

QCR  
HOLDINGS, INC.

QCR  
HOLDINGS, INC.

MAKING FINANCIAL  
DREAMS A REALITY

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**2019 ANNUAL REPORT**

## A MESSAGE FROM **OUR CHAIRMAN**

One of the most difficult challenges a company faces throughout its existence is leadership transition. For a board, it is one of its most important responsibilities and the succession process can create tension, uncertainty, and be downright risky. I'm very pleased to report that we successfully transitioned your Company's leadership in May of 2019.

As you are aware, the shareholder performance and operating metrics of QCR Holdings, Inc. showed strong improvement throughout this transition period and for all of 2019. I would like to express the Board's appreciation to our past President and CEO Doug Hultquist for giving the Board plenty of advance notice and good advice throughout this process.

As important, I would like to say thanks to our new CEO Larry Helling and President Todd Gipple for their tremendous leadership as they kept the company moving forward in all areas with virtually no disruption.

The Board was also supportive of management's difficult decision to exit the Rockford market. For various reasons, it was not possible for our Rockford bank charter to grow and achieve the operat-



ing performance enjoyed elsewhere in our group of companies. We look forward to carefully redeploying the proceeds in other growth opportunities.

Finally, I am writing this message to you a couple of weeks into the global COVID-19 situation. As of this moment, the level of uncertainty as to depth and duration is very high. We believe our business model of putting customers first and local decision-making is the best way to serve customers during the uncertainty. Our organization is financially strong, our employees are strong, and you may not hear this from other companies, but we believe our customers are strong. We will work collaboratively with all of our stakeholders to see this thing through.

On behalf of the entire board, we thank you for being shareholders and please stay safe.

**PATRICK J. BAIRD**  
Chair of the Board



***"...that's the power  
of a company built  
on relationships."***

For QCR Holdings, Inc., 2019 was truly an incredible year. Not only did we achieve record net income, but we exceeded our financial targets in almost all areas of the business. Our strong results were driven by continued strong growth in loans, deposits and fee income along with exceptional credit quality.

We believe that's the power of a company built on relationships. When a team embraces a common mission, vision and values - our employees, customers, communities and shareholders win.

As we start 2020 with some uncertainties due to the COVID-19 Pandemic, we remain optimistic about our future. We believe our recent performance puts us in a great position to come out of a volatile environment with positive results. We are steadfast in our focus on simple growth strategies across all charters, providing best in class service through operational excellence and helping our clients make their financial dreams come true.

We're truly excited by what's ahead in 2020 and beyond.

Larry J. Helling  
Chief Executive Officer  
QCR Holdings, Inc.

Todd A. Gipple  
President  
QCR Holdings, Inc.

# A CLEAR

## MISSION, VISION, AND VALUES

*Our Mission, Vision and Values serve as our North Star. It's the definition of where we are headed and who we are as a company.*

With the growth of our business, which included several acquisitions, it felt like the right time to take a step back to evaluate our Mission, Vision and Values with a fresh perspective. The good news is that with some minor adjustments, our values still hold true with one distinct addition to the list - Inclusion.

We added "Inclusion" because we believe a diverse, equitable and inclusive culture strengthens our ability to attract and retain the best people and makes us a better company. With this change and the adoption of our Diversity, Equity and Inclusion policy, our goal is to create a place where our people feel respected and valued every day.

It will help make us a stronger and better performing company long into the future, but it's also the right thing to do.

### OUR MISSION

**We make financial dreams a reality.**

### OUR VISION

**Exceptional people providing extraordinary performance for our clients, shareholders and communities.**

### OUR VALUES

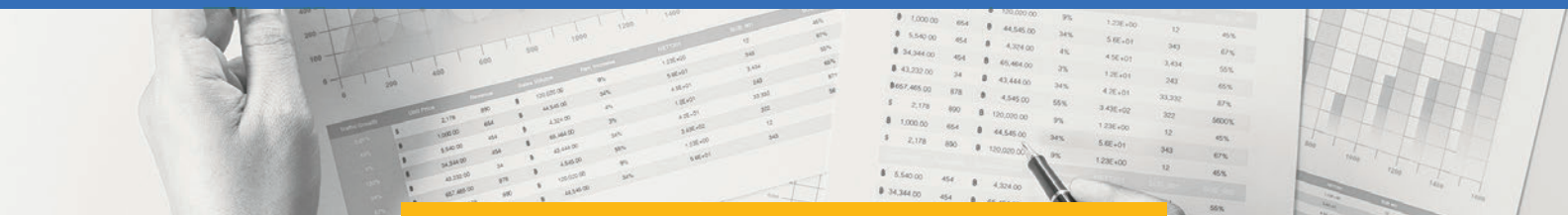
**Passion  
Accountability  
Achievement  
Collaboration  
Innovation  
Inclusion**



# OUR PERFORMANCE

## A RECORD BREAKING YEAR

For QCR Holdings, Inc., 2019 was our best year ever. Over the course of the year, we remained focused on our strategies and we were able to capitalize on the ongoing economic strength and healthy business conditions across our footprint. Our strong financial performance was highlighted by record net income and a solid increase in adjusted earnings per share.



### 2019 PERFORMANCE HIGHLIGHTS

- Adjusted net income increased 26%
- Tangible book value per share grew by 17%
- After adjusting for one-time items, revenue grew by 26%, driven by record swap fee income and higher net interest income
- Both loans and deposits grew organically, by over 10% for the year
- Continued to gain market share across our charters, evidence that our clients value relationship-based community banking
- Expanded our net interest margin during the second half of the year as our initiatives in this area gained traction
- Our credit quality remains excellent with net charge-offs near zero and nonperforming assets declining again in 2019

## ROCKFORD BANK & TRUST DIVESTITURE

Strategically, it was an important year for us as well. On November 30, 2019, we exited the Rockford, Illinois market with the sale of Rockford Bank & Trust (RB&T). We were unable to reach acceptable levels of scale in that market and, consequently, experienced unsatisfactory levels of profitability. We recorded a \$12.3 million gain on the sale pre-tax.

Divesting of RB&T enables us to redeploy capital in our other more profitable markets to help drive continued organic and acquisitive growth. The transaction also bolstered our capital levels and we expect to meaningfully improve several of our key performance metrics going forward as a result of the sale.

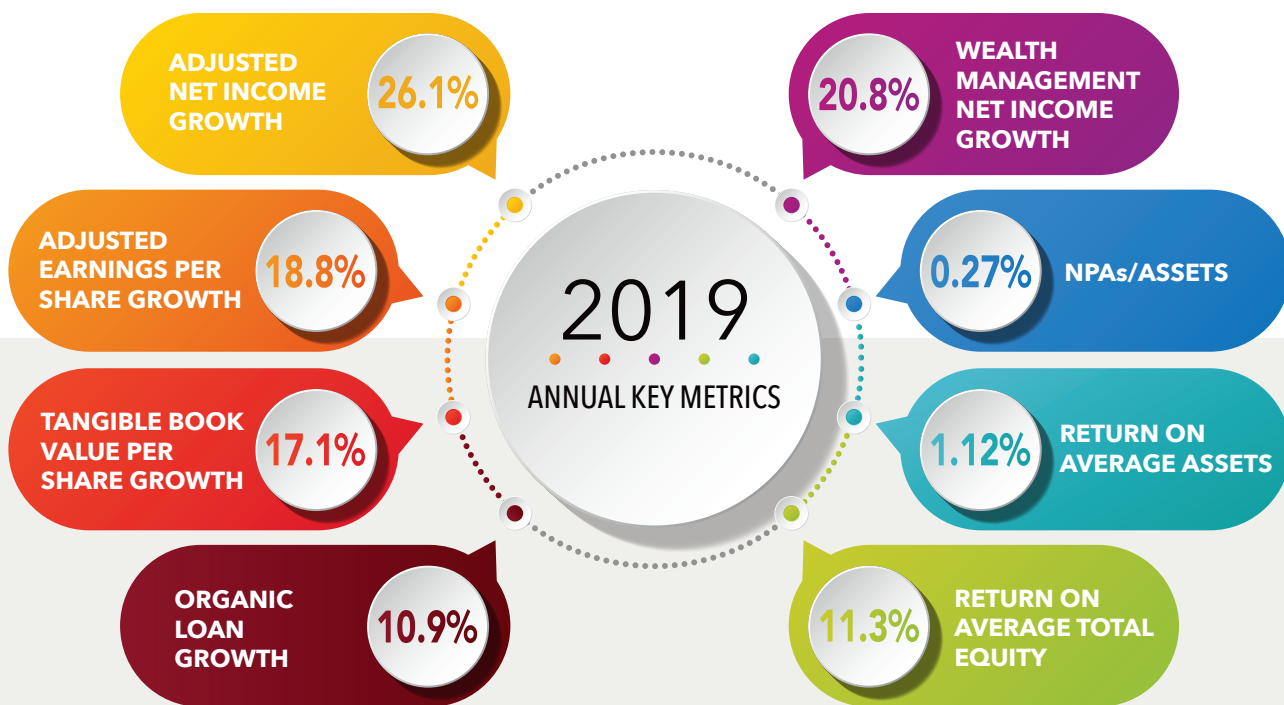
\*Comparison data excludes RB&T where noted.

## SUMMARY OF FINANCIAL RESULTS (in thousands)

|                                  | 2015     | 2016     | 2017      | 2018      | 2019       |
|----------------------------------|----------|----------|-----------|-----------|------------|
| Net interest income              | \$76,296 | \$94,517 | \$116,065 | \$142,395 | \$ 155,559 |
| Non-interest income              | 24,364   | 31,037   | 30,482    | 41,541    | 78,768     |
| Non-interest expense             | (73,192) | (81,486) | (97,424)  | (119,143) | (155,234)  |
| Pre-tax pre-provision net income | 27,468   | 44,068   | 49,123    | 64,793    | 79,093     |
| Provision for loan/lease losses  | (6,871)  | (7,478)  | (8,470)   | (12,658)  | (7,066)    |
| Net income before taxes          | 20,597   | 36,590   | 40,653    | 52,135    | 72,027     |
| Income taxes                     | (3,669)  | (8,903)  | (4,946)   | (9,015)   | (14,619)   |
| Net income                       | \$16,928 | \$27,687 | \$35,707  | \$43,120  | \$ 57,408  |

# OUR PERFORMANCE

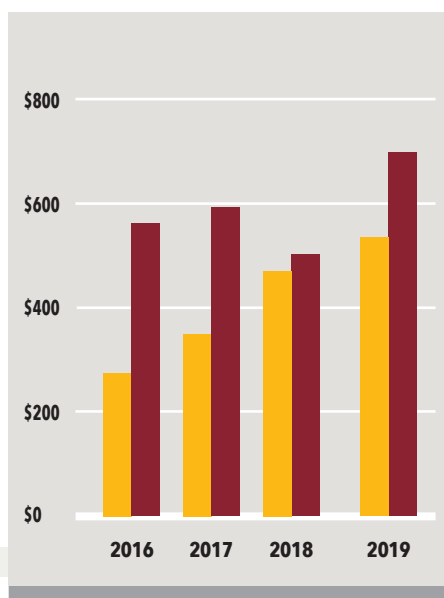
## BY THE NUMBERS



### BOOK VALUE VS. FAIR MARKET VALUE

YEAR-END / COMMON STOCK (MILLIONS)

■ BOOK VALUE  
■ FAIR MARKET VALUE



### ASSET GROWTH

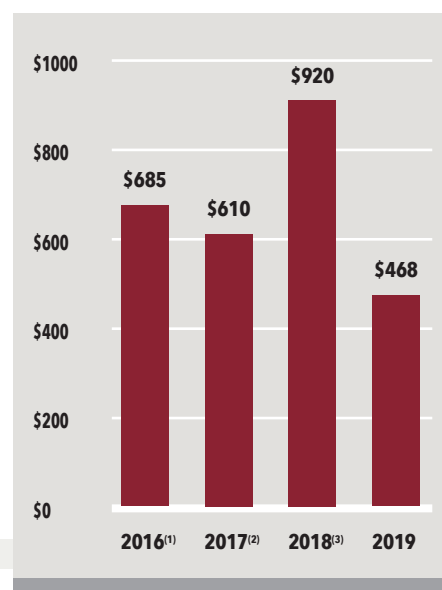
(MILLIONS)

<sup>(1)</sup> Includes acquisition of Community State Bank

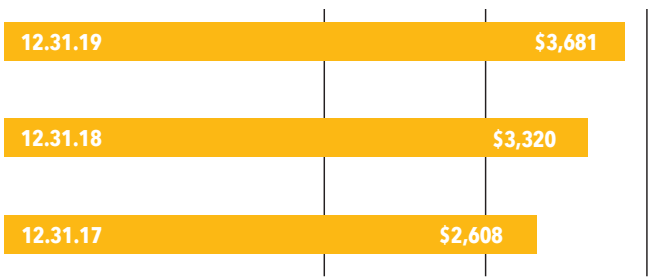
<sup>(2)</sup> Includes acquisition of Guaranty Bank & Trust

<sup>(3)</sup> Includes merger with Springfield Bancshares / acquisition of Bates Companies

\* Excluding Rockford Bank & Trust

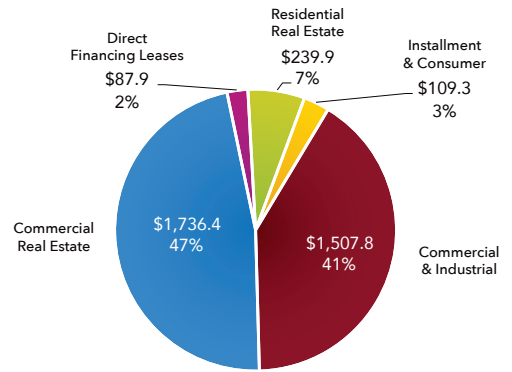


**GROSS LOANS/LEASES** (MILLIONS)



\* Excluding RB&T

\$0      \$2,000      \$4,000



**Total: \$3,681.3**

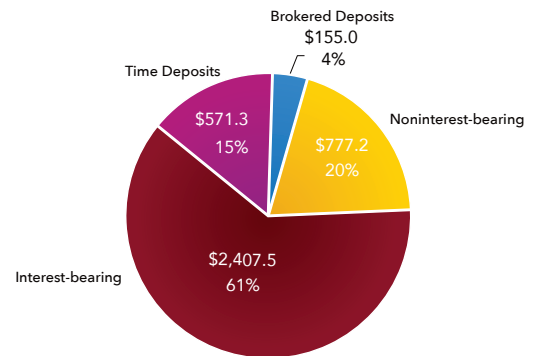
(12/31/19)

**TOTAL DEPOSITS** (MILLIONS)



\* Excluding RB&T

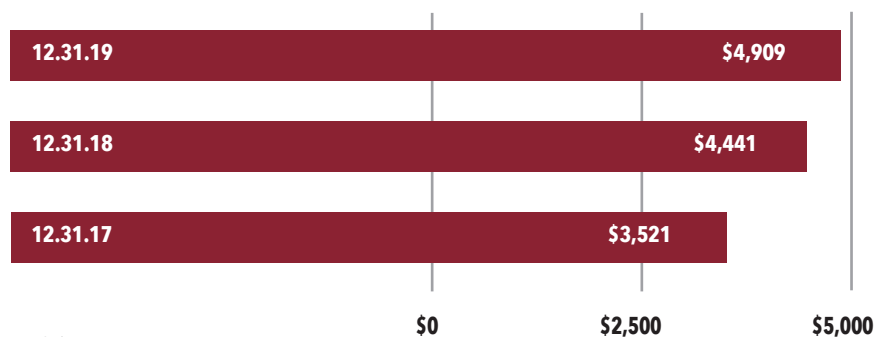
\$0      \$2,000      \$4,000



**Total: \$3,911.0**

(12/31/19)

**TOTAL ASSETS** (MILLIONS)



\* Excluding RB&T

\$0      \$2,500      \$5,000



# OUR PEOPLE

## CEDAR RAPIDS BANK & TRUST



**BRITTNEY**  
SVP, Retail Banking Manager  
Cedar Rapids Bank & Trust

Starting as a teller right out of college, Brittney immediately knew helping people was her passion. Today, she manages retail banking at five branches and leads a team of about 50 people.

"I love retail and consumer banking because of the people," she said. "I thrive from helping clients and employees reach their goals."

Early in her career, her desire to get involved in the community led her to start teaching financial literacy to people who had recently filed bankruptcy. She started with small, monthly presentations and 12 years later she's given hundreds of presentations to more than 1,000 people in the area.

"It's so important to know how to make the right decisions to create a stable and secure financial future, from the time you start making money," she said. "Starting off creating financial goals is the key to financial success and I enjoy helping people start this process."

Her new goal? Help her team develop their careers by learning to teach the courses, too!

## SFC BANK

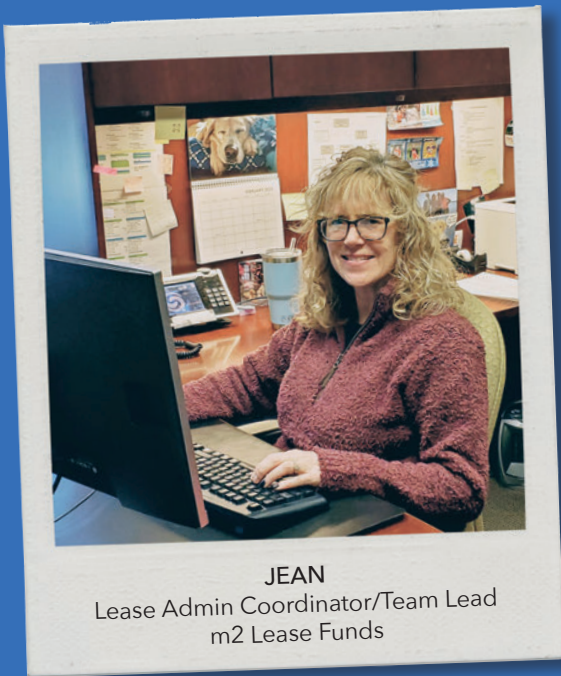
When you grow up in Brandsville, Missouri (population 187), you know everyone in town. Maybe that's why Joe was drawn to banking - it's an industry where relationships matter.

"At the heart of it, you're tuning in to the needs of the families and businesses you support," said Joe. "And in a big 'small town' like Springfield, there are more than 40 different banks represented so your reputation is important."

After spending nearly a decade working for national and regional commercial banks, Joe brought his skill set to SFC Bank in order to better the community. "I have a love and admiration for business and I enjoy learning the intimate inner-workings of different kinds of companies," he said. "That knowledge helps me to continuously refine my approach in how I seek business and grow my portfolio. The entrepreneurial nature of my job is something I am very fond of."



**JOE**  
VP, Commercial Banking  
SFC Bank



## m2 LEASE FUNDS

Jean is certainly not afraid to try new things – like the time her husband surprised her with a kayak for Mother’s Day 15 years ago. “I thought, ‘what am I going to do with that?’” she said. “And now it’s one of my favorite hobbies.”

When she joined m2 Lease Funds 12 years ago, she found herself again, venturing into new territory. “I didn’t know equipment leasing was a thing,” she explained. “Now, I help the team put together loans and leases for everything from phone systems to large construction vehicles.”

Helping businesses of all sizes is very rewarding but the thing she enjoys most is the people and the culture. “It’s a great place to work. We all work together toward the same goal, and that’s easy when you really like the people you work with,” she said.

## QUAD CITY BANK & TRUST

At QCBT, the correspondent banking strategy is a bit of an enigma in the banking world. “We offer the same services as any of our charters, but our customers are financial institutions so we operate like a small bank within QCBT,” explained Kate. “We help our customers be successful in their business but we also have the advantage of understanding their customers’ needs, which is a unique value for them.”

With degrees in English and Fashion Journalism, banking was not her planned career path, and yet it’s truly been a perfect fit.

“I’m driven by stories and people. I want to learn as much as I can about my clients, so it’s not unusual to know about their grandkids or vacation plans. That’s important when you’re building relationships,” she said. “It feels great to know we’re making financial dreams a reality for these smaller banks as well as their customers. Having that kind of impact on people’s lives is rewarding.”



# OUR PEOPLE



## COMMUNITY BANK & TRUST

From the moment you meet Tina, you feel the positive energy and passion she has for her work.

As a branch manager and real estate lender, she oversees all real estate lending for the Cedar Valley. And she's good at it. In 2018 she closed \$1 million in home mortgage loans and in 2019 that number jumped to a record \$4.3 million.

"What I love most is helping customers get into a new home," she said. "It's exciting when the realtor hands over the keys to homeowners at the closing. I also feel honored that they've trusted me to help them with such an important purchase in their lives."

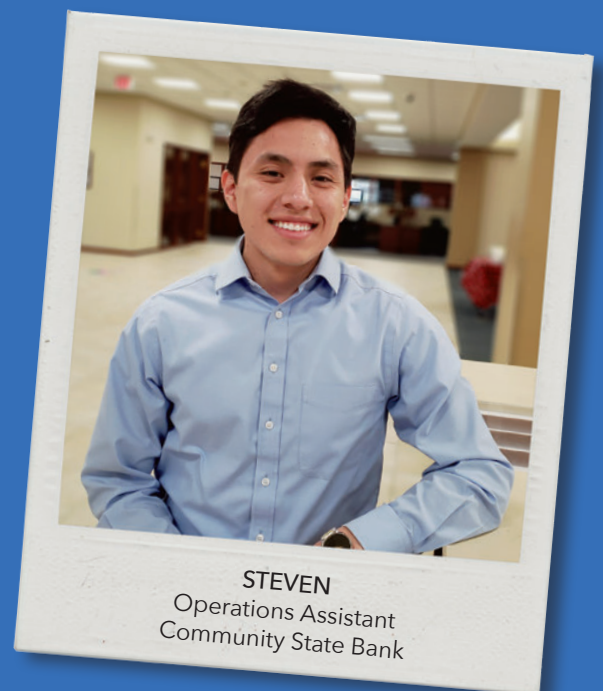
Tina said that helping people - of all income levels - get into a new home never gets old, "It doesn't feel like work because I love what I do."

## COMMUNITY STATE BANK

As an operations assistant, Steven supports everything from deposit operations to procedure updates. "I enjoy the variety. I never get bored," said Steven.

Recently, Steven took a step outside of his regular job to help a customer who didn't speak much English. "He had just lost a family member and needed to convert an account to the family estate to help pay for funeral expenses, but the language barrier was causing frustration during what was already a difficult time," he said. Being fluent in Spanish, Steven was able to explain the process and information required. "At his request, I also contacted his attorney who was handling the estate and we were able to get it worked out for the family," he said.

Steven said helping others is one of the most rewarding parts of his job, but it's also a part of the culture. "Working at CSB is such an easy and friendly environment and everyone knows your name. I really like that."





# 24,000 VOLUNTEER HOURS IN 2019

OUR EMPLOYEES GIVE BACK TO THE COMMUNITIES WE SERVE.



Employees in Cedar Rapids, Iowa keep the community clean by picking up litter in the city's "One bag challenge."



Our second favorite type of "bank," QCBT employees donate to the Mississippi Valley Regional Blood Center Bus.



In Waterloo, Iowa CBT employees roll up their sleeves for Habitat for Humanity.



SFC Bank employees collected donations for The Victim Center, an organization providing services to victims of violent and/or sexual crimes.



CRBT sponsors Movies on the Riverbank, a free family event series open to the public in downtown Cedar Rapids, Iowa.



QCBT hosted a "Dress for Success" community clothing drive after the organization lost their building and much of their inventory to flooding.



m2 employee Tracy Lemieux and her husband organized a bags tournament to raise scholarship money in honor of a dear friend.



CBT employees label books received through grants at Dr. Walter Cunningham Elementary.



CSB employees run a "No Shave November" campaign to raise donations for Hope Ministries.



CSB employees serve food at Bethel Mission Homeless Shelter in Des Moines, Iowa.



**Our performance in 2019 gave us incredible momentum entering into the new year.**

**In 2020, we've set a simple and focused strategy for our future. 9-6-5 is our plan to continue to grow earnings and drive attractive long-term returns for our shareholders.**

# **OUR FUTURE**

## **A SIMPLE AND FOCUSED STRATEGY**

### **9 - Grow loans by 9% per year, funded with core deposits**

We intend to continue to gain market share across our charters by capitalizing on the value that our clients place on relationship-based community banking. Our goal is to organically grow loans and leases by 9% per year and to fund this growth with a corresponding increase in our core deposits.

### **6 - Grow fee income no less than 6% per year**

We will continue our efforts to diversify our revenue mix and develop more opportunities to increase profitability with continued gains in noninterest income. Our goal is to grow our fee-based income by at least 6% per year.

### **5 - Improve efficiencies and hold expense growth to 5%**

We will increase focus on improving operational efficiencies and managing our noninterest expenses. Our goal is to limit our annual operating expense growth to no more than 5% per year.

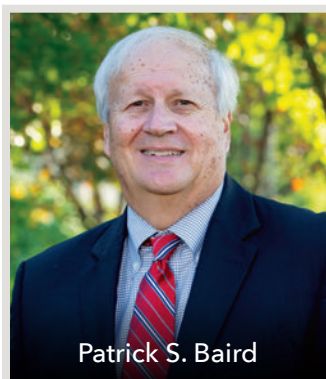


# OUR LEADERSHIP

## QCR HOLDINGS, INC. BOARD OF DIRECTORS



Larry J. Helling



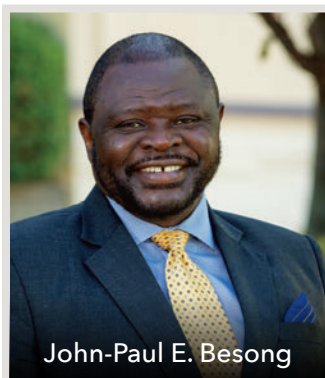
Patrick S. Baird



Marie Zelnio Ziegler



Mary Kay Bates



John-Paul E. Besong



James M. Field



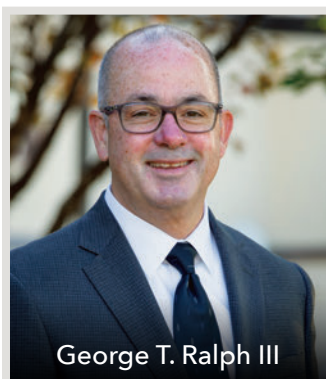
Todd A. Gipple



Mark C. Kilmer



Michael L. Peterson



George T. Ralph III



Timothy B. O'Reilly



Donna J. Sorenson, J.D.

## A SPECIAL THANKS TO OUR RETIRING BOARD MEMBERS

Our sincerest gratitude to Board members Michael L. Peterson and George T. Ralph III who will retire in May.

Michael L. Peterson was Chairman of Community National Bancorporation and Community National Bank and was appointed to the QCR Holdings, Inc. Board following the merger in 2013. George T. Ralph III joined the Rockford Bank & Trust Board in 2009 and the QCR Holdings, Inc. Board in 2015.

Thank you for your valuable insights and counsel.

### **MICHAEL L. PETERSON, BOARD MEMBER**

*QCRH Board May 2013-May 2020*

### **GEORGE T. RALPH III, BOARD MEMBER**

*RB&T Board Feb 2009-Nov 2019  
QCRH Board Feb 2015-May 2020*



**QCR HOLDINGS, INC.**

# **MANAGEMENT CABINET**

(Shown left to right)

**ANNE E. HOWARD**

Senior Vice President, Director of Human Resources, QCR Holdings, Inc.

**TODD A. GIPPLE**

President, Chief Operating Officer and Chief Financial Officer, QCR Holdings, Inc.

**LARRY J. HELLING**

Chief Executive Officer, QCR Holdings, Inc. and Cedar Rapids Bank & Trust

**JOHN H. ANDERSON**

President and Chief Executive Officer, Quad City Bank & Trust/Chief Deposit Officer, QCR Holdings, Inc.

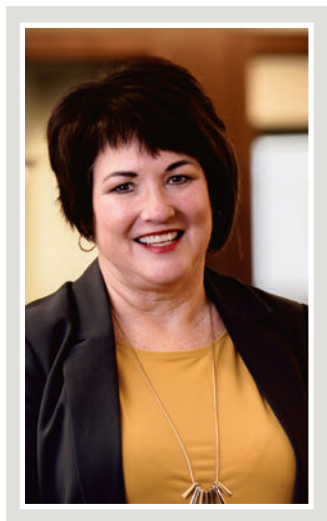
**DANA L. NICHOLS**

Executive Vice President, Chief Lending Officer, QCR Holdings, Inc.



# LEADERSHIP TEAM

Leadership Team includes all members of the Management Cabinet and the following:



**Stacey J. Bentley**  
President and Chief Executive  
Officer, Community Bank & Trust



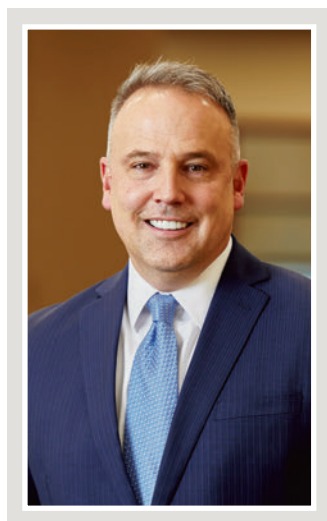
**Robert M. Eby**  
Executive Vice President,  
Chief Credit Officer,  
QCR Holdings, Inc.



**Robert C. Fulp**  
Chief Executive Officer,  
SFC Bank



**Kim K. Garrett**  
Vice President,  
Corporate Communications and  
Investor Relations Manager



**Kurt A. Gibson**  
President and Chief Executive  
Officer, Community State Bank



**James D. Klein**  
President,  
Cedar Rapids Bank & Trust



**John A. Rodriguez**  
Executive Vice President,  
Operations and  
Cedar Rapids Bank & Trust Cashier



**Reba K. Winter**  
Executive Vice President,  
Chief Information Officer,  
QCR Holdings, Inc.

\* As of February 1, 2020

|   | As of                  |                      |
|---|------------------------|----------------------|
|   | December 31,<br>2019   | December 31,<br>2018 |
|   | (dollars in thousands) |                      |
| <b>CONDENSED BALANCE SHEET</b>                      | Amount                 | Amount               |
| Cash and due from banks                             | \$ 76,254              | \$ 85,523            |
| Federal funds sold and interest-bearing deposits    | 157,691                | 159,596              |
| Securities  | 611,341                | 662,969              |
| Net loans/leases                                    | 3,654,204              | 3,692,907            |
| Intangibles   | 14,970                 | 17,450               |
| Goodwill  | 74,748                 | 77,832               |
| Assets held for sale                                | 11,966                 | -                    |
| Other assets  | 307,876                | 253,433              |
| <b>Total assets</b>                                 | <b>\$ 4,909,050</b>    | <b>\$ 4,949,710</b>  |
| <br>  |                        |                      |
| Total deposits                                      | \$ 3,911,051           | \$ 3,977,031         |
| Total borrowings                                    | 278,955                | 404,948              |
| Liabilities held for sale                           | 5,003                  | -                    |
| Other liabilities                                   | 178,690                | 94,573               |
| Total stockholders' equity                          | 535,351                | 473,138              |
| <b>Total liabilities and stockholders' equity</b>   | <b>\$ 4,909,050</b>    | <b>\$ 4,949,690</b>  |
| <br>  |                        |                      |
| <b>ANALYSIS OF LOAN DATA</b>                        |                        |                      |
| Loan/lease mix:                                     |                        |                      |
| Commercial and industrial loans                     | \$ 1,507,825           | \$ 1,429,410         |
| Commercial real estate loans                        | 1,736,396              | 1,766,111            |
| Direct financing leases                             | 87,869                 | 117,968              |
| Residential real estate loans                       | 239,904                | 290,759              |
| Installment and other consumer loans                | 109,352                | 119,382              |
| Deferred loan/lease origination costs, net of fees  | 8,859                  | 9,124                |
| <b>Total loans/leases</b>                           | <b>\$ 3,690,205</b>    | <b>\$ 3,732,754</b>  |
| Less allowance for estimated losses on loans/leases | 36,001                 | 39,847               |
| <b>Net loans/leases</b>                             | <b>\$ 3,654,204</b>    | <b>\$ 3,692,907</b>  |
| <br>  |                        |                      |
| <b>ANALYSIS OF SECURITIES DATA</b>                  |                        |                      |
| Securities mix:                                     |                        |                      |
| U.S. government sponsored agency securities         | \$ 20,078              | \$ 36,411            |
| Municipal securities                                | 447,853                | 459,409              |
| Residential mortgage-backed and related securities  | 120,587                | 159,249              |
| Other securities                                    | 22,823                 | 7,900                |
| <b>Total securities</b>                             | <b>\$ 611,341</b>      | <b>\$ 662,969</b>    |
| <br>  |                        |                      |
| <b>ANALYSIS OF DEPOSIT DATA</b>                     |                        |                      |
| Deposit mix:  |                        |                      |
| Noninterest-bearing demand deposits                 | \$ 777,224             | \$ 791,101           |
| Interest-bearing demand deposits                    | 2,407,502              | 2,204,206            |
| Time deposits                                       | 571,343                | 704,903              |
| Brokered deposits                                   | 154,982                | 276,821              |
| <b>Total deposits</b>                               | <b>\$ 3,911,051</b>    | <b>\$ 3,977,031</b>  |
| <br>  |                        |                      |
| <b>ANALYSIS OF BORROWINGS DATA</b>                  |                        |                      |
| Borrowings mix:                                     |                        |                      |
| Term FHLB advances                                  | \$ 50,000              | \$ 76,327            |
| Overnight FHLB advances                             | 109,300                | 190,165              |
| Wholesale structured repurchase agreements          | -                      | 35,000               |
| Customer repurchase agreements                      | 2,193                  | 2,084                |
| Federal funds purchased                             | 11,230                 | 26,690               |
| Subordinated notes                                  | 68,394                 | 4,782                |
| Junior subordinated debentures                      | 37,838                 | 37,670               |
| Other   | -                      | 32,250               |
| <b>Total borrowings</b>                             | <b>\$ 278,955</b>      | <b>\$ 404,968</b>    |

| <b>For the Year Ended</b> |                     |
|---------------------------|---------------------|
| <b>December 31,</b>       | <b>December 31,</b> |
| <b>2019</b>               | <b>2018</b>         |

*(dollars in thousands, except per share data)*

## **INCOME STATEMENT**

|  |                   |                   |
|--|-------------------|-------------------|
| Interest income  | \$ 216,076        | \$ 182,879        |
| Interest expense   | 60,517            | 40,484            |
| Net interest income  | 155,559           | 142,395           |
| Provision for loan/lease losses                                  | 7,066             | 12,658            |
| <b>Net interest income after provision for loan/lease losses</b> | <b>\$ 148,493</b> | <b>\$ 129,737</b> |
| Trust department fees  | \$ 9,559          | \$ 8,707          |
| Investment advisory and management fees                          | 6,995             | 4,726             |
| Deposit service fees   | 6,812             | 6,420             |
| Gain on sales of residential real estate loans                   | 2,571             | 901               |
| Gain on sales of government guaranteed portions of loans         | 748               | 405               |
| Swap fee income  | 28,295            | 10,787            |
| Securities losses, net   | (30)              | -                 |
| Earnings on bank-owned life insurance                            | 1,973             | 1,632             |
| Debit card fees  | 3,357             | 3,263             |
| Correspondent banking fees                                       | 773               | 852               |
| Gain on sale of assets and liabilities of subsidiary             | 12,286            | -                 |
| Other  | 5,429             | 3,848             |
| <b>Total noninterest income</b>                                  | <b>\$ 78,768</b>  | <b>\$ 41,541</b>  |
| Salaries and employee benefits                                   | \$ 92,063         | \$ 68,994         |
| Occupancy and equipment expense                                  | 15,106            | 12,884            |
| Professional and data processing fees                            | 13,381            | 11,452            |
| Acquisition costs  | -                 | 1,795             |
| Post-acquisition compensation, transition and integration costs  | 3,582             | 2,086             |
| Disposition costs  | 3,325             | -                 |
| FDIC insurance, other insurance and regulatory fees              | 2,955             | 3,594             |
| Loan/lease expense   | 1,097             | 1,544             |
| Net cost of operation of other real estate                       | 3,789             | 2,489             |
| Advertising and marketing  | 4,548             | 3,552             |
| Bank service charges   | 2,009             | 1,838             |
| Losses on debt extinguishment                                    | 436               | -                 |
| Correspondent banking expense                                    | 836               | 821               |
| CDI amortization   | 2,266             | 1,692             |
| Goodwill impairment  | 3,000             | -                 |
| Other  | 6,841             | 6,402             |
| <b>Total noninterest expense</b>                                 | <b>\$ 155,234</b> | <b>\$ 119,143</b> |
| <b>Net income before taxes</b>                                   | <b>\$ 72,027</b>  | <b>\$ 52,135</b>  |
| Income tax expense   | 14,619            | 9,015             |
| <b>Net income</b>  | <b>\$ 57,408</b>  | <b>\$ 43,120</b>  |
| Basic EPS  | \$ 3.65           | \$ 2.92           |
| Diluted EPS  | \$ 3.60           | \$ 2.86           |
| Weighted average common shares outstanding                       | 15,730,016        | 14,768,687        |
| Weighted average common and common equivalent shares outstanding | 15,967,775        | 15,064,730        |



|   | <b>For the Year Ended</b>    |                              |
|---|------------------------------|------------------------------|
|   | <b>December 31,<br/>2019</b> | <b>December 31,<br/>2018</b> |
| <i>(dollars in thousands, except per share data)</i>  |                              |                              |
| <b>COMMON SHARE DATA</b>  |                              |                              |
| Common shares outstanding   | 15,828,098                   | 15,718,208                   |
| Book value per common share (1)   | \$33.82                      | \$30.10                      |
| Tangible book value per common share (2)  | \$28.15                      | \$24.04                      |
| Closing stock price   | \$43.86                      | \$32.09                      |
| Market capitalization   | \$694,220                    | \$504,397                    |
| Market price / book value   | 129.69%                      | 106.61%                      |
| Market price / tangible book value  | 155.76%                      | 133.49%                      |
| Earnings per common share (basic) LTM (3)   | \$3.65                       | \$2.92                       |
| Price earnings ratio LTM (3)  | 12.02 x                      | 10.98 x                      |
| TCE / TA (4)  | 9.25%                        | 7.78%                        |
| <b>CONDENSED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY</b>   |                              |                              |
| Beginning balance   | \$ 473,138                   | \$ 353,287                   |
| Net income  | 57,408                       | 43,120                       |
| Other comprehensive income (loss), net of tax   | 4,445                        | (3,206)                      |
| Common stock cash dividends declared  | (3,775)                      | (3,546)                      |
| Proceeds from issuance of 9,400 shares of common stock<br>as a result of the acquisition of Bates Companies   | 400                          | -                            |
| Proceeds from issuance of 1,689,414 shares of common stock as a result of the<br>merger with Springfield Bancshares, net of issuance costs of \$106,237 | -                            | 80,531                       |
| Proceeds from issuance of 23,501 shares of common stock<br>as a result of the acquisition of Bates Companies  | -                            | 1,000                        |
| Other (5)   | 3,735                        | 1,952                        |
| Ending balance  | <u>\$ 535,351</u>            | <u>\$ 473,138</u>            |
| <b>REGULATORY CAPITAL RATIOS:</b>   |                              |                              |
| Total risk-based capital ratio  | 13.33%                       | 10.69%                       |
| Tier 1 risk-based capital ratio   | 11.04%                       | 9.77%                        |
| Tier 1 leverage capital ratio   | 9.53%                        | 8.87%                        |
| Common equity tier 1 ratio  | 10.18%                       | 8.89%                        |
| <b>KEY PERFORMANCE RATIOS AND<br/>OTHER METRICS</b>   |                              |                              |
| Return on average assets (annualized)   | 1.12%                        | 0.98%                        |
| Return on average total equity (annualized)   | 11.31%                       | 10.62%                       |
| Net interest margin   | 3.31%                        | 3.46%                        |
| Net interest margin (TEY) (Non-GAAP)(6) (8)   | 3.45%                        | 3.62%                        |
| Efficiency ratio (Non-GAAP) (8)   | 66.25%                       | 64.77%                       |
| Gross loans and leases / total assets (9)   | 75.36%                       | 75.41%                       |
| Full-time equivalent employees (7)  | 697                          | 755                          |
| <b>AVERAGE BALANCES</b>   |                              |                              |
| Assets  | \$ 5,102,980                 | \$ 4,392,121                 |
| Loans/leases  | 3,857,547                    | 3,352,357                    |
| Deposits  | 4,228,207                    | 3,602,219                    |
| Total stockholders' equity  | 507,409                      | 405,973                      |

(1) Includes accumulated other comprehensive income (loss).

(2) Includes accumulated other comprehensive income (loss) and excludes intangible assets.

(3) LTM : Last twelve months.

(4) TCE / TCA : tangible common equity / total tangible assets.

(5) Includes mostly common stock issued for options exercised and the employee stock purchase plan, as well as stock-based compensation.

(6) TEY : Tax equivalent yield.

(7) Full-time equivalent employees decreased in 2019 due to the sale of subsidiary Rockford Bank & Trust (RB&T).

(8) See GAAP to Non-GAAP reconciliations in the Company's 10-K.

(9) Excludes assets held for sale as of December 31, 2019.

**ANALYSIS OF NET INTEREST INCOME AND MARGIN**

|   | For the Year Ended            |                         |                       |                     |                         |                       |
|---|-------------------------------|-------------------------|-----------------------|---------------------|-------------------------|-----------------------|
|   | December 31, 2019             |                         |                       | December 31, 2018   |                         |                       |
|   | Average Balance               | Interest Earned or Paid | Average Yield or Cost | Average Balance     | Interest Earned or Paid | Average Yield or Cost |
|   | <i>(dollars in thousands)</i> |                         |                       |                     |                         |                       |
| Fed funds sold  | \$ 8,898                      | \$ 204                  | 2.29%                 | \$ 20,472           | \$ 338                  | 1.65%                 |
| Interest-bearing deposits at financial institutions         | 179,635                       | 3,910                   | 2.18%                 | 66,275              | 1,267                   | 1.91%                 |
| Securities (1)  | 635,650                       | 24,150                  | 3.80%                 | 659,017             | 23,621                  | 3.58%                 |
| Restricted investment securities                            | 21,559                        | 1,174                   | 5.45%                 | 22,023              | 1,093                   | 4.96%                 |
| Loans (1)   | 3,857,547                     | 193,365                 | 5.01%                 | 3,352,357           | 163,197                 | 4.87%                 |
| <b>Total earning assets (1)</b>                             | <b>\$ 4,703,289</b>           | <b>\$ 222,803</b>       | <b>4.74%</b>          | <b>\$ 4,120,144</b> | <b>\$ 189,516</b>       | <b>4.60%</b>          |
| Interest-bearing deposits                                   | \$ 2,443,989                  | \$ 29,898               | 1.22%                 | \$ 2,043,314        | \$ 18,651               | 0.91%                 |
| Time deposits   | 966,745                       | 20,977                  | 2.17%                 | 766,020             | 12,024                  | 1.57%                 |
| Short-term borrowings                                       | 16,837                        | 363                     | 2.16%                 | 19,458              | 293                     | 1.51%                 |
| Federal Home Loan Bank advances                             | 108,536                       | 2,895                   | 2.67%                 | 202,715             | 4,768                   | 2.35%                 |
| Other borrowings  | 13,563                        | 512                     | 3.77%                 | 69,623              | 2,749                   | 3.95%                 |
| Subordinated notes  | 60,883                        | 3,564                   | 5.85%                 | -                   | -                       | 0.00%                 |
| Junior subordinated debentures                              | 37,751                        | 2,308                   | 6.11%                 | 37,578              | 1,999                   | 5.32%                 |
| <b>Total interest-bearing liabilities</b>                   | <b>\$ 3,648,304</b>           | <b>\$ 60,517</b>        | <b>1.66%</b>          | <b>\$ 3,138,708</b> | <b>\$ 40,484</b>        | <b>1.29%</b>          |
| <b>Net interest income / spread (1)</b>                     |                               | <b>\$ 162,286</b>       | <b>3.08%</b>          |                     | <b>\$ 149,032</b>       | <b>3.31%</b>          |
| <b>Net interest margin</b>                                  |                               |                         | <b>3.31%</b>          |                     |                         | <b>3.46%</b>          |
| <b>Net interest margin (TEY) (Non-GAAP) (1) (2)</b>         |                               |                         | <b>3.45%</b>          |                     |                         | <b>3.62%</b>          |
| <b>Adjusted net interest margin (TEY) (Non-GAAP) (1)(2)</b> |                               |                         | <b>3.36%</b>          |                     |                         | <b>3.48%</b>          |

(1) Includes nontaxable securities and loans. Interest earned and yields on nontaxable securities and loans are determined on a tax equivalent basis using a 21% tax rate.

(2) TEY: Tax equivalent yield.

|   | December 31, 2019             | December 31, 2018 |
|---|-------------------------------|-------------------|
|   | <i>(dollars in thousands)</i> |                   |
| <b>ADJUSTED NIM (TEY)*</b>  |                               |                   |
| Net interest income (GAAP)  | \$ 155,559                    | \$ 142,395        |
| Plus: Tax-equivalent adjustment                                       | 6,727                         | 6,637             |
| Net interest income - tax equivalent (non-GAAP)                       | 162,286                       | 149,032           |
| Less: Acquisition accounting net accretion                            | 4,344                         | 5,527             |
| Adjusted net interest income  | \$ 157,942                    | \$ 143,505        |
| Average earning assets  | \$ 4,703,289                  | \$ 4,120,144      |
| <b>NIM (GAAP)</b>   | <b>3.31%</b>                  | <b>3.46%</b>      |
| <b>NIM (TEY) (non-GAAP)</b>   | <b>3.45%</b>                  | <b>3.62%</b>      |
| <b>Adjusted NIM (TEY) (non-GAAP)</b>                                  | <b>3.36%</b>                  | <b>3.48%</b>      |
| <b>ADJUSTED NET INCOME</b>  |                               |                   |
| Net income (GAAP)   | \$ 57,408                     | \$ 43,120         |
| Less nonrecurring items (post-tax)*:                                  |                               |                   |
| Income:   |                               |                   |
| Securities losses, net  | \$ (22)                       | \$ -              |
| Gain on sale of assets and liabilities of subsidiary                  | 8,539                         | -                 |
| Total nonrecurring income (non-GAAP)                                  | \$ 8,517                      | \$ -              |
| Expense:  |                               |                   |
| Losses on debt extinguishment   | \$ 345                        | \$ -              |
| Goodwill impairment   | 3,000                         | -                 |
| Disposition costs   | 2,627                         | -                 |
| Acquisition costs   | -                             | 1,645             |
| Tax expense on expected liquidation of RB&T BOLI                      | 790                           | -                 |
| Post-acquisition compensation, transition and integration costs       | 2,828                         | 1,647             |
| Total nonrecurring expense (non-GAAP)                                 | \$ 9,590                      | \$ 3,292          |
| Adjusted net interest income (non-GAAP)                               | \$ 58,481                     | \$ 46,412         |
| <b>EFFICIENCY RATIO</b>   |                               |                   |
| Noninterest expense (GAAP)  | \$ 155,234                    | \$ 119,143        |
| Net interest income (GAAP)  | \$ 155,559                    | \$ 142,395        |
| Noninterest income (GAAP)   | 78,768                        | 41,541            |
| Total income  | \$ 234,327                    | \$ 183,936        |
| <b>Efficiency ratio (noninterest expense/total income) (non-GAAP)</b> | <b>66.25%</b>                 | <b>64.77%</b>     |

\* Nonrecurring items (after-tax) are calculated using an estimated effective tax rate of 21% with the exception of goodwill impairment which is not deductible for tax and gain on sale of subsidiary which has an estimated effective tax rate of 30.5%.

## STOCK LISTING INFORMATION

The common stock of QCR Holdings, Inc. is traded on the Nasdaq Global Market under the symbol "QCRH".

### DIVIDEND INFORMATION

| Record Date | Payment Date | Amount Per Share |
|-------------|--------------|------------------|
| 03/15/19    | 04/03/19     | \$.06            |
| 06/21/19    | 07/03/19     | \$.06            |
| 09/20/19    | 10/02/19     | \$.06            |
| 12/20/19    | 01/02/20     | \$.06            |



#### The Annual Meeting of the Stockholders of QCR Holdings, Inc. will be held:

Wednesday, May 20, 2020 at 8:00 am CDT  
 Quad City Bank & Trust Lobby  
 3551 Seventh Street, Moline, IL 61265

#### Stockholders interested in information may contact:

Shellee R. Showalter  
 Senior Vice President, Director of Investor Services & Compensation  
 QCR Holdings, Inc. 3551 Seventh Street, Moline, IL 61265  
 309.743.7760

#### Annual Report on Form 10-K

Copies of the QCR Holdings, Inc. annual report on Form 10-K and exhibits filed with the Securities and Exchange Commission are available to stockholders without charge by accessing our internet site at [www.qcrh.com](http://www.qcrh.com) or by writing or calling:

Nick W. Anderson  
 Senior Vice President, Chief Accounting Officer  
 QCR Holdings, Inc. 3551 Seventh Street, Moline, IL 61265  
 309.743.7707

#### Stock Transfer Agent

Inquiries regarding stock transfer, registration, lost certificates, or changes in name and address should be directed to the stock transfer agent by phone at 866.741.7520 and registrar by writing:

American Stock Transfer & Trust Company, LLC  
 Operations Center  
 6201 15th Avenue, Brooklyn, NY 11219

#### Investor Information

Stockholders, investors, and analysts interested in additional information may contact:

Todd A. Gipple  
 President, Chief Operating Officer and Chief Financial Officer  
 QCR Holdings, Inc. 3551 Seventh Street, Moline, IL 61265  
 309.743.7745

Kim K. Garrett  
 Vice President, Corporate Communications and Investor Relations Manager  
 QCR Holdings, Inc. 500 First Avenue NE, Cedar Rapids, IA 52401  
 319.743.7006

#### Independent Registered Public Accounting Firm

RSM US LLP, Davenport, IA

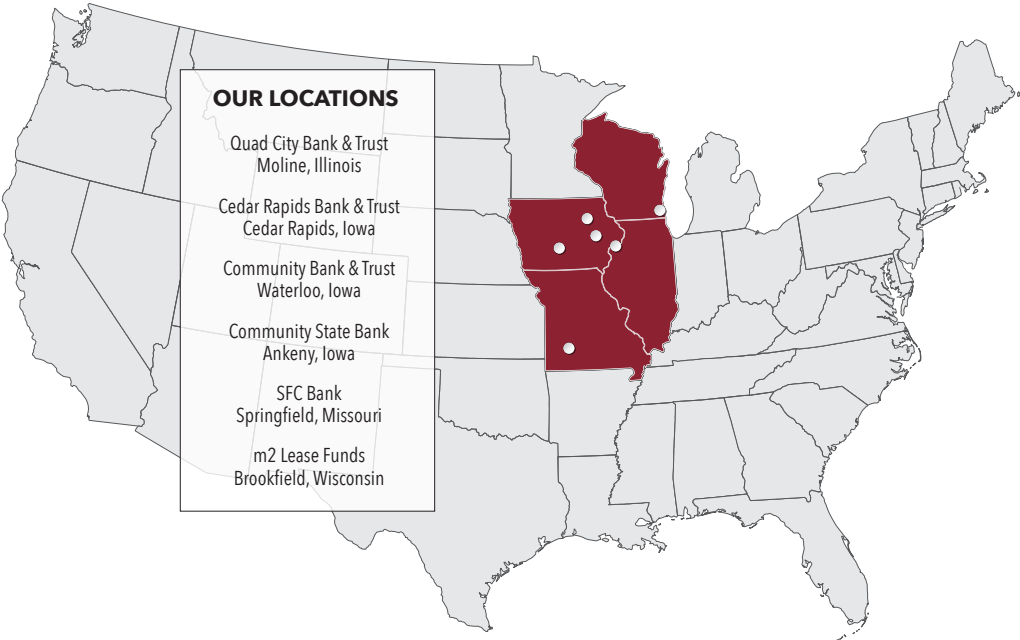
#### Corporate Counsel

Lane & Waterman LLP, Davenport, IA  
 Barack Ferrazzano Kirschbaum & Nagelberg LLP, Chicago, IL

#### Internet Information

Information on our subsidiaries' history, locations, products and services can be accessed on the internet at: [www.qcbt.com](http://www.qcbt.com), [www.crbt.com](http://www.crbt.com), [www.communitybt.com](http://www.communitybt.com), [www.bankcsb.com](http://www.bankcsb.com), [www.sfcbank.com](http://www.sfcbank.com) and [www.m2lease.com](http://www.m2lease.com)

# QCR HOLDINGS, INC.



4 STATES

4 CHARTERS

25 FACILITIES

700+ EMPLOYEES

3551 Seventh Street  
Moline, IL 61265  
[www.qcrh.com](http://www.qcrh.com)

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