

QCR HOLDINGS INC
 Form 424B5
 February 11, 2019

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Filed Pursuant to Rule 424(b)(5)
 Registration No. 333-214283

Prospectus Supplement
 (To Prospectus dated January 31, 2017)

\$65,000,000

5.375% Fixed-to-Floating Rate Subordinated Notes due February 15, 2029

We are offering \$65 million aggregate principal amount of our 5.375% Fixed-to-Floating Rate Subordinated Notes due February 15, 2029 (the "Notes"). The Notes will mature on February 15, 2029. From and including February 12, 2019 to, but excluding, February 15, 2024, we will pay interest on the Notes semi-annually in arrears on each February 15 and August 15, commencing August 15, 2019, at a fixed annual interest rate equal to 5.375%. From and including February 15, 2024 to, but excluding, the maturity date or the date of earlier redemption, the interest rate will reset quarterly to an annual interest rate equal to the then-current three-month LIBOR rate plus a spread of 282 basis points, payable quarterly in arrears on each February 15, May 15, August 15 and November 15. Notwithstanding the foregoing, in the event that the three-month LIBOR rate is less than zero, then the three-month LIBOR rate shall be deemed to be zero.

We may, beginning with the interest payment date of February 15, 2024 and on any interest payment date thereafter, redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes to be redeemed plus accrued and unpaid interest to, but excluding, the date of redemption. The Notes will not otherwise be redeemable by us prior to maturity, unless certain events occur, as described under "*Description of the Notes Redemption*" in this prospectus supplement. The Notes will not be convertible or exchangeable.

The Notes will be unsecured subordinated obligations of QCR Holdings, Inc. There is no sinking fund for the Notes. The Notes will be subordinated in right of payment to the payment of our existing and future senior indebtedness, including all of our general creditors, and they will be structurally subordinated to all of our subsidiaries' existing and future indebtedness and other obligations. The Notes are obligations of QCR Holdings, Inc. only and are not obligations of, and are not guaranteed by, any of our subsidiaries, including our five bank subsidiaries, Quad City Bank & Trust Company, Cedar Rapids Bank & Trust Company, Community State Bank, Rockford Bank & Trust Company and Springfield First Community Bank (collectively, the "Banks").

Currently, there is no public trading market for the Notes. We do not intend to list the Notes on any securities exchange or to have the Notes quoted on a quotation system.

	Per Note	Total
Public offering price(1)	100%	\$ 65,000,000
Underwriting discounts and commissions	1.5%	\$ 975,000
Proceeds to us, before expenses	98.5%	\$ 64,025,000

(1)

Plus accrued interest, if any, from the original issue date. The underwriter will also be reimbursed for certain expenses incurred in this offering. See "*Underwriting*" for details.

Investing in the Notes involves risk. You should refer to "*Risk Factors*" beginning on page S-19 of this prospectus supplement, as well as the risk factors beginning on page 14 of our Annual Report on Form 10-K for the year ended December 31, 2017 which is incorporated by reference herein, and carefully consider that information before investing in the Notes.

The Notes are not savings accounts, deposits or other obligations of the Banks or any of our nonbank subsidiaries. The Notes are not insured or guaranteed by the Federal Deposit Insurance Corporation (the "FDIC") or any other governmental agency or public or private insurer.

Neither the Securities and Exchange Commission (the "SEC") nor any state securities commission has approved or disapproved of the Notes or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

The underwriter expects to deliver the Notes to purchasers in book-entry form only through the facilities of The Depository Trust Company ("DTC"), and its direct participants, against payment therefor in immediately available funds, on or about February 12, 2019, which is the third business day following the date of pricing the Notes (such settlement being referred to as "T+3"). See "*Underwriting*" for details.

Sole Book-Running Manager

**KEEFE, BRUYETTE &
WOODS**

A Stifel Company

Prospectus Supplement dated February 7, 2019

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ABOUT THIS PROSPECTUS SUPPLEMENT

Unless otherwise indicated or unless the context requires otherwise, all references in this prospectus supplement and the accompanying prospectus to "QCR," "QCR Holdings," "the Company," "we," "our," "ours," and "us" or similar references refer to QCR Holdings, Inc. and its subsidiaries, including our wholly-owned bank subsidiaries, Quad City Bank & Trust Company, Cedar Rapids Bank & Trust Company, Community State Bank, Rockford Bank & Trust Company and Springfield First Community Bank, which are sometimes referred to as the "Banks."

This document consists of two parts. The first part is this prospectus supplement, which describes the specific terms of this offering and certain other matters relating to us and our financial condition, and it adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus. The second part is the accompanying prospectus, dated January 31, 2017, which provides more general information about the securities that we may offer from time to time, some of which may not apply to this offering. You should read carefully both this prospectus supplement and the accompanying prospectus in their entirety, together with additional information described under the heading "*Where You Can Find More Information*," before investing in the Notes.

If the information set forth in this prospectus supplement differs in any way from the information set forth in the accompanying prospectus, you should rely on the information set forth in this prospectus supplement. If the information conflicts with any statement in a document that we have incorporated by reference, then you should consider only the statement in the more recent document. You should not assume that the information appearing in this prospectus supplement, the accompanying prospectus or the documents incorporated by reference into those documents is accurate as of any date other than the date of the applicable document. Our business, financial condition, results of operations and prospects may have changed since that date.

We have not authorized anyone to provide any information other than that contained or incorporated by reference into this prospectus supplement or in any free writing prospectus prepared by or on behalf of us or to which we have referred you. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. This prospectus supplement may be used only for the purpose for which it has been prepared.

Neither this prospectus supplement nor the accompanying prospectus constitutes an offer, or an invitation on our behalf or on behalf of the underwriter, to subscribe for and purchase any of the securities and may not be used for or in connection with an offer or solicitation by anyone in any jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation.

The information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus is not investment, legal or tax advice. You should consult your own legal counsel, accountants and other advisers for legal, tax, business, financial and related advice before investing in the Notes.

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WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. Our SEC filings are available to the public from commercial document retrieval services and at the website maintained by the SEC at www.sec.gov. Reports, proxy statements and other information that we file with the SEC can also be found on our website, www.qcrh.com, at the "SEC Filings" link. The information on, or that can be accessed through, our website is not a part of this document.

We "incorporate by reference" into this prospectus supplement information we file with the SEC, which means:

incorporated documents are considered part of this prospectus supplement;

we can disclose important information to you by referring you to those documents; and

information that we file later with the SEC automatically will update and supersede information contained in this prospectus supplement.

We are incorporating by reference into this prospectus supplement the following documents:

our Proxy Statement on Schedule 14A for the 2018 annual meeting of stockholders filed on April 13, 2018;

our Annual Report on Form 10-K for the fiscal year ended December 31, 2017, filed with the SEC on March 12, 2018;

our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2018, June 30, 2018, and September 30, 2018, filed with the SEC on May 9, 2018, August 8, 2018 and November 11, 2018, respectively; and

our Current Reports on Form 8-K filed with the SEC on January 4, 2018, February 21, 2018, April 18, 2018 (except for the information furnished under Items 2.02 and 7.01 thereof and the related exhibits), May 24, 2018, as amended on October 12, 2018 (except for the information furnished under Item 7.01 thereof and the related exhibits), June 11, 2018, July 2, 2018 (except for the information furnished under Item 7.01 thereof and the related exhibits), August 27, 2018, August 31, 2018, September 13, 2018, November 15, 2018 and November 19, 2018.

We also incorporate by reference all documents subsequently filed by us with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") after the date of this prospectus supplement and prior to the termination of this offering (other than documents or information deemed furnished and not filed in accordance with SEC rules).

Any statement contained in this prospectus supplement or in a document incorporated or deemed to be incorporated by reference into this prospectus supplement will be deemed to be modified or superseded for purposes of this prospectus supplement to the extent that a statement contained in this prospectus supplement or any other subsequently filed document that is deemed to be incorporated by reference into this prospectus supplement modifies or supersedes the statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus supplement.

We will provide to each person to whom a prospectus supplement is delivered, a copy of any or all of the information that has been incorporated by reference in the prospectus supplement but not delivered

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with the prospectus. You can obtain copies of the documents incorporated by reference in this prospectus supplement, at no cost, by writing or calling us at the following address and telephone number:

QCR Holdings, Inc.
3551 Seventh Street
Moline, Illinois 61265
Telephone: (309) 743-7006
Attention: Corporate Secretary

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus or in any free writing prospectus prepared by or on behalf of us or to which we have referred you. We have not authorized anyone else to provide you with additional or different information.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement, including the documents that we incorporate by reference, contains forward-looking statements within the meaning of such term in the Private Securities Litigation Reform Act of 1995, with respect to the financial condition, results of operations, plans, objectives, future performance and business of the Company. Forward-looking statements, which may be based upon beliefs, expectations and assumptions of the Company's management and on information currently available to management, are generally identifiable by the use of words such as "believe," "expect," "anticipate," "bode," "predict," "suggest," "project," "appear," "plan," "intend," "estimate," "may," "will," "would," "could," "should," "likely," or other similar expressions. Additionally, all statements in this prospectus supplement, including forward-looking statements, speak only as of the date they are made, and the Company undertakes no obligation to update any statement in light of new information or future events. All forward-looking statements are qualified in their entirety by reference to the risk factors discussed in this prospectus supplement or discussed in documents incorporated by reference in this prospectus supplement.

The Company's ability to predict results or the actual effect of future plans or strategies is inherently uncertain. The factors that could have a material adverse effect on the operations and future prospects of the Company and its subsidiaries are detailed in the "*Risk Factors*" section included under Item 1A. of Part I of our most recent Annual Report on Form 10-K and in the "*Risk Factors*" section of this prospectus supplement beginning on page S-19. In addition, there are other factors that may impact any public company, including ours, which could have a material adverse effect on the operations and future prospects of the Company and its subsidiaries.

These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights selected information contained elsewhere in, or incorporated by reference into, this prospectus supplement. Because this is a summary, it may not contain all of the information that is important to you in making your investment decision. You should carefully read this entire prospectus supplement and the accompanying prospectus, as well as the information to which we refer you and the information incorporated by reference herein, before deciding whether to invest in the Notes. You should pay special attention to the information contained under the caption entitled "Risk Factors" in this prospectus supplement and in the accompanying prospectus and under the "Risk Factors" section included as Item 1A. of Part I of our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 to determine whether an investment in the Notes is appropriate for you.

QCR Holdings, Inc.

We are a multi-bank financial holding company headquartered in Moline, Illinois, that was formed in February 1993 under the laws of the State of Delaware. We serve the Quad Cities, Cedar Rapids, Waterloo/Cedar Falls, Des Moines/Ankeny, Iowa, Rockford, Illinois, and Springfield, Missouri, as well as their surrounding communities through the following five wholly owned banking subsidiaries, which provide full-service commercial and consumer banking and trust and asset management services:

Quad City Bank and Trust Company, which is based in Bettendorf, Iowa, and commenced operations in 1994;

Cedar Rapids Bank and Trust Company, which is based in Cedar Rapids, Iowa, and commenced operations in 2001;

Rockford Bank and Trust Company, which is based in Rockford, Illinois, and commenced operations in 2005;

Community State Bank, which is based in Ankeny, Iowa and was acquired by QCR in 2016; and

Springfield First Community Bank, which is based in Springfield, Missouri and was acquired by QCR in 2018.

We also engage in direct financing lease contracts through m2 Lease Funds, LLC, a wholly owned subsidiary of Quad City Bank & Trust Company based in Brookfield, Wisconsin. We also engage in correspondent banking through approximately 190 relationships with community banking institutions headquartered primarily in Illinois, Iowa, Missouri and Wisconsin.

At September 30, 2018, our consolidated total assets, loans and leases, deposits and stockholders' equity were approximately \$4.8 billion, \$3.6 billion, \$3.8 billion and \$457.4 million, respectively, and we employed approximately 728 full-time equivalent employees.

Recent Developments

On January 24, 2019, we announced preliminary financial results for the three months and year ended December 31, 2018. We have not yet closed our books for our fourth quarter and have not filed our Annual Report on Form 10-K for the year ended December 31, 2018. Therefore, our operating results for these periods are subject to completion of our normal year-end closing and review procedures, which may result in changes to these results. Furthermore, our independent registered public accounting firm has not completed its audit of our results for such periods. These results should be read in conjunction with the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and related notes thereto presented in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2018 and in our Annual Report on Form 10-K for the year ended December 31, 2017. Our actual results may differ materially from these estimates due to the completion of

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our financial closing procedures, final adjustments and other developments that may arise between now and the time the financial results for our fourth quarter and year end are finalized.

During the fourth quarter of 2018, our total assets increased \$157.0 million, to a total of \$4.9 billion, while total loans and leases grew \$79.4 million, or a 2.2% increase, compared to the third quarter of 2018. Loan and lease growth was funded by an increase in core deposits. Core deposits (excluding brokered deposits) increased \$187.0 million, or 5.3% on a linked quarter basis. As of December 31, 2018, the percentage of wholesale funds to total assets was 13.8% which is a decline from 15.9% as of September 30, 2018. Additionally, at quarter-end, the percentage of gross loans and leases to total assets was 75%, a slight decline from the third quarter.

Net interest income totaled \$142.4 million for the year ended December 31, 2018, compared to \$116.1 million for the year ended December 31, 2017 representing an increase of 22.7%. The increase in net interest income was the result of an increase in average earning assets of \$805.3 million as a result of both organic and inorganic growth, as well as an increase in the tax equivalent yield on our earnings assets of 23 basis points from 4.37% for the year ended December 31, 2017 to 4.60% for the year ended December 31, 2018, offset by a 48 basis point increase in our cost of interest bearing liabilities over the same period. Net interest income for the fourth quarter of 2018 totaled \$39.6 million, compared to \$38.3 million for the third quarter of 2018 and \$31.8 million for the fourth quarter of 2017. The increase in net interest income was due to an increase in average loan balances of \$87.2 million, or a 2.4% increase, on a linked quarter basis. Adjusted net interest income (non-GAAP) was \$38.7 million for the fourth quarter of 2018, compared to \$38.2 million for the third quarter of 2018, or an increase of 1.4% on a linked quarter basis.

On a tax-equivalent yield basis, net interest margin for the year ended December 31, 2018 was 3.62% down 16 basis points from the year ended December 31, 2017. Excluding acquisition-related net accretion, adjusted net interest margin for the year ended December 31, 2018 was 3.48%. Tax equivalent net interest margin in 2018 was negatively impacted by the change in corporate tax rates from the Tax Cuts and Jobs Act as a result of the company's portfolio of tax-exempt municipal securities. On a tax-equivalent yield basis, net interest margin (TEY)(Non-GAAP) for the fourth quarter of 2018 was 3.63% and, excluding acquisition-related net accretion, was 3.40%, down five basis points from the third quarter of 2018. This decline in adjusted net interest margin was due to increases in the Company's cost of funds (due to both mix and rate) and excess liquidity due to the strong deposit growth in the quarter, and was partially offset by slightly higher yields on the Company's loans.

Noninterest income totaled \$41.5 million for the year ended December 31, 2018, compared to \$30.5 million for the year ended December 31, 2017, representing an increase of 36.1%. The primary drivers of the increase in noninterest income in 2018 as compared with 2017 were a \$7.7 million increase in swap fee income and a \$2.4 million increase in wealth management revenue. Noninterest income for the fourth quarter of 2018 totaled \$15.3 million, compared to \$8.8 million for the third quarter of 2018. The significant increase was primarily due to \$6.0 million in higher swap fee income. Swap fee income in the fourth quarter of 2018 was higher than in prior quarters because of strong production from our Specialty Finance Group in the area of tax credit lending as a result of the interest rate environment during the quarter. Swap fee income can vary significantly from quarter to quarter depending on the interest rate environment, the volume of transactions and other factors. In addition, wealth management revenue increased by \$0.6 million primarily due to the acquisition of Bates Financial Advisors, Inc., Bates Financial Services, Inc., Bates Securities, Inc., and Bates Financial Group, Inc. (the "Bates Companies"). Including the added assets from the Bates Companies acquisition, total assets under management and administration were \$4.3 billion, including \$1.6 billion of total financial assets in brokerage (and related) accounts and \$2.7 billion of total financial assets in trust (and related) accounts.

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Noninterest expense totaled \$119.1 million for the year ended December 31, 2018, compared to \$97.4 million for the year ended December 31, 2017, representing an increase of 22.3%. Noninterest expense increased in 2018 as compared to 2017 as a result of a full year of impact from the Guaranty Bankshares, Inc. acquisition as well as two quarters of operating expenses from the acquisition of Springfield Bancshares, Inc. Noninterest expenses for the fourth quarter of 2018 totaled \$36.4 million, compared to \$30.5 million and \$31.4 million for the third quarter of 2018 and fourth quarter of 2017, respectively. The linked quarter increase was due to a number of factors, including a \$2.5 million increase in costs from the operation of other real estate. The Company reduced the carrying value of an OREO property by \$2.0 million and also sold an OREO property at a loss of about \$424 thousand. There was also a \$1.4 million increase in incentives and commissions, driven by the higher swap fee income. Salaries were \$1.1 million higher than the third quarter of 2018 as a result of the Bates Companies acquisition and company-wide headcount additions in both business development and operational support.

Nonperforming assets totaled \$27.9 million as of December 31, 2018, a decrease of \$13.6 million from the third quarter of 2018. The lower nonperforming assets resulted in the ratio of nonperforming assets to total assets improving to 0.56% at December 31, 2018, down from 0.87% at September 30, 2018 and down from 0.81% at December 31, 2017. The decline in nonperforming assets was due to a combination of factors, including \$4.9 million in net charge-offs on loans, a \$3.5 million paydown on a large nonaccrual loan, a \$1.3 million reduction in OREO from a sale (including a \$0.4 million loss on sale), and a \$2.0 million write-down of an OREO property that we are actively marketing for sale. Classified loans as of December 31, 2018 were \$28.6 million, a decline of \$17.1 million from September 30, 2018.

	As of	
	December 31, 2018	December 31, 2017
	Preliminary	
	(dollars in thousands, except per share data)	
CONDENSED BALANCE SHEET		
Cash and due from banks	\$ 85,523	\$ 75,722
Federal funds sold and interest-bearing deposits	159,596	85,962
Securities	662,969	652,382
Net loans/leases	3,692,907	2,930,130
Intangibles	17,450	9,079
Goodwill	77,832	28,334
Other assets	253,433	201,056
Total assets	\$ 4,949,710	\$ 3,982,665
Total deposits	\$ 3,977,030	\$ 3,266,655
Total borrowings	404,969	309,479
Other liabilities	94,573	53,244
Total stockholders' equity	473,138	353,287
Total liabilities and stockholders' equity	\$ 4,949,710	\$ 3,982,665

ANALYSIS OF LOAN PORTFOLIO

Loan/lease mix:

Commercial and industrial loans	\$ 1,429,410	\$ 1,134,516
Commercial real estate loans	1,766,111	1,303,492
Direct financing leases	117,968	141,448
Residential real estate loans	302,979	258,646
Installment and other consumer loans	107,162	118,611
Deferred loan/lease origination costs, net of fees	9,124	7,773
Total loans/leases	\$ 3,732,754	\$ 2,964,486
Less allowance for estimated losses on loans/leases	39,847	34,356

Net loans/leases	\$	3,692,907	\$	2,930,130
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As of
December 31, December 31,
2018 2017
Preliminary
(dollars in thousands, except
per share data)

ANALYSIS OF SECURITIES PORTFOLIO

Securities mix:

U.S. government sponsored agency securities	\$ 36,411	\$ 38,097
Municipal securities	459,409	445,049
Residential mortgage-backed and related securities	159,249	163,301
Other securities	7,900	5,935
Total securities	\$ 662,969	\$ 652,382

ANALYSIS OF DEPOSITS

Deposit mix:

Noninterest-bearing demand deposits	\$ 791,101	\$ 789,548
Interest-bearing demand deposits	2,204,206	1,855,893
Time deposits	704,903	516,058
Brokered deposits	276,820	105,156
Total deposits	\$ 3,977,030	\$ 3,266,655