

HEARTLAND FINANCIAL USA INC
Form 10-K/A
March 17, 2004

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-K/A
(Amendment No. 1)

**X ANNUAL REPORT PURSUANT TO SECTION 13 OF THE
SECURITIES EXCHANGE ACT OF 1984**
For the fiscal year ended December 31, 2003

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)

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

Trust Preferred Securities
(issued by Heartland Financial Capital Trust I)
(Title of Exchange Class)

American Stock Exchange
(Name of Each Exchange on which Registered)

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

Common Stock \$1.00 par value
Preferred Share Purchase Rights
(Title of Class)

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

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

The index to exhibits follows the signature page.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes x No o

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant, based on the last sales price quoted on the over-the-counter market bulletin board on June 30, 2003, the last business day of the registrant's most recently completed second fiscal quarter, was approximately \$255,261,888.* Such figures include 2,298,708 shares of the Registrant's Common Stock (restated to reflect the three-for-two stock split effected in the form of a dividend on December 29, 2003) held in a fiduciary capacity by the Trust Department of the Dubuque Bank and Trust Company, a wholly-owned subsidiary of the Registrant.

* Based on the last sales price of the Registrant's common stock on June 30, 2003, and reports of beneficial ownership filed by directors and executive officers of Registrant and by beneficial owners of more than 5% of the outstanding shares of common stock of Registrant; however, such determination of shares owned by affiliates does not constitute an admission of affiliate status or beneficial interest in shares of Registrant's common stock.

As of March 9, 2004, the Registrant had issued and outstanding 15,171,786 shares of common stock, \$1.00 par value per share.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the 2004 Annual Meeting of Stockholders are incorporated by reference into Part III.

EXPLANATORY NOTE

This Amendment No. 1 to Heartland Financial USA, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2003, is being filed to add the Independent Auditors' Report to Item 8 of Part II. This Independent Auditors' Report was inadvertently omitted from the original Annual Report on Form 10-K filed on March 15, 2004. In accordance with Rule 12b-15 promulgated under the Securities Exchange Act of 1934, as amended, the Registrant has included in this Amendment No. 1 only Item 8. of Part II. The remainder of the information contained in the original filing is not amended hereby.

ITEM 8.

HEARTLAND FINANCIAL USA, INC. CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except per share data)

	Notes	December 31, 2003	December 31, 2002
ASSETS			
Cash and due from banks	4	\$ 68,424	\$ 61,106
Federal funds sold and other short-term investments		3,445	39,886
Cash and cash equivalents		71,869	100,992
Time deposits in other financial institutions		1,132	1,677
Securities:	5		
Trading, at fair value		1,073	915

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Available for sale-at fair value (cost of \$441,606 for 2003 and \$381,398 for 2002)		450,680	389,900
Loans and leases:	6		
Held for sale		25,678	23,167
Held to maturity		1,322,549	1,152,069
Allowance for loan and lease losses	7	(18,490)	(16,091)
		<hr/>	<hr/>
Loans and leases, net		1,329,737	1,159,145
Assets under operating lease		31,636	30,367
Premises, furniture and equipment, net	8	49,842	35,591
Other real estate, net		599	452
Goodwill, net		20,167	16,050
Core deposit premium and mortgage servicing rights	9	5,069	4,879
Other assets		56,562	46,011
		<hr/>	<hr/>
TOTAL ASSETS		\$ 2,018,366	\$ 1,785,979
		<hr/>	<hr/>
LIABILITIES AND STOCKHOLDERS' EQUITY			
LIABILITIES:			
Deposits:	10		
Demand		\$ 246,282	\$ 197,516
Savings		569,286	511,979
Time		676,920	628,490
		<hr/>	<hr/>
Total deposits		1,492,488	1,337,985
Short-term borrowings	11	176,835	161,379
Other borrowings	12	173,958	126,299
Accrued expenses and other liabilities		34,162	36,275
		<hr/>	<hr/>
TOTAL LIABILITIES		1,877,443	1,661,938
STOCKHOLDERS' EQUITY:			
Preferred stock (par value \$1 per share; authorized, 184,000 shares, none issued or outstanding)	16,17,18,19	-	-
Series A Junior Participating preferred stock (par value \$1 per share; authorized, 16,000 shares, none issued or outstanding)		-	-
Common stock (par value \$1 per share; authorized, 16,000,000 shares at December 31, 2003 and December 31, 2002; issued 15,261,714 and 9,905,783 shares at December 31, 2003 and December 31, 2002, respectively)		15,262	9,906
Capital surplus		20,065	16,725
Retained earnings		102,584	94,048
Accumulated other comprehensive income		4,794	4,230
Treasury stock at cost (98,211 shares at December 31, 2003 and 59,369 shares at December 31, 2002, respectively)		(1,782)	(868)
		<hr/>	<hr/>
TOTAL STOCKHOLDERS' EQUITY		140,923	124,041
		<hr/>	<hr/>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		\$ 2,018,366	\$ 1,785,979
		<hr/>	<hr/>

See accompanying Notes to Consolidated Financial Statements.

HEARTLAND FINANCIAL USA, INC.

CONSOLIDATED STATEMENTS OF INCOME

(Dollars in thousands, except per share data)

	Notes	For the Years Ended December 31,		
		2003	2002	2001
INTEREST INCOME:				
Interest and fees on loans and leases	6	\$ 85,936	\$ 83,553	\$ 89,452
Interest on securities:				
Taxable		9,100	13,132	14,143
Nontaxable		3,952	2,757	1,790
Interest on federal funds sold		355	322	1,981
Interest on interest bearing deposits in other financial institutions		174	248	243
TOTAL INTEREST INCOME		99,517	100,012	107,609
INTEREST EXPENSE:				
Interest on deposits	10	27,763	31,395	45,783
Interest on short-term borrowings		2,350	2,643	4,515
Interest on other borrowings		8,214	8,294	8,322
TOTAL INTEREST EXPENSE		38,327	42,332	58,620
NET INTEREST INCOME		61,190	57,680	48,989
Provision for loan and lease losses	7	4,183	3,553	4,258
NET INTEREST INCOME AFTER PROVISION FOR LOAN AND LEASE LOSSES		57,007	54,127	44,731
NONINTEREST INCOME:				
Service charges and fees		6,207	5,977	4,667
Trust fees		3,814	3,407	3,148
Brokerage commissions		863	658	615
Insurance commissions		703	765	807
Securities gains, net		1,823	790	1,489
Gain (loss) on trading account securities		453	(598)	(417)
Impairment loss on equity securities		(317)	(267)	(773)
Rental income on operating leases		13,807	14,602	15,446
Gains on sale of loans		6,339	4,656	2,738
Valuation adjustment on mortgage servicing rights		338	(469)	-
Other noninterest income		2,511	1,124	900
TOTAL NONINTEREST INCOME		36,541	30,645	28,620
NONINTEREST EXPENSES:				
Salaries and employee benefits	15	33,113	28,571	25,182
Occupancy	16	3,880	3,178	3,014
Furniture and equipment		4,115	3,273	3,144
Depreciation on equipment under operating leases		11,353	11,555	11,805
Outside services		4,695	4,318	3,433
FDIC deposit insurance assessment		218	209	208
Advertising		2,354	1,917	1,588
Goodwill amortization		-	-	1,057
Core deposit premium amortization		404	495	615
Other noninterest expenses		7,560	7,143	6,646

TOTAL NONINTEREST EXPENSES		67,692	60,659	56,692
INCOME BEFORE INCOME TAXES		25,856	24,113	16,659
Income taxes	14	8,137	7,523	5,530
INCOME FROM CONTINUING OPERATIONS		17,719	16,590	11,129
Discontinued operations				
Income from operation of discontinued branch (including gain on sale of \$2,602)		-	3,751	469
Income taxes		-	1,474	184
Income on discontinued operation		-	2,277	285
NET INCOME		\$ 17,719	\$ 18,867	\$ 11,414
EARNINGS PER COMMON SHARE - BASIC		\$ 1.18	\$ 1.28	\$ 0.79
EARNINGS PER COMMON SHARE - DILUTED		\$ 1.16	\$ 1.28	\$ 0.79
CASH DIVIDENDS DECLARED PER COMMON SHARE		\$ 0.27	\$ 0.27	\$ 0.27

See accompanying Notes to Consolidated Financial Statements.

**HEARTLAND FINANCIAL USA, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the years ended December 31, 2003, 2002 and 2001

(Dollars in thousands)

	2003	2002	2001
	_____	_____	_____
Cash Flows From Operating Activities:			
Net income	\$ 17,719	\$ 18,867	\$ 11,414
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	15,543	15,203	16,616
Provision for loan and lease losses	4,183	3,553	4,283
Provision for income taxes less than (in excess of) payments	716	1,996	(635)
Net amortization of premium on securities	7,580	4,420	1,285
Securities gains, net	(1,823)	(790)	(1,489)
(Increase) decrease in trading account securities	(158)	613	(1,528)
Loss on impairment of equity securities	317	267	773
Loans originated for sale	(434,851)	(278,650)	(207,332)
Proceeds on sales of loans	438,679	287,106	201,565
Net gain on sales of loans	(6,339)	(4,656)	(2,738)
Increase (decrease) in accrued interest receivable	(104)	235	1,603
Increase (decrease) in accrued interest payable	468	491	(1,597)
Other, net	(1,805)	199	(4,923)
Net cash provided by operating activities	40,125	48,854	17,297
Cash Flows From Investing Activities:			
Purchase of time deposits	(95)	(1,068)	-
Proceeds on maturities of time deposits	700	3	959

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Proceeds from the sale of securities available for sale	81,545	47,086	65,010
Proceeds from the maturity of and principal paydowns on securities available for sale	188,529	151,099	109,436
Purchase of securities available for sale	(334,944)	(263,566)	(267,354)
Net increase in loans and leases	(171,795)	(109,282)	(55,118)
Purchase of bank-owned life insurance policies	(10,000)	-	(8,568)
Increase in assets under operating leases	(12,622)	(6,495)	(11,663)
Capital expenditures	(18,677)	(7,398)	(4,602)
Cash and cash equivalents received for sale of operation	-	30,469	-
Proceeds on sale of OREO and other repossessed assets	1,249	1,192	790
	<hr/>	<hr/>	<hr/>
Net cash used by investing activities	(276,110)	(157,960)	(171,110)
Cash Flows from Financing Activities:			
Net increase in demand deposits and savings accounts	106,073	58,758	111,338
Net increase (decrease) in time deposit accounts	48,430	77,802	(7,492)
Net increase in short-term borrowings	15,456	676	20,794
Proceeds from other borrowings	52,750	7,840	69,381
Repayments of other borrowings	(5,091)	(25,330)	(28,448)
Purchase of treasury stock	(7,999)	(1,348)	(1,026)
Proceeds from sale of common stock	1,339	2,076	1,689
Dividends	(4,096)	(3,926)	(3,560)
	<hr/>	<hr/>	<hr/>
Net cash provided by financing activities	206,862	116,548	162,676
	<hr/>	<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents	(29,123)	7,442	8,863
Cash and cash equivalents at beginning of year	100,992	93,550	84,687
	<hr/>	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 71,869	\$ 100,992	\$ 93,550
	<hr/>	<hr/>	<hr/>
Supplemental disclosures:			
Cash paid for income/franchise taxes	\$ 7,795	\$ 6,648	\$ 6,365
Cash paid for interest	\$ 38,694	\$ 41,841	\$ 61,790
Securities held to maturity transferred to securities available for sale	\$ -	\$ -	\$ 2,154

See accompanying Notes to Consolidated Financial Statements.

**HEARTLAND FINANCIAL USA, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME**

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

	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at January 1, 2001	\$ 9,906	\$ 18,812	\$ 71,253	\$ 1,301	\$ (5,126)	\$ 96,146
Net Income-2001			11,414			11,414
Unrealized gain on securities available for sale				3,796		3,796
Unrealized gain (loss) on derivatives arising during the period net of						

reclassification of \$46

350

350

Reclassification adjustment for net security gains realized in net income

(716

)

(716

)

Income taxes

(1,166

)

(1,166

)

Comprehensive income

	13,678
Cash dividends declared:	
Common, \$.25 per share	
)	(3,560)
)	(3,560)
Purchase of 118,884 shares of common stock	
)	(1,026)
)	(1,026)
Sale of 211,197 shares of common stock	
)	(696)

2,548

1,852

Balance at December 31, 2001

\$	9,906
\$	18,116
\$	79,107
\$	3,565
\$	(3,604)
)	
\$	107,090

Net Income-2002

18,867

18,867

Unrealized gain on securities available for sale

	3,630
	3,630
Unrealized gain (loss) on derivatives arising during the period, net of reclassification of \$667	
)	(2,100)
)	(2,100)
Reclassification adjustment for net security gains realized in net income	
)	(523)
)	(523)
Income taxes	
)	(342)
)	(342)
<hr/>	
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Comprehensive income

19,532

Cash dividends declared:

Common, \$.27 per share

)

(3,926)

)

Purchase of 143,314 shares of common stock

(3,926)

)

(1,348)

) (1,348
 Sale of 393,307 shares of common stock

) (1,391

4,084

2,693

Balance at December 31, 2002

\$ 9,906

\$ 16,725

\$ 94,048

\$ 4,230

\$ (868

)
 \$ 124,041

Net Income-2003

17,719

	17,719
Unrealized gain on securities available for sale	
	2,153
	2,153
Unrealized gain (loss) on derivatives arising during the period, net of reclassification of \$123	
	208
	208
Reclassification adjustment for net security gains realized in net income	
)	(1,506
)	(1,506
Income taxes	
)	(291
)	(291
	13

Comprehensive income

18,283

Cash dividends declared:

Common, \$.27 per share

(4,096

)

(4,096

)
Three-for-two stock split

5,087

)	(5,087)
Purchase of 427,344 shares of common stock	
)	(7,999)
)	(7,999)
Issuance of 821,226 shares of common stock	
	269
	3,340
	7,085
	10,694
<hr/>	
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<hr/>	
Balance at December 31, 2003	
\$	15,262
\$	20,065
\$	

	102,584
\$	
	4,794
\$	
)	(1,782
\$	
	140,923

See accompanying Notes to Consolidated Financial Statements.

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Heartland Financial USA, Inc.:

We have audited the accompanying consolidated balance sheets of Heartland Financial USA, Inc. and subsidiaries (the Company) as of December 31, 2003 and 2002, and the related consolidated statements of income, changes in stockholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2003. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Heartland Financial USA, Inc. and subsidiaries as of December 31, 2003 and 2002, and the results of their operations and their cash flows for each the years in the three-year period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 to the consolidated financial statements, the Company adopted the provisions of the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*, as of January 1, 2002.

KPMG LLP

Des Moines, Iowa
January 21, 2004

SIGNATURES

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on March 17, 2004.

HEARTLAND FINANCIAL USA, INC.

Date: March 17, 2004

By: /s/ Lynn B. Fuller

Principal Executive Officer

Date: March 17, 2004

By: /s/ John K. Schmidt

Executive Vice President and Principal Financial and
Accounting Officer

3. INDEX OF EXHIBITS

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