
Section 1: 8-K (8-K)

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

**Current Report
Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported) **November 30, 2019**

QCR Holdings, Inc.

(Exact name of registrant as specified in its charter)

Commission File Number: **000-22208**

Delaware
(State or other jurisdiction of incorporation)

42-1397595
(I.R.S. Employer Identification Number)

**3551 Seventh Street
Moline, Illinois 61265**
(Address of principal executive offices, including zip code)

(309) 736-3584
(Registrant's telephone number, including area code)

N/A
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2 below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$1.00 Par Value	QCRH	The Nasdaq Global Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2). Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.01. Completion of Acquisition or Disposition of Assets.

On November 30, 2019, QCR Holdings, Inc. (“QCR Holdings”) and Rockford Bank & Trust Company, a wholly owned subsidiary of QCR Holdings (“RB&T”), completed the previously announced sale of substantially all of the assets and transfer of substantially all of the deposits and certain other liabilities of RB&T to Illinois Bank & Trust, a wholly owned subsidiary of Heartland Financial USA, Inc. (“IB&T”), pursuant to a Purchase and Assumption Agreement, dated August 13, 2019, by and among RB&T, IB&T and QCR Holdings (the “Agreement”).

Under the terms of the Agreement, IB&T acquired substantially all of RB&T’s assets for a cash payment and assumed substantially all of RB&T’s deposits and certain other liabilities. The cash amount paid for the assets at closing was determined by the following formula as of the determination date, October 31, 2019: (i) the “Purchase Price Premium,” plus (ii) the aggregate net book value of the acquired assets, minus (iii) the aggregate net book value of the assumed liabilities. The Purchase Price Premium was equal to: (a) 8% of RB&T’s acquired tangible assets, multiplied by (b) 0.345. Based on the aggregate net book value of the acquired assets of approximately \$453.9 million and liabilities assumed by IB&T of approximately \$419.5 million on the determination date, the Purchase Price Premium was approximately \$12.5 million and the total cash payment by IB&T to RB&T was approximately \$46.9 million. In addition, QCR Holdings is retaining net assets of approximately \$12.2 million that will be liquidated separately. The majority of these assets consist of bank-owned life insurance. In total, the transaction is valued at approximately \$59.1 million. Pursuant to the Agreement, the parties will recalculate the final amount of the cash payment due from IB&T based on RB&T’s balance sheet as of the closing date, November 30, 2019.

Item 7.01. Regulation FD Disclosure.

A copy of the press release, dated December 2, 2019, issued by QCR Holdings announcing the completion of the transaction described above is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

The information furnished pursuant to this Item and the related exhibit shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as may be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

(b) Pro Forma Financial Information

The unaudited pro forma consolidated combined financial information of QCR Holdings for the year ended December 31, 2018 and as of and for the nine months ended September 30, 2019, are filed as Exhibit 99.2 and incorporated herein by reference.

(d) Exhibits.

99.1 [Press Release, dated December 2, 2019.](#)

99.2 [Unaudited pro forma consolidated combined financial information of QCR Holdings for the year ended December 31, 2018 and as of and for the nine months ended September 30, 2019.](#)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

QCR HOLDINGS, INC.

Dated: December 2, 2019

By: /s/ Todd A. Gipple
President, Chief Operating Officer and Chief Financial Officer

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Section 2: EX-99.1 (EX-99.1)

Exhibit 99.1



PRESS RELEASE

FOR IMMEDIATE RELEASE

QCR Holdings, Inc. Completes Sale of the Operations of Rockford Bank & Trust

Moline, IL, December 2, 2019, QCR Holdings, Inc. (NASDAQ: QCRH, the “Company”) today announced that on November 30, 2019, the Company completed the sale of substantially all of the assets and transfer of substantially all of the deposits and certain other liabilities of the Company’s wholly-owned subsidiary, Rockford Bank and Trust Company (“RB&T”) to Illinois Bank & Trust (“IB&T”), a wholly-owned subsidiary of Dubuque, IA-based Heartland Financial USA, Inc. (NASDAQ: HTLF). The purchase and assumption transaction, announced in August 2019, is valued at approximately \$59.1 million. The \$59.1 million represents a cash payment of approximately \$46.9 million from IB&T including the purchase price premium of \$12.5 million and the separate liquidation of net assets retained by QCRH of \$12.2 million.

“We are confident the combination of RB&T and IB&T creates a premier community bank that will continue to serve the needs of the Rockford community and Winnebago County,” said Larry J. Helling, Chief Executive Officer of QCRH. “Divesting of RB&T enables QCRH to redeploy capital in our other more profitable markets to help drive continued organic and acquisitive growth and provides the best outcome for our shareholders.”

Todd A. Gipple, President and Chief Financial Officer of the Company stated, “While RB&T represented approximately 10% of our Company’s assets, we were unable to achieve the necessary scale in the Rockford market. The \$46.9 million cash payment represents a purchase price premium of 34.5% of adjusted tangible pro-forma equity, or \$12.5 million, pre-tax. As a result of the sale, we anticipate significant improvement in our profitability metrics.”

About Us

QCRH, headquartered in Moline, Illinois, is a relationship-driven, multi-bank holding company serving the Quad Cities, Cedar Rapids, Cedar Valley, Des Moines/Ankeny, and Springfield communities through its wholly owned subsidiary banks. The banks provide full-service commercial and consumer banking and trust and wealth management services. Quad City Bank & Trust Company, based in Bettendorf, Iowa, commenced operations in 1994, Cedar Rapids Bank & Trust Company, based in Cedar Rapids, Iowa, commenced operations in 2001, Community State Bank, based in Ankeny, Iowa, was acquired by the Company in 2016, Springfield First Community Bank, based in Springfield, Missouri, was acquired by the Company in 2018. Additionally, the Company serves the Waterloo/Cedar Falls, Iowa community through Community Bank & Trust, a division of Cedar Rapids Bank & Trust Company. Quad City Bank & Trust Company engages in commercial leasing through its wholly owned subsidiary, m2 Lease Funds, LLC, based in Milwaukee, Wisconsin, and also provides correspondent banking services. The Company has 25 locations in Illinois, Iowa, Wisconsin and Missouri. As of September 30, 2019, the Company had approximately \$5.3 billion in assets, \$3.6 billion in loans and \$3.8 billion in deposits. For additional information, please visit the Company’s website at www.qcrh.com.

Special Note Concerning Forward-Looking Statements. *This document contains, and future oral and written statements of the Company and its management may contain, forward-looking statements within the meaning of 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,” “predict,” “suggest,” “appear,” “plan,” “intend,” “estimate,” “annualize,” “may,” “will,” “would,” “could,” “should” or other similar expressions. Additionally, all statements in this document, 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.*

A number of factors, many of which are beyond the ability of the Company to control or predict, could cause actual results to differ materially from those in its forward-looking statements. These factors include, among others, the following: (i) the strength of the local, state, national and

international economies (including the impact of tariffs, a U.S. withdrawal from or significant renegotiation of trade agreements, trade wars and other changes in trade regulations); (ii) the economic impact of any future terrorist threats and attacks, and the response of the United States to any such threats and attacks; (iii) changes in state and federal laws, regulations and governmental policies concerning the Company's general business; (iv) changes in interest rates and prepayment rates of the Company's assets; (v) increased competition in the financial services sector and the inability to attract new customers; (vi) changes in technology and the ability to develop and maintain secure and reliable electronic systems; (vii) unexpected results of acquisitions, which may include failure to realize the anticipated benefits of acquisitions and the possibility that transaction costs may be greater than anticipated; (viii) the loss of key executives or employees; (ix) changes in consumer spending; (x) unexpected outcomes of existing or new litigation involving the Company; and (xi) changes in accounting policies and practices. These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. Additional information concerning the Company and its business, including additional factors that could materially affect the Company's financial results, is included in the Company's filings with the Securities and Exchange Commission.

Contacts:

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Section 3: EX-99.2 (EX-99.2)

Exhibit 99.2

QCR HOLDINGS, INC.

UNAUDITED PRO FORMA CONSOLIDATED COMBINED FINANCIAL INFORMATION

The following unaudited pro forma consolidated combined financial information reflects adjustments to the historical financial results of QCR Holdings, Inc. (the “Company”) as reported under U.S. Generally Accepted Accounting Principles (“GAAP”) in connection with the sale of substantially all of the assets and the transfer of substantially all of the deposits and certain other liabilities of the Company’s wholly-owned subsidiary, Rockford Bank & Trust Company (“RB&T”) to Illinois Bank & Trust (“IB&T”), a wholly-owned subsidiary of Heartland Financial USA, Inc. The all-cash purchase and assumption transaction (the “transaction”), announced in August 2019, closed as of the close of business on November 30, 2019.

The unaudited pro forma consolidated combined balance sheet as of September 30, 2019 was prepared with the assumption that the transaction had closed and was fully completed as of September 30, 2019.

The unaudited pro forma consolidated combined income statement for the nine months ended September 30, 2019 was prepared with the assumption that the transaction had closed and was fully completed as of January 1, 2019. This does not include the gain on sale and the related one-time costs related to disposition.

The unaudited pro forma consolidated combined income statement for the year ended December 31, 2018 was prepared with the assumption that the transaction had closed and was fully completed as of January 1, 2018. This also does not include the gain on sale and the related one-time costs related to disposition.

The unaudited pro forma consolidated combined financial information does not purport to be indicative of the results of operations or the financial condition which would have actually resulted if the transaction had been completed on the dates indicated and does not purport to indicate the results of future operations. Assumptions and estimates underlying the pro forma consolidated combined financial information are described in the accompanying footnotes.

QCR Holdings, Inc. and Subsidiaries
Unaudited Pro Forma Consolidated Combined Balance Sheet

	As of September 30, 2019	RB&T Pro Forma		Adjustments for Sale ***	Pro Forma
		RB&T at September 30, 2019	Participation Loans / Investments *		
ASSETS					
Cash and due from banks	\$ 102,701,879	11,031,151	—	11,031,151	\$ 91,670,728
Federal funds sold	9,300,000	—	—	—	9,300,000
Interest-bearing deposits at financial institutions	190,377,549	2,414,900	90,295,048	92,709,948	156,699,601
Securities held to maturity, at amortized cost	386,583,744	43,106,805	(39,863,805)	3,243,000	383,340,744
Securities available for sale, at fair value	234,833,489	22,901,737	—	22,901,737	211,931,751
Total securities	621,417,232	66,008,542	(39,863,805)	26,144,737	595,272,495
Loans receivable held for sale	10,540,738	1,650,400	—	1,650,400	8,890,338
Loans/leases receivable held for investment	3,968,230,101	417,281,473	(50,431,243)	366,850,230	3,601,379,871
Gross loans/leases receivable	3,978,770,839	418,931,873	(50,431,243)	368,500,630	3,610,270,209
Less allowance for estimated losses on loans/leases	(42,605,570)	(6,490,001)	—	(6,490,001)	(36,115,568)
Net loans/leases receivable	3,936,165,269	412,441,872	(50,431,243)	362,010,629	3,574,154,640
Bank-owned life insurance	69,223,617	10,856,275	—	10,856,275	58,367,342
Premises and equipment, net	80,238,693	6,400,970	—	6,400,970	73,837,723
Restricted investment securities	26,364,575	1,802,400	—	1,802,400	24,562,175
Other real estate owned, net	6,381,359	2,315,083	—	2,315,083	4,066,276
Goodwill	77,748,298	—	—	—	77,748,298
Intangibles	15,529,058	—	—	—	15,529,058
Other assets	156,934,091	5,913,267	—	5,913,267	151,020,824
Total assets	\$ 5,292,381,620	519,184,460	—	519,184,460	\$4,832,229,160
LIABILITIES AND STOCKHOLDERS' EQUITY					
LIABILITIES					
Deposits:					
Noninterest-bearing	\$ 852,593,271	70,360,778	—	70,360,778	\$ 782,232,493
Interest-bearing	3,401,193,430	381,184,764	—	381,184,764	3,020,008,666
Total deposits	4,253,786,701	451,545,542	—	451,545,542	3,802,241,159
Short-term borrowings	19,683,475	1,157,067	—	1,157,067	18,526,408
Federal Home Loan Bank advances	210,800,000	15,000,000	—	15,000,000	195,800,000
Subordinated debentures	68,333,753	—	—	—	68,333,753
Junior subordinated debentures	37,796,751	—	—	—	37,796,751
Other liabilities	182,238,233	5,299,443	—	5,299,443	181,651,188
Total liabilities	4,772,638,913	473,002,052	—	473,002,052	4,304,349,259
STOCKHOLDERS' EQUITY					
Preferred stock, \$1 par value; shares authorized 250,000	—	—	—	—	—
Common stock, \$1 par value; shares authorized 20,000,000	15,790,462	4,950,000	—	4,950,000	15,790,462
Additional paid-in capital	273,474,836	32,628,679	—	32,628,679	273,474,836
Retained earnings	230,891,852	8,918,536	—	8,918,536	239,029,046
Accumulated other comprehensive income (loss)	3,831,783	67,850	—	67,850	3,831,783
Accumulated other comprehensive income (loss) - Derivatives	(4,246,226)	(382,657)	—	(382,657)	(4,246,226)
Total stockholders' equity	519,742,707	46,182,408	—	46,182,408	527,879,901
Total liabilities and stockholders' equity	\$ 5,292,381,620	519,184,460	—	519,184,460	\$4,832,229,160

* Includes affiliate participation loans and investments, net, re-allocated to the originating charter in the month prior to closing. The loans and investments are as of September 30, 2019.

** Includes estimates for retained assets of \$14,727,000, and retained liabilities of \$2,573,000, all of which will be liquidated or satisfied post-closing.

*** Includes preliminary entries for the sale of RB&T detailed as follows:

Cash Proceeds from Buyer	\$ 46,878,000	Includes Purchase Price Premium of \$12.5 million
Cash from Liquidiation of Net Retained Balance Sheet	12,154,000	
Total Cash Proceeds	59,032,000	
Equity Investment in RB&T	46,182,408	
Pre-Tax Gain on Sale	\$ 12,849,592	

In addition, the Company is recording an estimated gain on sale of \$12,849,592 which is offset by an estimate of \$2,000,000 of disposition expenses. The net is an estimated pre-tax net gain of \$10,849,592 and using a tax rate of 25% (which is 21% for Federal and 4% for State), the net impact to equity is estimated at \$8,137,000.

Lastly, the offset is \$4,712,398 to other liabilities which consists of accruals for various disposition costs and the taxes payable on the net gain on sale.

QCR Holdings, Inc. and Subsidiaries
Unaudited Pro Forma Consolidated Combined Income Statement

	For the nine months ended September 30, 2019			
	Consolidated	RB&T Only	Participation Loans / Investments *	Pro Forma
Interest and dividend income:				
Loans/leases, including fees	\$ 143,488,413	13,948,038	1,796,613	\$ 131,336,988
Securities:				
Taxable	5,025,431	577,366	—	4,448,065
Nontaxable	10,461,256	973,825	1,046,425	10,533,856
Interest-bearing deposits at financial institutions	3,041,816	116,147	(1,523,729)	1,401,940
Restricted investment securities	891,165	86,785	—	804,380
Federal funds sold	191,317	71,596	—	119,721
Total interest and dividend income	163,099,398	15,773,757	1,319,309	148,644,950
Interest expense:				
Deposits	39,696,963	4,882,825	—	34,814,138
Short-term borrowings	275,608	25,537	—	250,071
Federal Home Loan Bank advances	2,684,888	632,874	—	2,052,014
Other borrowings	512,367	—	—	512,367
Subordinated debt	2,560,701	—	—	2,560,701
Junior subordinated debentures	1,728,959	—	—	1,728,959
Total interest expense	47,459,486	5,541,236	—	41,918,250
Net interest income	115,639,912	10,232,521	1,319,309	106,726,700
Provision for loan/lease losses	6,086,972	559,000	—	5,527,972
Net interest income after provision for loan/lease losses	109,552,940	9,673,521	1,319,309	101,198,728
Noninterest income:				
Trust department fees	7,193,596	729,370	—	6,464,226
Investment advisory and management fees	5,405,734	432,050	—	4,973,684
Deposit service fees	5,025,175	534,068	—	4,491,107
Gains on sales of residential real estate loans	1,747,712	82,829	—	1,664,883
Gains on sales government guaranteed portions of loans	589,366	—	—	589,366
Swap fee income	20,885,993	—	—	20,885,993
Security losses, net	(55,693)	—	—	(55,693)
Earnings on bank-owned life insurance	1,440,491	192,519	—	1,247,972
Debit card fees	2,591,291	208,683	—	2,382,608
Correspondent banking fees	578,167	—	—	578,167
Other	3,561,787	252,535	—	3,309,252
Total noninterest income	48,963,619	2,432,054	—	46,531,565
Noninterest expense:				
Salaries and employee benefits	67,842,590	5,973,251	—	61,869,339
Occupancy and equipment expense	11,086,782	1,078,687	—	10,008,095
Professional and data processing fees	9,811,003	1,653,100	—	8,157,903
Acquisition costs	—	—	—	—
Post-acquisition compensation, transition and integration costs	1,726,558	—	—	1,726,558
FDIC and other insurance, and regulatory fees	2,431,834	279,696	—	2,152,138
Loan/lease expense	747,689	108,589	—	639,100
Net cost of operations of other real estate	3,557,490	327,147	—	3,230,343
Advertising and marketing	2,877,950	339,284	—	2,538,666
Postage and communication	1,250,397	67,040	—	1,183,357
Stationery and supplies	817,533	93,986	—	723,547
Bank service charges	1,493,792	71,649	—	1,422,143
Loss on debt extinguishment, net	148,149	—	—	148,149
Correspondent banking expense	619,252	—	—	619,252
CDI Amortization	1,706,192	—	—	1,706,192
Other	2,822,704	306,859	—	2,515,845
Total noninterest expense	108,939,915	10,299,288	—	98,640,627
Net income before income taxes	49,576,644	1,806,287	1,319,309	49,089,666
Federal and state income tax expense	8,059,400	129,692	110,078	8,039,786
Net income	\$ 41,517,244	1,676,595	1,209,231	\$ 41,049,880

Diluted earnings per common share	\$	2.60	\$	2.57
Weighted average common and common equivalent shares outstanding		15,946,020		15,976,742

* Includes affiliate participation loans and investments, net, re-allocated to the originating charter in the month prior to closing. The offset is to interest-bearing deposits at banks as the Company would fund the net earning assets with excess cash. Following are the details:

	<u>Amount</u>	<u>Rate **</u>	<u>Net Interest Income</u>	<u>Adjusted for 9 Months</u>
Loans	50,431,243	4.75%	2,395,484	1,796,613
Federal Tax Exempt Municipal Bonds	39,863,805	3.50%	1,395,233	1,046,425
Interest-Bearing Deposits at Banks	(90,295,048)	2.25%	(2,031,639)	(1,523,729)

** The rate is estimated based on weighted average interest rate of the loans and investments as of September 30, 2019. For the interest rate on the interest-bearing deposits at banks, the Company used an estimated rate for 2019 based on Fed Funds for the majority of the year.

NOTE: Excludes the pre-tax gain on sale estimated at \$12,849,592 and the related one-time disposition costs estimated at \$2,000,000.

QCR Holdings, Inc. and Subsidiaries
Unaudited Pro Forma Consolidated Combined Income Statement

	For the year ended December 31, 2018			
	Consolidated	RB&T Only	Participation Loans / Investments *	Pro Forma
Interest and dividend income:				
Loans/leases, including fees	\$ 160,160,173	16,996,007	2,395,484	\$ 145,559,650
Securities:				
Taxable	6,353,413	681,693	—	5,671,720
Nontaxable	13,668,283	1,227,849	1,395,233	13,835,667
Interest-bearing deposits at financial institutions	1,266,530	14,600	(2,257,376)	(1,005,446)
Restricted investment securities	1,092,807	149,028	—	943,779
Federal funds sold	338,036	64,764	—	273,272
Total interest and dividend income	<u>182,879,242</u>	<u>19,133,941</u>	<u>1,533,341</u>	<u>165,278,642</u>
Interest expense:				
Deposits	30,674,621	4,285,571	—	26,389,050
Short-term borrowings	271,243	22,271	—	248,972
Federal Home Loan Bank advances	4,192,510	611,883	—	3,580,627
Other borrowings	3,346,225	575,247	—	2,770,978
Junior subordinated debentures	1,999,058	—	—	1,999,058
Total interest expense	<u>40,483,657</u>	<u>5,494,972</u>	<u>—</u>	<u>34,988,685</u>
Net interest income	142,395,585	13,638,969	1,533,341	130,289,957
Provision for loan/lease losses	12,658,449	4,618,833	—	8,039,616
Net interest income after provision for loan/lease losses	<u>129,737,136</u>	<u>9,020,136</u>	<u>1,533,341</u>	<u>122,250,341</u>
Noninterest income:				
Trust department fees	8,707,406	771,334	—	7,936,072
Investment advisory and management fees	4,725,557	649,676	—	4,075,881
Deposit service fees	6,420,237	708,883	—	5,711,354
Gains on sales of residential real estate loans	900,744	56,044	—	844,700
Gains on sales government guaranteed portions of loans	404,852	—	—	404,852
Swap fee income	10,787,234	176,640	—	10,610,594
Earnings on bank-owned life insurance	1,631,749	260,513	—	1,371,236
Debit card fees	3,262,645	228,936	—	3,033,709
Correspondent banking fees	851,514	—	—	851,514
Participation service fees on commercial loan participations	1,229,333	258,844	—	970,489
Fee income from early termination of leases	446,506	—	—	446,506
Credit card issuing fees	800,499	—	—	800,499
Other	1,372,818	24,370	—	1,348,448
Total noninterest income	<u>41,541,094</u>	<u>3,135,240</u>	<u>—</u>	<u>38,405,854</u>
Noninterest expense:				
Salaries and employee benefits	68,994,218	6,410,037	—	62,584,181
Occupancy and equipment expense	12,883,632	1,422,474	—	11,461,158
Professional and data processing fees	11,452,084	1,585,920	—	9,866,164
Acquisition costs	1,795,119	140,796	—	1,654,323
Post-acquisition compensation, transition and integration costs	2,086,386	—	—	2,086,386
FDIC and other insurance, and regulatory fees	3,594,480	531,374	—	3,063,106
Loan/lease expense	1,543,343	89,824	—	1,453,519
Net cost of operations of other real estate	2,488,730	471,712	—	2,017,018
Advertising and marketing	3,551,822	473,824	—	3,077,998
Postage and communication	1,585,282	110,099	—	1,475,183
Stationery and supplies	1,069,744	107,595	—	962,149
Bank service charges	1,837,626	152,648	—	1,684,978
Correspondent banking expense	820,905	—	—	820,905
CDI Amortization	1,692,431	—	—	1,692,431
Other	3,747,617	312,695	—	3,434,922
Total noninterest expense	<u>119,143,419</u>	<u>11,808,998</u>	<u>—</u>	<u>107,334,421</u>
Net income before income taxes	52,134,811	346,378	1,533,341	53,321,774
Federal and state income tax expense	9,015,112	(359,777)	90,336	9,465,225
Net income	<u>\$ 43,119,699</u>	<u>706,155</u>	<u>1,443,005</u>	<u>\$ 43,856,549</u>

Diluted earnings per common share	\$	2.86	\$	2.91
Weighted average common and common equivalent shares outstanding		15,064,730		15,064,730

* Includes affiliate participation loans and federal tax exempt municipal investments, net, re-allocated to the originating charter in the month prior to closing. The offset is to interest-bearing deposits at banks as the Company would fund the net earning assets with excess cash. Following are the details:

	<u>Amount</u>	<u>Rate **</u>	<u>Net Interest Income</u>
Loans	50,431,243	4.75%	2,395,484
Tax Exempt Municipal Bonds	39,863,805	3.50%	1,395,233
Interest-Bearing Deposits at Banks	(90,295,048)	2.50%	(2,257,376)

** The rate is estimated based on weighted average interest rate of the loans and investments as of September 30, 2019. For the interest rate on the interest-bearing deposits at banks, the Company used an estimated rate for 2018 based on Fed Funds for the majority of the year.

NOTE: Excludes the pre-tax gain on sale estimated at \$12,849,592 and the related one-time disposition costs estimated at \$2,000,000.

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