, while HTLF Bank is a Colorado state-chartered non-member bank subject to primary federal bank regulatory oversight by the Federal Deposit Insurance Corporation, UMB's bank subsidiary, UMB Bank, National Association ("UMB Bank") is, and the bank subsidiary of the combined company upon completion of the Bank Merger will be, a national bank subject to oversight by the Office of the Comptroller of the Currency (the "OCC"). The laws, regulations and regulatory guidance applicable to HTLF Bank and the bank subsidiary of the combined company will therefore differ in ways that may affect the operations of the combined company.

There can be no assurances that the combined company will be successful or that it will realize the expected operating efficiencies, cost savings or other benefits currently anticipated from those disclosed the Merger.

We will be subject to business uncertainties and contractual restrictions while the Merger is pending.

Uncertainty about the effect of the Merger on employees and customers may have an adverse effect on us. These uncertainties may impair our ability to attract, retain and motivate key personnel until the Merger is completed, and could cause customers and others that deal with us to seek to change existing business relationships with us. In addition, subject to certain exceptions, we and UMB have agreed to operate our respective businesses in Part I, Item 1A. "Risk Factors" the ordinary course consistent with past practice in HTLF's 2023 Annual Report all material respects prior to closing, and we and UMB have agreed to agree not to take certain actions, which could cause us to be unable to pursue other beneficial opportunities that may arise prior to the completion of the Merger.

The shares of UMB common stock to be received by holders of our common stock as a result of the Merger will have different rights from the shares of our common stock.

Following the Merger, holders of our common stock will become holders of UMB common stock and their rights as shareholders of UMB common stock will be governed by Missouri law and the governing documents of the combined company. The rights associated with UMB common stock are different from the rights associated with our common stock.

Holders of our common stock will have a reduced ownership and voting interest in the combined company after the Merger and will exercise less influence over management.

Holders of our common stock currently have the right to vote in the election of the board of directors and on other matters affecting us. When the Merger is completed, each holder of our common stock who receives shares of UMB common stock will become a holder of common stock of the combined company, with a percentage ownership of the combined company that is smaller than the holder's percentage ownership of us. Based on the number of shares of UMB common stock and our common stock outstanding as of the close of business on April 26, 2024, and based on the number of shares of UMB common stock expected to be issued in the Merger, the former holders of our common stock, as a group, are estimated to own approximately thirty-one percent (31%) of the combined company immediately after closing. Additionally, five of the members of our Board of Directors will join the UMB Board of Directors at closing, which will be expanded to sixteen members. Because of this, holders of our common stock may have less influence on the management and policies of the combined company than they now have on our management and policies.

Litigation related to the Merger could prevent or delay completion of the Merger or otherwise negatively affect the business and operations of us and UMB.

We and UMB may incur costs in connection with the defense or settlement of any shareholder or stockholder lawsuits filed in connection with the Merger. Such litigation could have an adverse effect on our and UMB's financial condition and results of operations and could prevent or delay the completion of the Merger.

The Merger Agreement limits our ability to pursue alternatives to the Merger and may discourage other companies from trying to acquire us.

The Merger Agreement contains “no shop” covenants that restrict our ability to, directly or indirectly, initiate, solicit, knowingly encourage or knowingly facilitate any inquiries or proposals with respect to any acquisition proposal, engage or

participate in any negotiations with any person concerning any acquisition proposal, provide any confidential or nonpublic information or data to, or have or participate in any discussions with, any person relating to any acquisition proposal, subject to certain exceptions, or, unless the Merger Agreement has been terminated in accordance with its terms, approve or enter into any term sheet, letter of intent, commitment, memorandum of understanding, agreement in principle, acquisition agreement, Merger Agreement or other agreement in connection with or relating to any acquisition proposal.

The Merger Agreement further provides that, during the twelve (12)-month period following the termination of the Merger Agreement under specified circumstances, including the entry into a definitive agreement or consummation of a transaction with respect to an alternative acquisition proposal, we may be required to pay a termination fee of \$70 million to UMB.

These provisions could discourage a potential third-party acquirer that might have an interest in acquiring all or a significant portion of us from considering or proposing that acquisition.

The Merger will not be completed unless important conditions are satisfied or waived, including adoption of the Merger Agreement by our stockholders and approval of the issuance of UMB stock and amendment of the UMB articles pursuant to the Merger Agreement by UMB's shareholders.

Specified conditions set forth in the Merger Agreement must be satisfied or waived to complete the Merger. If the conditions are not satisfied or, subject to applicable law, waived, the Merger will not occur or will be delayed and each of us and UMB may lose some or all of the intended benefits of the Merger. The following conditions must be satisfied or waived, if permissible, before we and UMB are obligated to complete the Merger: (1) (A) adoption of the Merger Agreement by our stockholders and (B) approval of the issuance of UMB stock and the amendment and the amendment of UMB's articles pursuant to the Merger Agreement by UMB's shareholders, (2) authorization for listing on the Nasdaq Global Select Market of the shares of UMB stock to be issued in the Merger, subject to official notice of issuance, (3) receipt of specified governmental consents and approvals, including from the Board of Governors of the Federal Reserve System and the Office of the Comptroller of the Currency, and termination or expiration of all applicable waiting periods in respect thereof, in each case without the imposition of a materially burdensome regulatory condition, (4) effectiveness of the registration statement on Form 10-K, S-4 for the shares of UMB stock to be issued in the Merger, and (5) the absence of any order, injunction, decree or other legal restraint preventing the completion of the Merger or the Bank Merger or making the completion of the Merger or the Bank Merger illegal. Each party's obligation to complete the Merger is also subject to certain additional customary conditions, including (i) subject to certain exceptions, the accuracy of the representations and warranties of the other party, (ii) performance in all material respects by the other party of its obligations under the Merger Agreement and (iii) receipt by such party of an opinion from counsel to the effect that the first and second steps of the Merger, taken together, will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On March 17, 2020, the board of directors authorized management to acquire and hold up to 5% of capital or \$85.7 million as of March 31, 2024 June 30, 2024, as treasury shares at any one time. HTLF and its affiliated purchasers made no purchases of its common stock during the quarter ended March 31, 2024 June 30, 2024.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

Exhibits

[10.1](#)

[10.2](#)

[10.2](#)

[10.2](#)

[10.3](#)

[10.3](#)

[10.3](#)

[10.1](#)

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[32.1](#)

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[32.1](#)

[32.2](#)

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(1) Management contract or compensatory plan or arrangement

(2) Filed or furnished herewith

(3)Certain confidential information contained in this agreement has been omitted because it is both not material and is the type that the registrant treats as private or confidential.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned there unto duly authorized.

HEARTLAND FINANCIAL USA, INC.
(Registrant)

/s/ Bruce K. Lee

By: Bruce K. Lee
President and Chief Executive Officer
(Principal Executive Officer and Duly Authorized Officer)

/s/ Kevin L. Thompson

By: Kevin L. Thompson
Executive Vice President and Chief Financial Officer
(Principal Financial Officer and Duly Authorized Officer)

/s/ Janet M. Quick

By: Janet M. Quick
Executive Vice President and Deputy Chief Financial Officer
(Principal Accounting Officer and Duly Authorized Officer)

Dated: May 8, 2024 August 6, 2024



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Legend: [***] CERTAIN INFORMATION IN THIS DOCUMENT HAS BEEN OMITTED FROM THIS EXHIBIT BECAUSE IT IS BOTH (I) NOT MATERIAL AND (II) INFORMATION THAT THE COMPANY TREATS AS PRIVATE OR CONFIDENTIAL. AMENDMENT 7 TO AGREEMENT This AMENDMENT 7 ("Amendment"), effective as of the last date of signature below ("Amendment Effective Date") between Fiserv Solutions, LLC, a Wisconsin limited liability company with offices located at 600 N. Vel R. Phillips Avenue Milwaukee WI 53203 ("Fiserv"), and Heartland Financial USA, Inc., with offices located at 700 Locust Street, Dubuque, Iowa 52001 ("Client"), is to the Master Agreement dated July 1, 2021 between Fiserv and Client (as amended, the "Agreement"). Fiserv and Client agree as follows: 1. Defined Terms. Unless otherwise defined herein, capitalized terms used herein have the same meanings assigned them in the Agreement. 2. Extend Desktop Teller and Desktop Sales. The term for Maintenance Services for Desktop Teller and Desktop Sales Software set forth in Section 3(b) in the Account Processing Software (Signature) Schedule or the Account Processing (Signature) Schedule to Software Products Exhibit shall be extended and shall now end on December 31, 2024. The Desktop Teller and Desktop Sales Software Maintenance Services and support shall terminate December 31, 2024 (the "Desktop Maintenance Termination Date"), in alignment with the previously announced sunset date for Desktop Teller and Desktop Sales Software. Client shall retain the licenses to Desktop Teller and Desktop Sales and the right to continue usage of Desktop Teller and Desktop Sales at no cost but without support from Fiserv after the Desktop Termination Date. [***]. 3. Amendment. This Amendment is a modification of the Agreement. Except as expressly modified herein, the Agreement remains in full force and effect. In the event of a conflict between the terms of this Amendment and the Agreement, this Amendment shall control. The parties execute this Amendment by their duly authorized representatives as of the Amendment Effective Date. For Client: For Fiserv: 1. Rev 5-21-2024 FISERV SOLUTIONS, LLC By: By Name: Brad Enneking Name: Michael Cardell Title: Chief Information Officer Title: Authorized Signatory Date: March 26, 2024 | 10:41 CDT Date: March 28, 2024 | 06:30 CDT Heartland Financial USA, Inc.- 00749662.0 Page 1 of 1





2. (d) Immediately upon a Change in Control, if the obligations under this Agreement are not assumed by the Company or its successor in such Change in Control, all RSUs that have not been previously forfeited shall become vested. Otherwise, if the obligations under this Agreement are assumed by the Company or its successor in such Change in Control, and if a Participant's employment by the Company, a Subsidiary, or successor of the Company or a Subsidiary shall become subject to a Termination of Service within the period beginning six months prior to a Change in Control and ending 24 months after a Change in Control, all RSUs then held by the Participant shall become vested upon the later to occur of the Termination of Service or Change in Control. The foregoing provisions are subject to any forfeiture and expiration provisions otherwise applicable to the RSUs. (e) Except as set forth in Section 2(b), Section 2(c) and Section 2(d) above, upon the Participant's Termination of Service, [redacted] right, title and interest in and to the [redacted] that have not vested [redacted] Service and Participant shall have no further rights under this Agreement. [redacted] Service. [redacted] Precondition of Award. No Award of RSUs to a Participant will be effective unless Participant executes the Non-Solicitation Agreement attached as Exhibit A, Section 4.



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2 Rev 5-21-2022 after such RSU becomes vested.

Only whole Shares shall be issued, with any fractional RSUs rounded down to following nearest whole Share. (b) Compliance with Applicable Laws. Notwithstanding any other term of this Agreement or the Plan, the Company shall have no obligation to deliver any Shares or make any other distribution of benefits under this Agreement or the Plan unless such delivery or distribution complies with all applicable laws and the applicable rules of any securities exchange or similar entity. (c) Certificates Not Required. To the extent that this Agreement and the Plan provide for the issuance of Shares, such issuance may be effected on a non-certificated basis, to the extent not prohibited by applicable law or the applicable rules of any securities exchange or similar entity. Section 5. Withholding. All deliveries of Shares pursuant to this Award shall be subject to withholding of all applicable taxes. The Company shall have the right to require the Participant (or if applicable, permitted assigns, heirs and Designated Beneficiaries) to remit to the Company an amount sufficient to satisfy any tax requirements prior to the delivery date of any Shares in connection with this Agreement. Except as may be provided otherwise by the Committee, such withholding obligations may be satisfied at the election and Participant (a) through debit of a deposit account held by the Participant at a Company-affiliated bank, or (b) through the surrender of Shares to which the Participant is otherwise entitled under the Plan; provided, however, that except as otherwise specifically provided by the Committee, such Shares under clause (b) may not be used to satisfy more than the Company's minimum statutory withholding obligation. Section 6. Non-Transferability of RSUs. No RSU granted pursuant to this Agreement is transferable except as designated by the Participant by will or by the laws of descent and distribution or pursuant to a domestic relations order. Except as provided in the immediately preceding sentence, this Agreement shall not be assigned, transferred, pledged, hypothecated or otherwise disposed of by the Participant in any way whether by operation of law or otherwise, and shall not be subject to execution, attachment or similar process. Any attempt at assignment, transfer, pledge, hypothecation or other disposition of this Agreement contrary to the provisions hereof, or the levy of any attachment or similar process upon this Agreement or the RSUs it represents, shall be null and void and without effect.



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3 Section 7. Stockholder Rights. Any dividends or other distributions declared payable on the Company's Shares on or after the Grant Date of the RSUs until the RSUs vest or forfeit shall be credited notionally to the Participant in an amount equal to such declared dividends or other distributions on an equivalent number of the Shares of the Company ("Dividend Equivalents"). Dividend Equivalents so credited shall be paid if, and only to the extent that, the RSUs to which they relate vest, as provided under the terms of the Plan and this Agreement. Dividend Equivalents credited in respect to RSUs that are forfeited under the terms of the Plan and this Agreement are correspondingly forfeited. No interest or other earnings shall be credited on Dividend Equivalents. Vested Dividend Equivalents shall be paid in cash at the same time as the RSUs to which they relate vest and are converted into Shares. Other than as explicitly set forth above, the Participant shall not have any other rights of a Stockholder with respect to the RSUs, including but not limited to, voting rights, prior to the settlement of the RSUs pursuant to Section 4(a) above and issuance of Shares as provided herein. Section 8. 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 all or substantially all of the Company's assets or business. If any rights of the Participant or benefits distributable to the Participant under this Agreement have not been settled or distributed at the time of the Participant's death and have not been designated to pass to a certain beneficiary, such rights shall be provided to the legal representative of the estate of the Participant. Section 9. Administration. The authority to manage and control the operation and administration of this Agreement and the Plan 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 this Agreement or the Plan by the Committee and any decision made by the Committee with respect to this Agreement or the Plan shall be final and binding on all persons. Section 10. Plan Governs. Notwithstanding anything in this Agreement to the contrary, this Agreement shall be subject to the terms of the Plan, a copy of which may be obtained by the Participant from the Human Resources Department of the Company. This Agreement shall be subject to all interpretations, amendments, rules and regulations promulgated by the Committee from time to time. Notwithstanding any term of this Agreement to the contrary, in the event of any discrepancy between the corporate records of the Company and this Agreement, the corporate records of the Company shall control. Section 11. Not an Employment Contract. Neither the RSUs granted under this Agreement nor this Agreement shall confer upon the Participant any rights with respect to continuance of employment or other service with the Company or a Subsidiary, nor shall they interfere in any way with any right the Company or a Subsidiary may otherwise have to terminate or modify the terms of the Participant's employment or other service at any time. Section 12. Amendment. Without limitation of Section 15 and Section 16 below, this Agreement may be amended in accordance with the provisions of the Plan, and may otherwise be amended in writing by the Participant and the Company without the consent of any other person. Section 13. Governing Law. This Agreement, the Plan and all actions taken in connection herewith and therewith shall be governed by and construed in accordance with the laws of the State of Delaware, without reference to principles of conflict of laws, except as superseded by applicable federal law or as specifically stated in Exhibit A. Section 14. Validity. If any provision of this Agreement is determined to be illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but this Agreement shall be construed and enforced as if such illegal or invalid provision had never been included herein. Section 15. Section 409A Amendment. This Agreement is intended to be exempt from Code Section 409A and this Agreement shall be administered and interpreted in accordance with such intent. The Committee reserves



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4 the right (including the right to delegate such right) to unilaterally amend this Agreement without the consent of the Participant in order to maintain an exclusion from the application of, or to maintain compliance with, Code Section 409A, and the Participant hereby acknowledges and consents to such rights of the Committee. Section 16. Clawback. This Agreement, the RSUs and any Shares received under this Agreement, and any amount or benefit received under the Plan shall be subject to potential cancellation, recoupment, rescission, payback or other action in accordance with the terms of any applicable Company or Subsidiary clawback policy (the "Policy") or any applicable law, as may be in effect from time to time. The Participant hereby acknowledges and consents to the Company's or a Subsidiary's application, implementation and enforcement of (a) the Policy and any similar policy established by the Company or a Subsidiary that may apply to the Participant, whether adopted prior to or following the date of this Agreement, and (b) any provision of applicable law relating to cancellation, rescission, payback or recoupment of compensation, and agrees that the Company or a Subsidiary may take such actions as may be necessary to effectuate the Policy, any similar policy and applicable law, without further consideration or action. * * * * *



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5 IN WITNESS WHEREOF, the Company has caused this Agreement to be executed in its name and on its behalf, and the Participant acknowledges understanding and acceptance of, and agrees to, the terms of this Agreement, all as of the Grant Vesting. This Agreement and any amendments or supplements hereto may be executed in counterparts, each of which shall constitute an original, but taken together shall constitute a single contract. Signature may be in electronic format, including by electronic acknowledgement. EMPLOYEE By: %%FIRST_NAME_LAST_NAME%% Via Electronic Acknowledgment HEARTLAND FINANCIAL USA, INC. By: Bruce K. Lee President and CEO



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EXHIBIT A NON-SOLICITATION AGREEMENT This NON-SOLICITATION AGREEMENT (the "Agreement"), including the state-specific modifications in Appendix A 1 is entered into between Heartland Financial USA, Inc., and its Affiliates (as defined below), successors, and assigns (collectively the "Company") and the undersigned Employee. WHEREAS, the Company is engaged in the business of providing banking, investment, and other financial products and services (collectively, the "Services"); WHEREAS, to maximize the quality of the Services it provides, the Company encourages its employees to develop and maintain a proper business and professional relationships with its existing and potential customers as well as other employees; WHEREAS, in furtherance of developing these relationships and services, the Company compensates its employees for their time, trains its employees, discloses to its employees certain Confidential and Proprietary Information (as that term is defined in the parties' Employee Confidentiality and Non-Disclosure Agreement), and commits its resources to the development of these relationships and Confidential and Proprietary Information; WHEREAS, the Company's customer and employee relationships represent a significant investment of the Company's resources and are commercially important, and it is important that the Company protects its customers and employees from direct and indirect solicitation by competitors and former employees; and WHEREAS, Employee is receiving valuable consideration in the form of restricted stock grants ("RSUs") issued contemporaneously with Employee's execution of this Agreement. NOW, THEREFORE, in consideration of the Employee's employment, the Employee's access to Confidential and Proprietary Information, the Company's providing Employee specialized training related to the Company's Services, the Company's allowing Employee access to customers and the ability to use and develop goodwill with them, the award of RSUs, the Employee's eligibility for discretionary compensation plans and programs in addition to any regular compensation, and the mutual covenants and promises set forth herein, the parties agree as follows: 1 Employees in Alabama, California, Colorado, District of Columbia, Georgia, Illinois, Indiana, Louisiana, Minnesota, Missouri, Nebraska, Nevada, New York, New Hampshire, North Carolina, North Dakota, Oklahoma, Virginia, Washington, and Wisconsin are directed to the State-Specific Appendix for important limitations on the scope of this Agreement



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1. Confidentiality and Non-Disclosure. Employee acknowledged and agreed to the Employee Confidentiality and Non-Disclosure Agreement, which is incorporated into this Agreement. The Confidentiality and Non-Disclosure Agreement survives the termination of Employee's employment in accordance with its terms. 2. Nonsolicitation a. Non-Solicitation of Employees. At all times while Employee is employed by the Company and for 12 months immediately following the voluntary or involuntary termination of Employee's employment with the Company, regardless of the reason for the termination, Employee agrees and covenants not to directly or indirectly: (i) solicit or recruit for their own benefit or the benefit of any other person or entity, any employee of the Company (A) who was employed by the Company on the last day of Employee's employment or in the six month period immediately prior; and (B) whom the Employee gained knowledge of through Employee's employment with the Company ("Covered Employee"), or (ii) encourage or induce any Covered Employee to terminate their employment with the Company. Under no circumstances will Section 2(a) apply in California post-termination of employment. b. Non-Solicitation of Customers. Employee understands and acknowledges that because of Employee's employment with the Company, Employee will have access to and learn about the Company's Customer Information. "Customer Information" includes, but is not limited to, names, phone numbers, addresses, email addresses, transaction history and preferences, chain of command, pricing information, and other information identifying facts and circumstances specific to the customer and its relationship with the Company, as well as any information the disclosure or use of which is subject to the Confidentiality and Non-Disclosure Agreement. Employee further understands and acknowledges that the curtailment, diversion, or loss of any such customer relationship or goodwill will cause significant and irreparable harm to the Company. Based on the foregoing and Employee's employment relationship with the Company, at all times while Employee is employed by the Company and for 12 months immediately following the voluntary or involuntary termination of Employee's employment with the Company, regardless of the reason for the termination, Employee agrees and covenants not to directly or indirectly (i) solicit or attempt to solicit, for the purposes of providing or performing services similar to or in competition with the Company's Services, the Company's former, current, or prospective customers (1) with whom Employee had Material Business-Related Contact during the last two years of Employee's employment with the Company (the "Look Back Period"), including any interaction occurring indirectly through individuals directly or indirectly supervised by Employee or with whom Employee engaged in cross-selling or other joint marketing efforts, or (2) about whom the Employee received Customer Information during the Look Back Period (collectively "Covered Customers"), or (ii) encourage or otherwise induce any Covered Customer to curtail, terminate or decline to renew such Covered



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Customer's business relationship with the Company. Under no circumstances will Section 2(b) apply in California post-termination of employment. c. For purposes of this Section 2, "soliciting" means to interact with someone in an effort to cause or encourage the person or entity to do something, regardless of which party first initiates contact. "Material Business-Related Contact" means a direct, substantive conference, meeting, correspondence, discussion, or other contact or communication (but not merely a mass mailing, "cold call" telephone solicitation, incidental meeting at trade shows or conventions, or other like incidental contacts), that is intended to result in, lead to, maintain, increase, facilitate, further, or otherwise aid the sale or other provision of product(s) or service(s) sold or provided by the Company. d. Territory. The non-solicitation covenants in Sections 2(a) and 2(b) are understood to be inherently and reasonably limited by geography to those locations and/or places of business where the Covered Customer or Covered Employee is located and available for solicitation. Where (and only where) a different form of geographic limitation is required by applicable law for enforcement, the covenants will be considered limited to Employee's Territory. "Territory" means the United States (including state and state-equivalents and county and county-equivalents therein), as the Company and Employee agree that the Company's business is conducted nationwide. If Employee is employed in a sales position, Employee acknowledges that the geographic scope is reasonable because many of the customers to whom Employee sells/sold products while employed by the Company are national accounts with locations throughout the country, and therefore, the scope of Confidential Information to which Employee had access and the goodwill Employee builds on behalf of the Company will not be limited to any particular county or state within the United States. If Employee is employed as an officer of the Company, Employee acknowledges that the geographic scope is reasonable because Employee is presumed to have participated in the Company's business and/or had Confidential Information about the Company's business throughout the United States (including state and state-equivalents and county and county-equivalents therein). Provided, however, if a nationwide Territory is unenforceable, "Territory" means the geographic territory(ies) assigned to Employee by the Company during the Look Back Period (by state, county, or other recognized geographic boundary used in the Company's business), and, if Employee has no such specifically assigned geographic territory then: (i) those states and counties in which Employee participated in the Company's business during the Look Back Period; and, (ii) the state(s) and county(ies) where Employee resided during the Look Back Period. e. Clarifications. The non-solicitation provisions in subsection 2(a) and (b) explicitly cover all forms of oral, written, or electronic communication, including, but not limited to, communications by email, regular mail, express mail, telephone, fax, instant message, and social media.



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The use of the term the "Company" in this Agreement refers collectively to Heartland Financial USA, Inc. and its Affiliates. "Affiliate" shall mean any bank, trust company, financial services firm or other legal entity that directly or indirectly controls or is controlled by Heartland Financial USA, Inc., or is under common control with Heartland Financial USA, Inc. 3. Choice of Law; Remedies. This Agreement shall be interpreted according to the laws of the state in which the Employee last worked for the Company. The parties agree that, regardless of any choice of law provisions of any jurisdiction, the Agreement shall be enforceable in any Court of competent jurisdiction in that state, and the parties expressly consent to the jurisdiction therein. Employee agrees that the Company may be irreparably harmed if Employee violated the terms of this Agreement and that money damages may not provide adequate relief. Employee therefore agrees that if Employee violates or threatens to violate any term of this Agreement, the Company may be entitled to a temporary or permanent injunction to enforce this Agreement, as well as any other remedies at law or in equity. Should the Company need to commence legal action to enforce any provision of this Agreement or protect its rights under the Agreement, and the Company is deemed the prevailing party, the Company shall recover its attorneys' fees incurred in such legal action, if permitted under applicable law. The Company shall be deemed the prevailing party if it is awarded any part of the legal or equitable relief it seeks, irrespective of whether some of the relief it seeks is denied or modified. However, if applicable law requires this provision regarding attorneys' fees and costs be interpreted as reciprocal, it shall be modified such that all parties bear their own attorneys' fees and costs. 4. Successors. This Agreement shall inure to the benefit of and shall be enforceable by any successor or assignee of the Company. If the Company is sold, merged into another entity, or otherwise reorganized, this Agreement shall automatically be assigned to the successor entity and Employee shall continue to owe the obligations set forth in this Agreement to the successor entity unless otherwise agreed in writing. In such a circumstance, Confidential Information shall include information of the successor entity as well as that of the Company. Furthermore, in the event of a corporate reorganization where Employee's employer transfers to a different entity included within the definition of Company, Employee shall owe the obligations set forth in this Agreement to Employee's new employing entity unless otherwise agreed in writing. In such a circumstance, Confidential Information shall include information of the new employing entity as well as that of the Company. This Agreement may be enforced by any of the Company's successors, or assigns who have a legitimate business interest that would be protected by enforcement of this Agreement. Employee's obligations under this Agreement are personal in nature and will not be assigned by Employee without the written consent of the Company. 5. Prior Agreements. This Agreement is intended as a clarification and amplification of any existing prior agreements between the parties (including the Employee Confidentiality and Non-Disclosure Agreement), which prior agreements relate to the subject matter of the Agreement. 6. Amendment. No changes in or additions to the terms of this Agreement shall be valid or binding unless reduced to writing and signed by both parties. Employee acknowledges that portions of this Agreement may be modified or overridden by the laws of the state in which



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Employee last worked for the Company, and that these modifications or overrides are set forth in the State-Specific Appendix below, which constitutes part of the Agreement and which Employee has read and understands. The parties agree that, where permitted by law, a Court of competent jurisdiction shall have the power to reduce the period or scope contained in this Agreement to substitute the maximum period or scope deemed reasonable under such circumstances or enforce the restrictions to such lesser extent as allowed by law. 7. Severability. The Employee and the Company agree that the covenants contained in this Agreement, or any of its paragraphs, sentences, or clauses are severable and separate, and the enforceability of any specific covenant or restriction shall not affect the validity or enforceability of any other covenant or restriction set forth herein. Each such covenant on the part of the Employee shall be construed as an agreement independent of any other provision in this Agreement, and the existence of any claim or cause of action of the Employee against the Company or any Affiliate whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement of the Company of said covenants. 8. Waiver of Default. Any waiver by the Company of any default or violation under this Agreement shall not constitute a waiver of any other default or violation on a different occasion. 9. Consent. The Employee acknowledges that he/she has had sufficient time to read, has read, and understands this Agreement. The Employee acknowledges having received a copy of this Agreement. Employee is advised of the opportunity to review this Agreement with Employee's legal counsel. 10. Disclosure to Future Employers. Employee agrees to provide a copy of this Agreement to any organization that Employee is employed by or otherwise provides services to at any time during the 12 month period following termination of Employee's employment with the Company. The Employee acknowledges and agrees that the Company may send a copy of this Agreement to any such organization. 11. Counterparts; Electronic Signatures. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument. The Parties agree that any electronic signature included in this Agreement is intended to authenticate this writing and to have the same force and effect as an original signature by hand in ink. Employee may decline the use of an electronic signature and instead elect to sign a paper copy of this Agreement by hand in ink. The Company assents to and accepts this Agreement upon Employee providing Employee's signature either electronically or by hand, and the Parties agree that this Agreement will be binding and enforceable without the Company's signature.



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IN WITNESS WHEREOF, the parties have hereto executed this Agreement, effective as of the date executed electronically by the Employee ("Effective Date"), EMPLOYEE By: %%FIRST NAME LAST NAME%% Via Electronic Acknowledgment HEARTLANDFINANCIAL USA, INC. By: Bruce K. Lee President and CEO



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12 APPENDIX A The following shall apply to modify provisions of the Agreement, where applicable, based upon the controlling law in the state where Employee primarily resided and worked when last employed by the Company. Alabama: If Alabama law applies, then: (a) Employee's non-solicitation of employees obligations in Section 2(a) shall only apply to Covered Employees who are in a position uniquely essential to the management, organization, or service of the Company's business (such as an employee involved in management or significant customer sales or servicing); and (b) Employee's non-solicitation of customers obligations in Section 2(b) shall be modified to further limit the restriction on solicitation of clients to solicitation on behalf of a commercial entity that carries on a like business to the Company's Services. California: If California law applies, then the non-solicitation of employees obligations in Section 2(a) and the non-solicitation of customers obligations in Section 2(b) shall not apply after Employee's employment with the Company ends. However, any conduct relating to the solicitation of Company's customers or employees that involves the misappropriation of the Company's trade secret information, such as its protected customer information, will remain prohibited conduct at all times. Further, Employee acknowledges that signing this Agreement is Employee's knowing and voluntary choice after having had a full and fair opportunity to consult with legal counsel (at the Employee's cost). Colorado: If Colorado law applies, then: (a) The non-solicitation of customers obligations in Section 2(b) will not be enforceable against Employee unless Employee earns annualized cash compensation (including wages, bonuses, commissions, or other cash compensation) from the Company of at least 60% of the "highly compensated" annual threshold amount set by Colorado's Division of Labor Standards and Statistics in the Department of Labor and Employment under 7 CCR 1103-14, R. 2.2.11 (\$74,250 for 2024), both on the Effective Date and when the Agreement is enforced ("Colorado Non-Solicit Earnings Threshold"); (b) The non-solicitation of customers obligations in Section 2(b) shall be deemed to be modified to cover only those customers with respect to which Employee had access to trade secret information during the last two years of Employee's employment with the Company; (c) Employee stipulates that non-solicitation of customers obligations in Section 2(b), as amended in this above, are no broader than reasonably necessary to protect the Company's legitimate interest in protecting trade secrets within the meaning of § 8-2-113(2)(d) (the "Colorado Noncompete Act").



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13. (d) Nothing in this Agreement prohibits the disclosure of information arising from Employee's general training, knowledge, skill, or experience, information readily ascertainable to the public, or information that Employee otherwise has a right to disclose as legally protected conduct; and (e) if Employee was physically in Colorado when Employee signed this Agreement, Employee acknowledges that Employee received notice of and a copy of this Agreement either (i) before Employee accepted an offer of employment from the Company, if Employee is a new employee; or (ii) 14 days before the Effective Date of this Agreement, if Employee is a current employee. District of Columbia: If Employee spends more than 50% of their time working for the Company in the District of Columbia, or if Employee's employment is based in the District of Columbia and Employee does not spend more than 50% of their time working in another jurisdiction, and the law of the District of Columbia controls, then Employee acknowledges that Employee received notice of and a copy of this Agreement either (i) before Employee accepted an offer of employment from the Company, if Employee is a new employee; or (ii) 14 days before the Effective Date of this Agreement, if Employee is a current employee. Georgia: If Georgia law applies, then: (a) The definition of Covered Customer in Section 2(b) shall include only current customers and actively sought prospective customer of the Company with whom Employee had material business-related interaction during the Look Back Period; (b) Nothing in the customer non-solicitation obligations in Section 2(b) shall restrict Employee from accepting business from a Covered Customer so long as Employee did not solicit, assist in soliciting, facilitate the solicitation of, provide, or offer to provide services to the Covered Customer (regardless of who first initiated contact) or use Confidential and Proprietary Information to encourage or induce the Covered Customer to withdraw, curtail, or cancel its business with the Company or in any other manner modify or fail to enter into any actual or potential business relationship with the Company; and (c) Employee understands that the employee non-solicitation covenant in Section 2(a) and the customer non-solicitation covenant in Section 2(b) are limited in geographic scope to the Territory. Illinois: If Illinois law applies, the Employee is advised to consult with an attorney before entering into this Agreement. If Employee signs this Agreement during Employee's employment with the Company, Employee acknowledges that Employee had at least 14 calendar days to review this Agreement prior to signing it. Employee further understands that the non-solicitation of employees obligations in Section 2(a) and the non-solicitation of customers obligations in Section 2(b) shall not be enforceable against Employee unless Employee earns from the Company more than \$45,000 per year. This threshold increases by \$2,500 every five years (after 2022) until 2037 ("Illinois Earnings Threshold"). Employee further agrees (and has received notice from the Company through this Agreement) that if, at the time Employee signs this Agreement, Employee's earnings do not meet the Earnings Threshold, then the non-solicitation of employees obligations



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1.4 in Section 2(a) and the non-solicitation of customers obligations in Section 2(b) will automatically become enforceable against Employee if and when Employee's earnings meet the Illinois Earnings Threshold. Indiana: If Indiana law applies, then the definition of Covered Employee in Section 2(a) shall be modified to further limit the restrictions on solicitation of employees to those who have access to or possess any Confidential and Proprietary Information that would give a competitor an unfair advantage. Louisiana: If Louisiana law applies, then: the definition of Territory shall be limited to the parishes and counties (or their equivalents) from the following list so long as the Company continues to carry

on business therein: Acadia, Allen, Ascension, Assumption, Avoyelles, Beauregard, Bienville, Bossier, Caddo, Calcasieu, Caldwell, Cameron, Catahoula, Claiborne, Concordia, Desoto, East Baton Rouge, East Carroll, East Feliciana, Evangeline, Franklin, Grant, Iberia, Iberville, Jackson, Jefferson Davis, Jefferson, Lafayette, Lafourche, LaSalle, Lincoln, Livingston, Madison, Morehouse, Natchitoches, Orleans, Ouachita, Plaquemines, Pointe Coupee, Rapides, Red River, Richland, Sabine, St. Bernard, St. Charles, St. Helena, St. James, St. John the Baptist, St. Landry, St. Martin, St. Mary, St. Tammany, Tangipahoa, Tensas, Terrebonne, Union, Vermillion, Vernon, Washington, Webster, West Baton Rouge, West Carroll, West Feliciana, Winn; and, if counties (or their equivalents) that are located outside of Louisiana must also be specified by name. Employee acknowledges that the names at issue are those listed by the U. S. Census Bureau for the remainder of the United States found at https://en.wikipedia.org/wiki/List_of_counties_by_U.S._state (summarizing data from www.census.gov and incorporated herein by reference) and the same are all incorporated herein by reference. Employee agrees that the foregoing provides Employee with adequate notice of the geographic scope of the restrictions contained in the Agreement by name of specific parish or parishes (and equivalents), municipality or municipalities, and/or parts thereof. Minnesota: If Employee primarily resides or works in Minnesota during Employee's employment with the Company, then for so long as Employee primarily resides or works in Minnesota, then, if entering into this Agreement in connection with the start of Employee's employment with the Company, Employee acknowledges that Employee was provided with notice of this Agreement when offered employment and was aware that execution of an agreement with non-solicitation restrictions was a requirement of employment when Employee accepted the Company's offer. If entering into this Agreement after the commencement of employment, Employee acknowledges Employee received independent consideration for the covenants in this Agreement and was aware that execution of an agreement with non-solicit restrictions was a requirement of employment before Employee accepted the additional consideration. Missouri: If Missouri law applies, then the non-solicitation of employees obligations in Section 2(a) shall be modified to exclude the solicitation or hiring of any employee who provides solely secretarial or clerical services.



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16 permitted to engage in the same business as that conducted by the Company or in a similar business as long as Employee does not directly solicit the sale of goods, services, or a combination of goods and services from the established customers of the Company. Virginia: If Virginia law applies, then: (a) the parties agree that the non-solicitation obligations herein are reasonably limited in nature and do not prohibit employment with a competing business in a non-competitive position; and (b) if Employee resides in Virginia and Employee's average weekly earnings calculated, as provided for under Code of Virginia § 40.1-28.7-7 (the "Virginia Act"), are less than the average weekly wage of the Commonwealth as determined pursuant to subsection B of §65.2-500 or Employee otherwise qualifies as a "low-wage employee" under the Virginia Act then nothing in the customer non-solicitation obligations in Section 2(b) shall restrict Employee from providing a service to a customer of the Company if Employee does not initiate contact with or solicit the customer. Employee shall not be considered a "low-wage employee" if Employee's earnings are derived, in whole or in predominant part, from sales commissions, incentives, or bonuses paid to Employee by the Company. Washington: If Washington law applies, then: (a) Section 2(a) is amended as follows: a. Non-Solicitation of Employees. At all times while Employee is employed by the Company and for 12 months immediately following the voluntary or involuntary termination of Employee's employment with the Company, regardless of the reason for the termination, Employee agrees and covenants not to, directly or indirectly, solicit for employment, or attempt to solicit for employment, for their own benefit or the benefit of any other person or entity, any employee of the Company (A) who was employed by the Company on the last day of Employee's employment or in the six month period immediately prior; and (B) whom the Employee gained knowledge of through Employee's employment with the Company ("Covered Employee"). (b) Section 2(b) is amended as follows: b. Non-Solicitation of Customers. Employee understands and acknowledges that because of Employee's employment with the Company, Employee will have access to and learn about the Company's Customer Information. "Customer Information" includes, but is not limited to, names, phone numbers, addresses, email addresses, transaction history and preferences, chain of command, pricing information, and other information identifying facts and circumstances specific to the customer and its relationship with the Company, as well as any information the disclosure or use of which is subject to the Confidentiality and Non-Disclosure Agreement. Employee further understands and acknowledges that the curtailment, diversion, or loss of any such customer relationship or



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17 goodwill will cause significant and irreparable harm to the Company. Based on the foregoing and Employee's employment relationship with the Company, at all times while Employee is employed by the Company and for 12 months immediately following the voluntary or involuntary termination of Employee's employment with the Company, regardless of the reason for the termination, Employee agrees and covenants not to directly or indirectly solicit or attempt to solicit, for the purposes of providing or performing services similar to or in competition with the Company's Services, the Company's customers (1) with whom Employee had Material Business-Related Conduct during the last two years of Employee's employment with the Company (the "Look Back Period"), including any interaction occurring indirectly through individuals directly or directly supervised by Employee or with whom Employee engaged in cross-selling or other joint marketing efforts, or (2) about whom the Employee received Customer Information during the Look Back Period (collectively "Covered Customers"). Wisconsin: If Wisconsin law applies, then the non-solicitation of employees obligations in Section 2(a) are amended to provide that the Covered Employee must also be an employee who is either (i) entrusted with Confidential and Proprietary Information; or (ii) employed in a position essential to the management organization, or service of the business (such as, but not limited to, maintaining the Company's customer relationships).



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HEARTLAND FINANCIAL USA, INC. 2020 LONG-TERM INCENTIVE PLAN 2024 PERFORMANCE-BASED RESTRICTED STOCK UNIT AWARD AGREEMENT THREE-YEAR PERFORMANCE PERIOD The Participant specified below is hereby granted a performance-based restricted stock unit award by HEARTLAND FINANCIAL USA, INC. (the "Company") under the HEARTLAND FINANCIAL USA, INC. 2020 LONG-TERM INCENTIVE PLAN (as amended and restated, the "Plan"). The restricted stock units awarded by this Award Agreement (this "Agreement") shall be subject to the terms of the Plan and the terms set forth in this Agreement. All capitalized terms used in this Agreement and not otherwise defined have the meaning assigned to them in the Plan. Section 1. Award. The Company hereby grants to the Participant an award of restricted stock units (each such unit, an "RSU"), where each RSU represents the right of the Participant to receive one share of Company stock ("Share") in the future, subject to the terms of this Agreement and the Plan. For all purposes of this Agreement: The "Participant" is: %FIRST_NAME_MIDDLE_NAME_LAST_NAME%. % The "Grant Date" is: %OPTION_DATE%. % The number of RSUs is: %TOTAL_SHARES_GRANTED%.999,999,999%. % Section 2. Vesting of RSU. (a) Vesting. To the extent earned in accordance with Section 2(b), and subject to forfeiture prior to vesting in accordance with Section 2(c), the RSUs shall vest on the Measurement Date (as defined in Section 2(b)) or such earlier date pursuant to Section 2(c). Shares shall be delivered based upon vesting of RSUs pursuant to and subject to Section 3 below. The price at which the RSUs shall vest is the fair market value of Company stock at closing on the business day prior to the Measurement Date. (b) Earning of RSUs. The RSUs are earned based upon the financial performance of the Company as set forth in Exhibit A (the "Performance Targets") during the three fiscal years commencing with the fiscal year in which the Grant Date occurs (the "Performance Period"). The

Committee shall determine the number of RSUs earned based upon the Performance Targets at its first meeting after measurement of performance in relation to the Performance Targets is attainable for the last fiscal year of the Performance Period (the "Measurement Date"), and the Company shall advise the Participant as soon as practicable thereafter of the number of RSUs that have been earned; provided, however, that no RSUs shall become earned if there exists as of the Measurement Date, as determined by the Committee, a material weakness (a "Material Weakness") in the safety, soundness or compliance (e.g., a regulatory memorandum of understanding, or a material weakness in internal control over financial reporting) of the Company. In determining whether the RSUs have been earned based upon the Performance Targets, the Committee shall consider the effects of the following items, to the extent identified in the audited financial statements of the Company as of and for the three fiscal years ended during the Performance Period, or in the Management Discussion and Analysis section of the Company's



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2 annual reports for such three fiscal years made available to its stockholders during the Performance Period: (i) extraordinary, unusual 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. (c) Forfeiture and Special Vesting of RSUs. Notwithstanding the foregoing provisions of Section 2(b), (i) Any RSUs that have not been earned as of the Measurement Date based upon failure to meet the Performance Targets shall expire and be forfeited on, and as of, the Measurement Date, (ii) Any RSUs that have not been earned as of the Measurement Date based upon failure to remediate a Material Weakness shall expire and be forfeited on, and as of, the Measurement Date, (iii) If a Participant's Termination of Service occurs prior to the Measurement Date due to termination of the Participant's employment by the Participant's employer (with or without Cause) or by the Participant voluntarily (other than due to Qualifying Retirement), any RSUs held by the Participant shall expire and shall be forfeited as of the date of employment termination, (iv) If a Participant's Termination of Service occurs during the Performance Period but prior to the Measurement Date, due to the Participant's Disability or death, then the number of RSUs awarded in Section 1 shall vest. Participant is not entitled to an increase or decrease in vesting RSUs as a result of the Company's financial performance relative to any Performance Targets, (v) If the Participant's Termination of Service occurs during the Performance Period due to a Qualifying Retirement (as defined below), then all of the RSUs shall vest in accordance with subsection 2(b)(v) above as though the Participant were employed through the Performance Period. A "Qualifying Retirement" means a voluntary Termination of Services by the Participant on or after the date the Participant reaches the age of 62, and provided that (A) the Participant has provided at least five (5) years of full-time equivalent services to the Company or a Subsidiary through the date of such Termination of Services; (B) the Participant covenants that the Participant shall not engage in any full-time employment with any entity thereafter (although Participant shall be entitled to engage in part-time employment, including services as a member of a board of directors or similar body, with an entity that does not compete with the Company or any Subsidiary) unless such employment has been approved in writing by the Chair of the Committee; (C) the Participant executes a general release and waiver of claims against the Company at the time of such Termination of Services; and (D) the Participant executes a confidentiality, non-solicitation, and non-competition agreement with the Company at the time of such Termination of Service. Consistent with Section 5.2 of the Plan, any question regarding whether a voluntary Termination of Service constitutes a Qualifying Retirement shall be determined by the Committee and the decision of the Committee shall be final and binding upon the Participant. (vi) Immediately upon a Change in Control, if the obligations under this Agreement are not assumed by the Company or its successor in such Change in Control, all RSUs that have not been previously forfeited shall become vested as if the Company had achieved 100% of the Performance Targets immediately prior to the Change in Control. Otherwise, if the obligations under this Agreement are assumed by the Company or its successor in such Change in Control, and if a Participant's employment



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3 by the Company or Bank or successor of the Company or Bank shall become subject to a Termination of Service within the period beginning six months prior to a Change in Control and ending 24 months after a Change in Control. All RSUs then held by the Participant shall become vested as if the Company had achieved 100% of the Performance Targets immediately prior to the Change in Control, upon the later to occur of the Termination of Service or Change in Control. The foregoing provisions are subject to any forfeiture and expiration provisions otherwise applicable to the RSUs. Section 3. Settlement of RSUs. Delivery of Shares or other amounts under this Agreement shall be subject to the following: (a) Delivery of Shares. The Company shall deliver to the Participant one Share, free and clear of any restrictions, in settlement of each vested RSU within 30 days following the Measurement Date. For RSUs vesting as a result of the Participant's death or Disability, the Company shall deliver to the Participant or Participant's estate or beneficiaries, as applicable, free, and clear of any restrictions, in settlement of each vested RSU within 90 days of Participant's death or within 30 days of Company's receipt of proof of Participant's Disability.

All deliveries of Shares pursuant to this Agreement shall be made free of all applicable taxes, including but not limited to, federal, state, and local income taxes, and any applicable withholding taxes. The requirements, the statutory withholding, if any, applicable to this Agreement. Except as may be provided otherwise by the Committee, such withholding obligations may be satisfied at the election of the Participant (a) through debit of a deposit account held by the Participant at a Company-affiliated bank, or (b) through the surrender of Shares to which the Participant is otherwise entitled under the Plan; provided, however, that except as otherwise specifically provided by the Committee, such Shares under clause (b) may not be used to satisfy more than the Company's minimum statutory withholding obligation. Award. RSUs. Neither the RSUs awarded pursuant to this Agreement, nor Award. The Award, or shall be is not this Agreement. the Award this Agreement. the Award this Agreement or RSUs it represents. Award.



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Grant Date grant date

Section 3(a) (a)



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Human Resources Department office of the secretary

RSUs granted under this Agreement Award

upon 30

Without limitation of Subject to



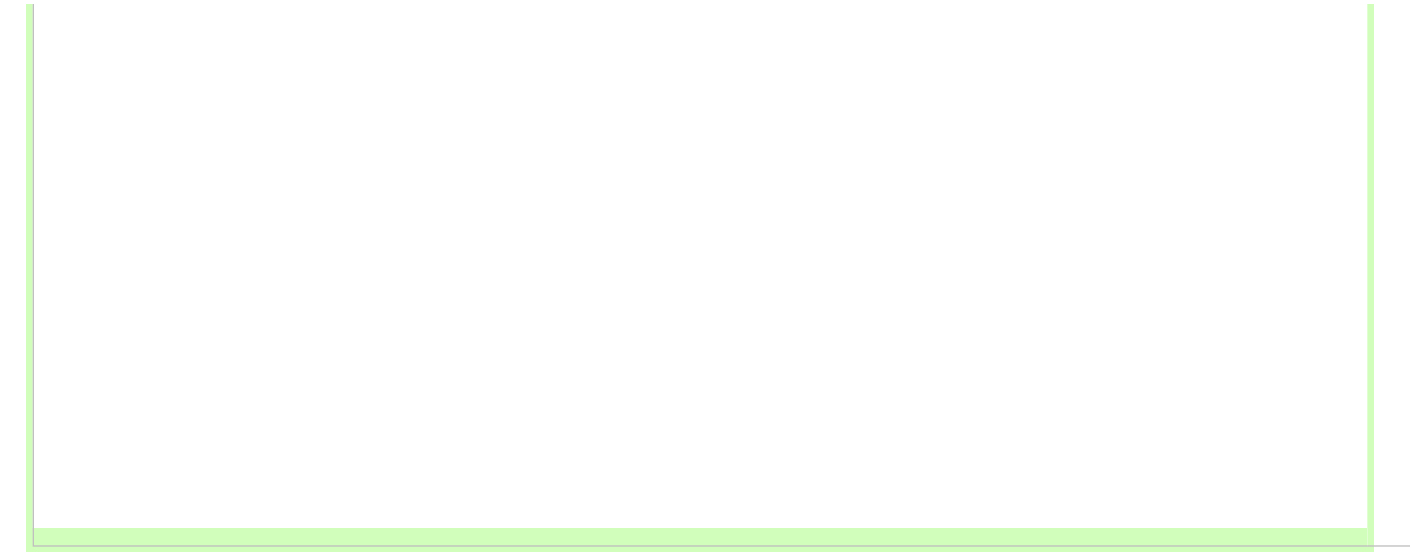
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☐ **This Agreement** ☐ **The Award**

☐ **As provided in the Plan, in the event that this Award constitutes deferred compensation, the term Termination of Service shall be interpreted in a manner consistent with the term "separation from service" as defined under Code Section 409A. In addition, if the Participant is a "specified employee" at the time such "separation from service," delivery of Shares or other amounts payable on account of a "separation from service" shall be delayed six months to the extent required by Code Section 409A.** ☐ **This Agreement,**

☐ **RSUs and any Shares issued under this Agreement** ☐ **The Award**

☐ **the Company's Clawback Provision Policy as amended from time to time or** ☐ **other** ☐ **or Subsidiary**



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whether adopted prior to or following the date of this Agreement.

%%FIRST_NAME MIDDLE_NAME LAST_NAME%% Via Electronic Acknowledgment

Print Name: John K. Schmidt Print Title: Chairman PARTICIPANT

EMPLOYEE BY:

Bruce K. Lee Title: President and

CEO Via Electronic Acknowledgment %%FIRST_NAME LAST_NAME%% Print Name: %%FIRST_NAME LAST_NAME%%

EXHIBIT 31.1

I, Bruce K. Lee, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-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 purposes 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 control 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: May 8, August 6, 2024

/s/ Bruce K. Lee

Bruce K. Lee

President and Chief Executive Officer

EXHIBIT 31.2

I, Kevin L. Thompson, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-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 purposes 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 control 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: May 8, August 6, 2024

/s/ Kevin L. Thompson

Kevin L. Thompson

Executive Vice President

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 Quarterly Report of Heartland Financial USA, Inc. (the "Company") on Form 10-Q for the quarter ending March 31, 2024 June 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Bruce K. Lee, President and 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 results of operations of the Company.

/s/ Bruce K. Lee

Bruce K. Lee

President and Chief Executive Officer

Date: May 8, August 6, 2024

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 Quarterly Report of Heartland Financial USA, Inc. (the "Company") on Form 10-Q for the quarter ending March 31, 2024 June 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kevin L. Thompson, 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 results of operations of the Company.

/s/ Kevin L. Thompson

Kevin L. Thompson

Executive Vice President

Chief Financial Officer

Date: May 8, August 6, 2024

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