

HEARTLAND FINANCIAL USA INC
Form 10-Q
May 11, 2009

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, 2009

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

For transition period _____ to _____

Commission File Number: 0-24724

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

Delaware
(State or other jurisdiction of incorporation or organization)

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

1398 Central Avenue, Dubuque, Iowa 52001
(Address of principal executive offices)(Zip Code)

(563) 589-2100
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files).

Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "accelerated filer," "large accelerated filer" and "smaller reporting

company” in Rule 12b-2 of the Act.

Large accelerated filer “ Accelerated filer
p Non-accelerated filer “ Smaller reporting company “
(Do not check if a smaller reporting company)

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

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 8, 2009, the Registrant had outstanding 16,294,828 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, 2009 (Unaudited)	December 31, 2008
ASSETS		
Cash and due from banks	\$ 86,235	\$ 48,977
Federal funds sold and other short-term investments	1,026	2,326
Cash and cash equivalents	87,261	51,303
Securities:		
Trading, at fair value	1,560	1,694
Available for sale, at fair value (cost of \$972,103 for March 31, 2009, and \$875,143 for December 31, 2008)	974,711	871,686
Held to maturity, at cost (fair value of \$27,828 for March 31, 2009, and \$26,326 for December 31, 2008)	29,901	30,325
Loans held for sale	18,263	19,695
Loans and leases:		
Held to maturity	2,356,391	2,405,001
Allowance for loan and lease losses	(37,277)	(35,651)
Loans and leases, net	2,319,114	2,369,350
Premises, furniture and equipment, net	119,569	120,500
Other real estate, net	29,317	11,750
Goodwill, net	40,207	40,207
Other intangible assets, net	9,606	8,079
Cash surrender value on life insurance	54,581	54,431
Other assets	46,010	51,248
TOTAL ASSETS	\$ 3,730,100	\$ 3,630,268
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Deposits:		
Demand	\$ 409,921	\$ 383,061
Savings	1,185,756	1,128,312
Time	1,193,044	1,128,859
Total deposits	2,788,721	2,640,232
Short-term borrowings	117,766	210,184
Other borrowings	477,640	437,833
Accrued expenses and other liabilities	30,496	33,396
TOTAL LIABILITIES	3,414,623	3,321,645
EQUITY:		
Preferred stock (par value \$1 per share; authorized 102,302 shares; none issued or outstanding)	-	-
Series A Junior Participating preferred stock (par value \$1 per share; authorized 16,000 shares; none issued or outstanding)	-	-
	76,279	75,578

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Series B Fixed Rate Cumulative Perpetual preferred stock (par value \$1 per share; authorized 81,698 shares; issued, 81,698 shares)		
Common stock (par value \$1 per share; authorized 20,000,000 shares; issued 16,611,671 shares)	16,612	16,612
Capital surplus	43,865	43,827
Retained earnings	180,927	177,753
Accumulated other comprehensive income (loss)	1,287	(1,341)
Treasury stock at cost (316,843 shares at March 31, 2009, and 337,181 shares at December 31, 2008, respectively)	(6,454)	(6,826)
TOTAL STOCKHOLDERS' EQUITY	312,516	305,603
Noncontrolling interest	2,961	3,020
TOTAL EQUITY	315,477	308,623
TOTAL LIABILITIES AND EQUITY	\$ 3,730,100	\$ 3,630,268

See accompanying notes to consolidated financial statements.

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

	Three Months Ended	
	March 31, 2009	March 31, 2008
INTEREST INCOME:		
Interest and fees on loans and leases	\$ 39,483	\$ 42,899
Interest on securities and other:		
Taxable	8,421	6,615
Nontaxable	1,883	1,647
Interest on federal funds sold and other short-term investments	1	131
Interest on interest bearing deposits in other financial institutions	1	5
TOTAL INTEREST INCOME	49,789	51,297
INTEREST EXPENSE:		
Interest on deposits	14,122	17,096
Interest on short-term borrowings	212	2,186
Interest on other borrowings	4,378	4,277
TOTAL INTEREST EXPENSE	18,712	23,559
NET INTEREST INCOME	31,077	27,738
Provision for loan and lease losses	6,665	1,761
NET INTEREST INCOME AFTER PROVISION FOR LOAN AND LEASE LOSSES	24,412	25,977
NONINTEREST INCOME:		
Service charges and fees	2,887	2,615
Loan servicing income	2,786	1,296
Trust fees	1,697	2,021
Brokerage and insurance commissions	881	892
Securities gains, net	2,965	362
Loss on trading account securities	(286)	(207)
Impairment loss on securities	-	(86)
Gains on sale of loans	1,808	504
Income on bank owned life insurance	130	463
Other noninterest income	(106)	614
TOTAL NONINTEREST INCOME	12,762	8,474
NONINTEREST EXPENSES		
Salaries and employee benefits	16,433	14,793
Occupancy	2,375	2,344
Furniture and equipment	1,647	1,768
Outside services	3,217	2,510
Advertising	583	795
Intangible assets amortization	235	236
Other noninterest expenses	3,796	3,318
TOTAL NONINTEREST EXPENSES	28,286	25,764
INCOME BEFORE INCOME TAXES	8,888	8,687
Income taxes	2,819	2,420
NET INCOME	\$ 6,069	\$ 6,267
Net income attributable to noncontrolling interest, net of tax	59	-
NET INCOME ATTRIBUTABLE TO HEARTLAND	\$ 6,128	\$ 6,267
Preferred dividends and discount	(1,336)	-
NET INCOME AVAILABLE TO COMMON STOCKHOLDERS	\$ 4,792	\$ 6,267

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EARNINGS PER COMMON SHARE – BASIC	\$	0.29	\$	0.38
EARNINGS PER COMMON SHARE – DILUTED	\$	0.29	\$	0.38
CASH DIVIDENDS DECLARED PER COMMON SHARE	\$	0.10	\$	0.10

See accompanying notes to consolidated financial statements.

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

	Three Months Ended	
	March 31, 2009	March 31, 2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 6,069	\$ 6,267
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,292	2,352
Provision for loan and lease losses	6,665	1,761
Net amortization of premium on securities	1,165	(219)
Securities gains, net	(2,965)	(362)
Decrease in trading account securities	134	102
Loss on impairment of securities	-	86
Stock-based compensation	229	288
Loans originated for sale	(291,652)	(78,906)
Proceeds on sales of loans	294,892	80,867
Net gains on sales of loans	(1,808)	(504)
Decrease in accrued interest receivable	715	2,433
Decrease in accrued interest payable	(1,383)	(1,923)
Other, net	(2,243)	(4,820)
NET CASH PROVIDED BY OPERATING ACTIVITIES	12,110	7,422
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from the sale of securities available for sale	75,687	23,288
Proceeds from the maturity of and principal paydowns on securities available for sale	38,890	29,734
Proceeds from the maturity of and principal paydowns on securities held to maturity	549	9
Purchase of securities available for sale	(209,862)	(93,517)
Net decrease in loans and leases	24,936	7,579
Capital expenditures	(1,140)	(1,227)
Proceeds on sale of OREO and other repossessed assets	982	316
NET CASH USED BY INVESTING ACTIVITIES	(69,958)	(33,818)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in demand deposits and savings accounts	84,304	4,241
Net increase in time deposit accounts	64,185	40,399
Net decrease in short-term borrowings	(92,418)	(128,040)
Proceeds from other borrowings	55,050	124,258
Repayments of other borrowings	(15,243)	(7,386)
Purchase of treasury stock	(31)	(2,412)
Proceeds from issuance of common stock	210	254
Excess tax benefits on exercised stock options	2	8
Common and preferred dividends paid	(2,253)	(1,617)
NET CASH PROVIDED BY FINANCING ACTIVITIES	93,806	29,705
Net increase in cash and cash equivalents	35,958	3,309
Cash and cash equivalents at beginning of year	51,303	46,832

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CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$	87,261	\$	50,141
Supplemental disclosures:				
Cash paid for income/franchise taxes	\$	769	\$	1,210
Cash paid for interest	\$	20,095	\$	25,482

See accompanying notes to consolidated financial statements.

HEARTLAND FINANCIAL USA, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY AND COMPREHENSIVE INCOME (Unaudited)

(Dollars in thousands, except per share data)

	Heartland Financial USA, Inc. Stockholders' Equity							
	Preferred Stock	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Non-controlling Interest	Total Equity
Balance at January 1, 2008	\$ -	\$ 16,612	\$ 37,269	\$ 173,100	\$ 6,506	\$(3,678)	\$ -	\$ 229,809
Net income				6,267				6,267
Unrealized gain on securities available for sale arising during the period					4,138			4,138
Unrealized gain on derivatives arising during the period					1,450			1,450
Reclassification adjustment for net security gains realized in net income					(276)			(276)
Reclassification adjustment for net derivatives gains realized in net income					(211)			(211)
Income taxes					(1,844)			(1,844)
Comprehensive income								9,524
Cash dividends declared:								
Common, \$0.10 per share				(1,617)				(1,617)
Purchase of 129,069 shares of common stock						(2,412)		(2,412)
Issuance of 14,437 shares of common stock								