



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

SCOTT G. ALVAREZ
GENERAL COUNSEL

April 13, 2017

Mr. J. Daniel Patten
Executive Vice President, Finance and Corporate Strategy
Heartland Financial USA, Inc.
1398 Central Avenue
P. O. Box 778
Dubuque, IA 52004-0778

Dear Mr. Patten:

This is in response to your letter, dated April 5, 2017, and received on April 7, to the Federal Reserve Bank of Chicago requesting a waiver from an application requirement under the Bank Holding Company Act of 1956, as amended (“BHC Act”),¹ for Heartland Financial USA, Inc. (“Heartland”), Dubuque, Iowa, a bank holding company, to acquire Citywide Banks of Colorado, Inc. (“CBC”), Denver, Colorado, a bank holding company, and thereby indirectly acquire its wholly owned subsidiary state non-member bank, Citywide Banks, Aurora, Colorado.

The purpose of the proposed transaction is to facilitate the merger of Citywide Banks with and into Heartland’s wholly owned subsidiary state non-member bank, Centennial Bank and Trust (“Centennial Bank”), Denver, Colorado. The transaction would occur as follows: (1) CBC would merge with and into Heartland, with Heartland as the resulting entity and (2) immediately thereafter, Citywide Banks would merge with and into Centennial Bank, with Centennial Bank as the resulting entity (“Bank Merger”). You have indicated that the transaction steps would occur in immediate succession on the same business day and that Heartland would not operate Citywide Banks as a separate entity.

Section 3 of the BHC Act and the Board’s Regulation Y require the approval of the Board before the merger or consolidation of bank holding companies and before a bank holding company may acquire direct or indirect ownership or control of

¹ 12 U.S.C. § 1841 *et seq.*

more than 5 percent of the voting shares of a bank.² Through the transaction described above, Heartland would merge with CBC and acquire control of Citywide Banks. Accordingly, Heartland would be required to obtain the Board's approval under section 3 of the BHC Act and Regulation Y before merging with CBC.

In certain circumstances, however, in order to avoid duplication of regulatory review by federal banking regulators, the Board's rules provide that a bank holding company seeking to merge with another bank holding company or acquire shares or control of a bank need not obtain the Board's prior approval. Specifically, section 225.12(d)(2) of the Board's Regulation Y provides that a bank holding company need not obtain the Board's approval if the transaction is subject to review by a federal banking agency under section 18(c) of the Federal Deposit Insurance Act ("the Bank Merger Act"),³ and meets certain other criteria.⁴ Your proposal meets all of the applicable criteria, and Heartland has provided all necessary information.

The proposed Bank Merger requires the prior approval of the Federal Deposit Insurance Corporation ("FDIC") under the Bank Merger Act.⁵ In acting on the merger proposal, the FDIC must consider the impact the acquisition would have on competition, the financial and managerial resources and future prospects of the combined organization, the convenience and needs of the communities served by Centennial Bank and Citywide Banks, the institutions' records of performance under the Community Reinvestment Act, the institutions' effectiveness in combating money laundering activities, and risks to the stability of the United States banking or financial system.⁶ These criteria are substantially similar to the criteria the Board would consider under section 3 of the BHC Act.⁷

² 12 U.S.C. § 1842(a); 12 CFR 225.11.

³ 12 U.S.C. § 1828(c).

⁴ 12 CFR 225.12(d)(2).

⁵ 12 U.S.C. § 1828(c). Centennial Bank filed a Bank Merger Act application dated April 5, 2017, with the FDIC, requesting prior approval of the Bank Merger. Heartland has provided the Board with a copy of the application.

⁶ 12 U.S.C. §§ 1828(c)(5) & (11), 2902(3)(E), 2903(a)(2).

⁷ See 12 U.S.C. § 1842(c); 12 CFR 225.13. Citywide Banks is located only in Colorado, while Heartland's home state is Iowa. See 12 U.S.C. § 1841(o)(4). The acquisition is consistent with section 3(d) of the BHC Act. See 12 U.S.C. § 1842(d).

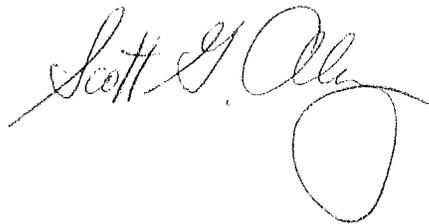
Additionally, at no time would Citywide Banks operate as a separate subsidiary bank of Heartland. Following the transaction, the separate corporate existence of Citywide Banks would cease, and Centennial Bank would continue to operate as a state non-member bank.⁸ Under these circumstances, review of the transaction under section 3 of the BHC Act would be duplicative of the review under the Bank Merger Act.

Based on a review of these and other facts presented, the Legal Division believes that no regulatory purpose would be served by requiring Heartland to file a formal application under section 3 of the BHC Act. The Legal Division, therefore, would not recommend that the Board take action to require a filing of a formal application by Heartland in connection with the transaction described above. This opinion is subject to the receipt by Heartland, Centennial Bank, CBC, and Citywide Banks of all other necessary regulatory approvals and compliance with any terms and conditions that may be imposed upon approval of the proposal.

This opinion is based on all the facts and representations presented to Federal Reserve staff. Any material change in those facts or representations should be communicated immediately to Federal Reserve staff and may cause this opinion to be reconsidered. This opinion is limited to this proposal and does not apply to any other transaction.

If you have any questions regarding this matter, please contact Derald Seid at (202) 452-2246 or Has Rahamatalli at (202) 452-2243, of my staff.

Sincerely,

A handwritten signature in cursive script, appearing to read "Scott G. Allen". The signature is written in dark ink and includes a large, stylized loop at the end.

cc: Federal Deposit Insurance Corporation

⁸ You have represented that Centennial Bank will be the surviving bank but its name will be changed to "Citywide Banks."