

**HEARTLAND FINANCIAL USA, INC.  
CHARTER OF THE AUDIT AND CORPORATE GOVERNANCE COMMITTEE  
OF THE BOARD OF DIRECTORS**

**I. Audit and Corporate Governance Committee Purpose**

The primary functions of the Audit and Corporate Governance Committee are to: (1) assist the Board of Directors of Heartland Financial USA, Inc., and its subsidiaries (the “Company”), in fulfilling its oversight responsibilities by reviewing the financial reports and other financial information provided by the Company to any governmental body or the public; the Company’s systems of internal controls regarding finance, accounting, legal compliance and ethics that management and the Boards of Directors have established; and the Company’s auditing, accounting and financial reporting processes generally and (2) develop and establish corporate governance policies and procedures for the Company. The Audit and Corporate Governance Committee’s primary duties and responsibilities are to:

- Monitor the integrity of the Company’s financial reporting process and systems of internal controls regarding finance, accounting and legal compliance;
- Retain, oversee, review and terminate the Company’s independent auditors and pre-approve all services performed by the independent accountants;
- Provide an avenue of communication among the independent accountants, management, the internal audit function and the Board of Directors;
- Encourage adherence to, and continuous improvement of, the Company’s policies, procedures, and practices at all levels;
- Review areas of potential significant financial risk to the Company; and
- Monitor compliance with legal and regulatory requirements and establish appropriate corporate governance policies for the Company.

The Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities, and it has direct access to the independent accountants and the internal audit function, as well as anyone in the organization. The Committee has the ability to retain, at the Company’s expense, special legal, accounting or other consultants or experts it deems necessary in the performance of its duties. The Committee shall report to the Board of Directors regarding audit and corporate governance matters.

**II. Audit and Corporate Governance Committee Composition**

The Audit and Corporate Governance Committee shall be comprised of three or more directors as determined by the Board, each of whom shall be an independent, non-employee director, free from any relationship that would interfere with the exercise of his or her independent judgment. Additionally, each Committee member shall be independent as defined by the rules and regulations of the Securities and Exchange Commission (the “SEC”), the Nasdaq Stock Market (or by the rules and regulations of any other exchange or national market on which the Company’s common stock is quoted

or listed for trading) and any other body with regulatory authority over the Company. All members of the Committee shall have a basic understanding of finance and accounting and be able to read and understand fundamental financial statements. The Committee shall determine whether a member of the Committee possesses financial management expertise sufficient to qualify as an “audit committee financial expert” as defined by the rules and regulations of the SEC.

Committee members may enhance their familiarity with finance and accounting by participating in educational programs conducted by the Company or an outside consultant and shall satisfy all continuing education requirements of the SEC and the Nasdaq Stock Market (or by the rules and regulations of any other exchange or national market on which the Company’s common stock is quoted or listed for trading).

The Board of Directors shall appoint the members of the Committee. If a Committee Chair is not designated or present, the members of the Committee may designate a Chair by majority vote of the Committee membership.

### **III. Meetings**

The Audit and Corporate Governance Committee shall meet at least once quarterly, or more frequently as circumstances dictate. As part of its job to foster open communication, the Committee shall meet at least annually with management, the internal auditors and the independent accountants in separate executive sessions to discuss any matters that the Committee or each of these groups believes should be discussed privately. In addition, the Committee, or the Chairman of the Committee, shall meet with the independent accountants and management quarterly to review the Company’s financial statements.

### **IV. Duties and Responsibilities of the Committee with Respect to Audit Matters**

#### ***The Audit and Corporate Governance Committee shall:***

1. Review the Company’s annual audited financial statements prior to filing with the SEC and discuss with management and the Company’s independent accountants any significant issues regarding accounting principles, practices and judgments.
2. Review with management and the independent accountants the Company’s quarterly financial results or other items required to be communicated by the independent accountants under SAS No. 61 or SAS No. 90 either prior to the release of earnings or before filing with the SEC. The Chair of the Committee may represent the entire Committee for purposes of this review.
3. In consultation with management, the independent accountants and the internal audit function, consider the integrity of the Company’s financial reporting processes and controls.

4. Participate in meetings with management, the internal audit function and the independent accountants to discuss any significant risk exposures and the steps management has taken to monitor, control and report such exposures. In so doing, the Committee shall review significant findings reported by the independent accountants and the internal audit function, together with management responses.
5. Have sole authority over, and responsibility for, the retention and oversight of the Company's independent accountants. The Committee shall approve all fees and other compensation to be paid to the independent accountants. In fulfilling these duties, the Committee shall consider the independence and effectiveness of the independent accountants. The Committee shall continuously review and discuss with the independent accountants all significant relationships that the accountants have with the Company to determine the accountants' independence. The Committee shall have sole authority over, and responsibility for, reviewing the performance of the independent accountants and discharging the independent accountants when circumstances warrant.
6. Pre-approve all audit and non-audit services in excess of \$25,000 to be performed by the independent accountants.
7. Review the independent accountants' audit plan, including aspects of the plan relating to scope, staffing, locations, reliance upon management and the internal audit function and general audit approach, prior to the audit.
8. Monitor the services performed by the independent accountants to ensure that any services prohibited by the SEC, or by any exchange or national market on which the Company's common stock is quoted or listed for trading, are not performed during the period in which the independent accountants are performing audit services for the Company.
9. Discuss with the independent accountants the matters required to be discussed by Statement on Auditing Standards No. 61 and 90 relating to the conduct of the audit. Such review should also include:
  - (a) Any problems or difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information;
  - (b) Any management letter provided by the auditor and the Company's response to that letter;
  - (c) Any changes required in the planned scope of the internal audit;
  - (d) The internal audit vendor responsibilities;
  - (e) Selection of new accounting policies or a change in the application of existing accounting policies;
  - (f) Significant estimates, judgments and uncertainties in management's preparation of financial statements; and
  - (g) Unusual transactions.

10. Consider the independent accountants' judgment about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting.
11. Review, with the Company's counsel, any legal matters that could have a significant impact on the Company's financial statements.
12. Review the Annual Internal Audit Plan of the internal audit function, and its performance under said plan, including the fees to be paid. The internal audit function shall be responsible to senior management, but have a direct reporting responsibility to the Committee. Changes in the internal audit function shall be subject to Committee approval.
13. Review the appointment, performance and replacement of the internal audit function. As a part of such review, the Committee shall discuss with the internal audit function all significant relationships they have with the Company that would impair their objectivity in accordance with Statement on Auditing Standards No. 60.
14. Review significant reports prepared by the internal audit function together with management's response and follow-up to such reports.
15. On at least an annual basis obtain from the independent accountants all copies of attorney letters discussing any legal matters that could have a significant impact on the Company's financial statements, the Company's compliance with applicable laws and regulations and inquiries received from regulators or governmental agencies. The Committee shall review all reports concerning any significant fraud or regulatory noncompliance that may have occurred at the Company. This review should include consideration of the internal controls that should be strengthened to reduce the risk of such occurrences.
16. Annually direct the creation of and approve a report to stockholders as required by the SEC for inclusion in the Company's annual proxy statement.
17. Maintain minutes of meetings and report to the Board of Directors on significant results of the foregoing activities.
18. Review and reassess the adequacy of this Charter at least annually, and update the Charter as conditions may dictate.
19. Perform any other activities consistent with this Charter, the Company's by-laws, and governing law, as the Committee or the Board deems necessary or appropriate.

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's

financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of the independent accountants and management.

#### **IV. Duties and Responsibilities of the Committee with respect to Corporate Governance Matters**

##### ***The Audit and Corporate Governance Committee shall:***

1. At least annually, determine whether each member of the Board of Directors of the Company is “independent” as such term is defined in the requirements of the SEC, the Nasdaq Stock Market (or by the rules and regulations of any other exchange or national market on which the Company’s common stock is quoted or listed for trading) and any other body with regulatory authority over the Company.
2. The Committee shall develop and maintain, and shall recommend to the Board of Directors that it adopt, a Code of Business Conduct and Ethics for the Company. Such Code shall address various legal and regulatory issues applicable to the directors, officers and employees of the Company. The Committee shall review, at least annually, the Company’s enforcement mechanism for such Code.
3. The Committee shall review and assess, at least annually, the adequacy of the Company’s corporate governance policies and procedures in light of the legal and regulatory requirements applicable to the Company, its directors, officers and employees, and shall amend and supplement such policies and procedures as the Committee determines are appropriate and as approved by the Board of Directors.
4. Establish and maintain policies and procedures for employees of the Company to anonymously report accounting errors or improprieties directly to the Committee.
5. Review and pre-approve all material related party transactions that are not prohibited by the rules of the SEC or of any exchange or national market on which the Company’s common stock is quoted or listed for trading.
6. Establish an orientation program for directors beginning their service on the Board of Directors. Such program shall provide new directors with information regarding their duties and responsibilities to the Company, the Company’s business and operations, the policies and procedures applicable to service on the Board of Directors and the legal implications of Board service.
7. Establish, coordinate, monitor and maintain a continuing education and training program for directors of the Company. The Committee shall establish participation requirements in such program for directors of the Company and shall monitor compliance with those requirements. The program shall be designed to apprise directors of any legal, accounting, corporate governance or other developments relevant to service on the Board of Directors.

8. Review, with the Company's counsel, legal compliance matters, including corporate securities trading policies.

9. The Committee shall, at least annually, evaluate the performance, structure and authority of the committees of the Board of Directors. The Committee shall make recommendations to the Board of Directors with respect to the assignment of individual directors to the committees of the Board of Directors.