

Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

Part I Reporting Issuer

1 Issuer's name Heartland Financial USA, Inc.		2 Issuer's employer identification number (EIN) 42-1405748	
3 Name of contact for additional information Jacquie Manternach	4 Telephone No. of contact 563-589-1993	5 Email address of contact jmanternach@htlf.com	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact 1398 Central Avenue		7 City, town, or post office, state, and Zip code of contact Dubuque, IA 52001	
8 Date of action February 23, 2018		9 Classification and description Common Stock	
10 CUSIP number 42234Q102	11 Serial number(s)	12 Ticker symbol HTLF	13 Account number(s)

Part II Organizational Action Attach additional statements if needed. See back of form for additional questions.

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ▶ Effective as of the close of business on February 23, 2018, Signature Bancshares, Inc. ("Signature") merged with and into Heartland Financial USA, Inc. ("HTLF") with HTLF as the surviving entity, pursuant to the terms and conditions of the Merger Agreement dated November 13, 2017.

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ▶ Pursuant to the Merger Agreement, each share of Signature common stock outstanding at closing was to be canceled and converted into the right to receive 0.061 shares of HTLF common stock and \$0.3350 in cash, subject to certain adjustment provisions as set forth in the definitive merger agreement. Cash was paid for fractional share interests. Holders of options to acquire Signature common stock outstanding on the closing date of the merger could elect to receive, less any applicable withholding taxes, cash or shares of HTLF common stock, but not both, as set forth in the merger agreement. The aggregate tax basis of HTLF common stock received by Signature shareholders (excluding fractional share interests deemed received and redeemed for cash) will be the same as the aggregate tax basis of the Signature shares surrendered in the exchange. Actual tax basis will differ with respect to each shareholder, and tax basis may differ with respect to separate and distinct blocks of shares owned by a former Signature shareholder. With regards to cash received for a fractional HTLF share, a portion of the total tax basis must be allocated to the fractional share and such fractional share is deemed received and then exchanged for cash. The holding period of HTLF stock received generally will include the holding period of the Signature stock exchanged. Option compensation is separately reported.

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ▶ Due to the merger, all outstanding shares of Signature common stock were converted into a right to receive shares of HTLF common stock and cash. The exchange ratio for the stock component was fixed at 0.061 shares of HTLF common stock per share of Signature common stock. The cash component of the merger consideration was \$0.3350 per share, subject to adjustment if Signature's adjusted tangible common equity was less than \$27.125 million or greater than \$27.350 million on the determination date. Signature's adjusted tangible common equity was \$27.144 million, therefore there was no adjustment to the cash component. Option holders electing cash received consideration of \$3.35 over the exercise price per share of such Signature stock option. Option holders electing HTLF stock received shares valued at \$52.95 per share, HTLF's closing stock price as of February 22, 2018. Cash was paid for fractional share interests. Based on HTLF's closing stock price of \$53.55 per share as of February 23, 2018, the aggregate merger consideration was valued at \$61,455,592, including \$58,866,780 for the common stock exchange and \$2,588,812 for option holders. The common stock exchange component of the merger consideration was \$3.60155 per share of Signature common stock, with Signature shareholders receiving \$3.26655 in HTLF common stock consideration and \$0.3350 in cash consideration for each share of Signature common stock.

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ Shareholders of Signature hold their common stock as capital assets within the meaning of Internal Revenue Code (IRC) section 1221. The merger qualifies as a reorganization within the meaning of IRC section 368(a).

Under IRC section 1032, HTLF will not recognize gain or loss on the property received in the reorganization. Under IRC section 362(b), HTLF will take a carryover basis in the property, increased by any gain recognized by Signature. Under IRC section 1223(2), HTLF's holding period in the assets will include Signature's respective holding periods in the assets. Under IRC section 361(a), Signature will not recognize any gain or loss on the transfer of property to HTLF.

Under IRC section 356(a)(1), a Signature shareholder generally will recognize gain, but not loss, equal to the lesser of (1) the excess, if any, of fair market value of HTLF common stock and cash received over the shareholder's adjusted basis in Signature stock exchanged in the merger or (2) the amount of cash received by the shareholder. The cash received would not be treated as a distribution under IRC section 356(a)(2) and 302(b)(2). Under IRC section 358(a), Signature's shareholders take a basis in the HTLF common stock equal to their basis in Signature stock, decreased by the amount of cash and property received and loss they recognize on the transaction, and increased by the gain they recognize on the transaction. Signature's shareholders holding period should be tracked in accordance with IRC section 1223(1).

18 Can any resulting loss be recognized? ▶ A Signature shareholder generally will not recognize loss by reason of the merger, except with respect to cash received for Signature shares or cash received in lieu of a fractional share of HTLF common stock. If a Signature shareholder receives cash in lieu of a fractional share of HTLF common stock, the Signature shareholder will be treated as having received a fractional share of HTLF common stock pursuant to the merger and then as having exchanged the fractional share of HTLF common stock for cash in a redemption by HTLF. As a result, the Signature shareholder generally will recognize gain or loss equal to the difference between the amount of cash received and the Signature shareholder's basis in the fractional share of HTLF common stock.

The merger qualifies as a reorganization within the meaning of Sec. 368(a). Signature and HTLF will not recognize any gain or loss for U.S. federal income tax purposes.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ The reportable year is the tax year ended December 31, 2018. See Form S-4 amendment filed with the SEC on January 16, 2018.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

Signature ▶ Jacque Mantersack Date ▶ 4-9-18

Print your name ▶ Jacque Mantersack Title ▶ SVP

Paid Preparer Use Only

Print/Type preparer's name <u>Janssen</u>	Preparer's signature <u>Jacque Janssen</u>	Date <u>4/9/18</u>	Check <input type="checkbox"/> if self-employed	PTIN <u>P00453528</u>
Firm's name ▶ <u>KPMG LLP</u>	Firm's EIN ▶ <u>13-5565207</u>		Phone no. <u>515-288-7465</u>	
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