

QCR HOLDINGS INC
Form 10-Q
May 11, 2009

Table of Contents

**U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q**

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ending March 31, 2009

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 0-22208

QCR HOLDINGS, INC.

(Exact name of Registrant as specified in its charter)

Delaware

42-1397595

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer ID Number)

3551 7th Street, Suite 204, Moline, Illinois 61265

(Address of principal executive offices)

(309) 736-3580

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "accelerated filer," "large accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date: As of May 1, 2009, the Registrant had outstanding 4,541,895 shares of common stock, \$1.00 par value per share.

QCR HOLDINGS, INC. AND SUBSIDIARIES
INDEX

	Page Number
<u>Part I FINANCIAL INFORMATION</u>	
<u>Item 1 Consolidated Financial Statements (Unaudited)</u>	
<u>Consolidated Balance Sheets,</u> <u>March 31, 2009 and December 31, 2008</u>	2
<u>Consolidated Statements of Income,</u> <u>For the Three Months Ended March 31, 2009 and 2008</u>	3-4
<u>Consolidated Statement of Changes in Stockholders' Equity,</u> <u>For the Three Months Ended March 31, 2009</u>	5
<u>Consolidated Statements of Cash Flows,</u> <u>For the Three Months Ended March 31, 2009 and 2008</u>	6
<u>Notes to Consolidated Financial Statements</u>	7-15
<u>Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	16-32
<u>Item 3 Quantitative and Qualitative Disclosures About Market Risk</u>	33-34
<u>Item 4 Controls and Procedures</u>	35
<u>Part II OTHER INFORMATION</u>	
<u>Item 1 Legal Proceedings</u>	36
<u>Item 1.A. Risk Factors</u>	36
<u>Item 2 Unregistered Sales of Equity Securities and Use of Proceeds</u>	36
<u>Item 3 Defaults upon Senior Securities</u>	36
<u>Item 4 Submission of Matters to a Vote of Security Holders</u>	36-37
<u>Item 5 Other Information</u>	37
<u>Item 6 Exhibits</u>	37-38
<u>Signatures</u>	39
<u>Exhibit 31.1</u>	

Exhibit 31.2

Exhibit 32.1

Exhibit 32.2

Table of Contents

QCR HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (UNAUDITED)
As of March 31, 2009 and December 31, 2008

	March 31, 2009	December 31, 2008
ASSETS		
Cash and due from banks	\$ 24,651,875	\$ 33,464,074
Federal funds sold	57,224,648	20,695,898
Interest-bearing deposits at financial institutions	36,663,190	2,113,904
Securities held to maturity, at amortized cost	350,000	350,000
Securities available for sale, at fair value	279,943,556	255,726,415
	280,293,556	256,076,415
Loans receivable held for sale	4,616,395	7,377,648
Loans/leases receivable held for investment	1,201,362,713	1,207,311,984
	1,205,979,108	1,214,689,632
Less: Allowance for estimated losses on loans/leases	(21,172,529)	(17,809,170)
	1,184,806,579	1,196,880,462
Premises and equipment, net	30,864,949	31,389,267
Goodwill	3,222,688	3,222,688
Accrued interest receivable	7,566,887	7,835,835
Bank-owned life insurance	27,741,791	27,450,751
Other assets	27,873,483	26,499,720
Total assets	\$ 1,680,909,646	\$ 1,605,629,014
LIABILITIES AND STOCKHOLDERS EQUITY		
LIABILITIES		
Deposits:		
Noninterest-bearing	\$ 144,832,325	\$ 161,126,120
Interest-bearing	941,755,268	897,832,478
Total deposits	1,086,587,593	1,058,958,598
Short-term borrowings	122,177,416	101,456,950
Federal Home Loan Bank advances	210,995,000	218,695,000
Other borrowings	75,547,506	75,582,634
Junior subordinated debentures	36,085,000	36,085,000

Edgar Filing: QCR HOLDINGS INC - Form 10-Q

Other liabilities	19,723,588	22,355,661
Total liabilities	1,551,116,103	1,513,133,843

STOCKHOLDERS EQUITY

Preferred stock, \$1 par value; shares authorized 250,000; March 2009 - 38,805 shares issued and outstanding, December 2008 - 568 shares issued and outstanding,	38,805	568
Common stock, \$1 par value; shares authorized 10,000,000 March 2009 - 4,652,612 shares issued and 4,531,366 outstanding, December 2008 - 4,630,883 shares issued and 4,509,637 outstanding,	4,652,612	4,630,883
Additional paid-in capital	81,381,715	43,090,268
Retained earnings	40,531,523	40,893,304
Accumulated other comprehensive income	2,882,625	3,628,360
Noncontrolling interests	1,912,773	1,858,298
	131,400,053	94,101,681
Treasury Stock;	1,606,510	1,606,510
March 2009 - 121,246 common shares, at cost, December 2008 - 121,246 common shares, at cost,		
Total stockholders equity	129,793,543	92,495,171
Total liabilities and stockholders equity	\$ 1,680,909,646	\$ 1,605,629,014

See Notes to Consolidated Financial Statements

Table of Contents

QCR HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
Three Months Ended March 31,

	2009	2008
Interest and dividend income:		
Loans/leases, including fees	\$ 18,076,055	\$ 18,263,442
Securities:		
Taxable	2,620,037	2,634,422
Nontaxable	252,413	243,877
Interest-bearing deposits at financial institutions	18,795	94,265
Federal funds sold	18,837	25,193
 Total interest and dividend income	 20,986,137	 21,261,199
 Interest expense:		
Deposits	5,326,973	6,822,417
Short-term borrowings	165,721	1,159,317
Federal Home Loan Bank advances	2,260,646	1,941,800
Other borrowings	754,310	570,170
Junior subordinated debentures	518,436	630,978
 Total interest expense	 9,026,086	 11,124,682
 Net interest income	 11,960,051	 10,136,517
 Provision for loan/lease losses	 4,358,543	 984,240
 Net interest income after provision for loan/lease losses	 7,601,508	 9,152,277
 Non-interest income:		
Credit card issuing fees, net of processing costs	245,865	263,734
Trust department fees	718,115	921,261
Deposit service fees	826,974	716,492
Gains on sales of loans, net	411,911	339,854
Securities gains (losses), net	(14,355)	
Earnings on bank-owned life insurance	291,040	267,004
Investment advisory and management fees, gross	351,045	414,644
Other	608,149	491,145
 Total non-interest income	 3,438,744	 3,414,134
 Non-interest expenses:		
Salaries and employee benefits	6,764,610	6,252,862
Professional and data processing fees	1,153,489	1,131,009

Edgar Filing: QCR HOLDINGS INC - Form 10-Q

Advertising and marketing	245,529	254,731
Occupancy and equipment expense	1,321,092	1,259,795
Stationery and supplies	131,110	120,423
Postage and telephone	227,765	249,151
Bank service charges	122,292	130,842
FDIC and other insurance	619,195	318,112
Other	513,062	351,714
Total non-interest expenses	11,098,144	10,068,639
Income (loss) from continuing operations before income taxes	(57,892)	2,497,772
Federal and state income tax expense (benefit) from continuing operations	(293,682)	668,022
Income from continuing operations	235,790	1,829,750

(continued)

See Notes to Consolidated Financial Statements

Table of Contents

QCR HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED) (continued)
Three Months Ended March 31,

	2009	2008
Discontinued operations (Note 2):		
Operating income from merchant credit card acquiring business		92,553
Operating loss from First Wisconsin Bank & Trust		(1,671,055)
Loss from discontinued operations before income taxes		(1,578,502)
Federal and state income tax benefit from discontinued operations		(575,588)
Loss from discontinued operations		(1,002,914)
Net income	\$ 235,790	\$ 826,836
Less: Net income attributable to noncontrolling interests	151,446	140,392
Net income attributable to QCR Holdings, Inc.	\$ 84,344	\$ 686,444
Amounts attributable to QCR Holdings, Inc.:		
Income from continuing operations	\$ 84,344	\$ 1,689,358
Loss from discontinued operations		(1,002,914)
Net income	\$ 84,344	\$ 686,444
Less: Preferred stock dividends	695,728	446,125
Net income (loss) attributable to QCR Holdings, Inc. common stockholders	\$ (611,384)	\$ 240,319
Basic earnings (loss) per common share (Note 3):		
Income (loss) from continuing operations attributable to QCR Holdings, Inc.	(0.14)	0.27
Loss from discontinued operations attributable to QCR Holdings, Inc.		(0.22)
Net income (loss) attributable to QCR Holdings, Inc.	\$ (0.14)	\$ 0.05
Diluted earnings (loss) per common share (Note 3):		
Income (loss) from continuing operations attributable to QCR Holdings, Inc.	(0.13)	0.27
Loss from discontinued operations attributable to QCR Holdings, Inc.		(0.22)
Net income (loss) attributable to QCR Holdings, Inc.	\$ (0.13)	\$ 0.05
Weighted average common shares outstanding	4,523,851	4,602,166
Weighted average common and common equivalent shares outstanding	4,532,605	4,609,843
Cash dividends declared per common share	\$ 0.00	\$ 0.00

Table of Contents

QCR HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)
Quarter Ended March 31, 2009

	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Noncontrolling Interests	Treasury Stock	Total
Balance December 31, 2008	\$ 568	\$ 4,630,883	\$ 43,090,268	\$ 40,893,304	\$ 3,628,360	\$ 1,858,298	\$ (1,606,510)	\$ 92,495,171
Comprehensive income:								
Net income				84,344		151,446		235,790
Other comprehensive income, net of tax					(745,735)			(745,735)
Comprehensive income								(509,945)
Preferred cash dividends declared				(446,125)				(446,125)
Proceeds from issuance of 38,237 shares of preferred stock and common stock warrant	38,237		38,014,586					38,052,823
Proceeds from issuance of 5,821 shares of common stock as a result of stock purchased under the Employee Stock Purchase Plan		5,821	46,568					52,389
Stock compensation expense			246,201					246,201
Restricted stock awards		15,908	(15,908)					
Distributions to noncontrolling interest partners						(96,971)		(96,971)

Balance
March 31, 2009 \$ 38,805 \$ 4,652,612 \$ 81,381,715 \$ 40,531,523 \$ 2,882,625 \$ 1,912,773 \$ (1,606,510) \$ 129,793,543

Table of Contents

QCR HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
Three Months Ended March 31,

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 84,344	\$ 686,444
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	714,453	613,903
Provision for loan/lease losses related to continuing operations	4,358,543	984,240
Provision for loan/lease losses related to discontinued operations		1,288,000
Amortization of offering costs on subordinated debentures	3,579	3,579
Stock-based compensation expense	134,375	120,111
Net income attributable to noncontrolling interests	151,446	140,392
Amortization of premiums (accretion of discount) on securities, net	226,845	(52,268)
Investment securities losses, net	14,355	
Loans originated for sale	(38,574,682)	(28,442,005)
Proceeds on sales of loans	41,747,846	30,016,369
Net gains on sales of loans	(411,911)	(339,854)
Increase (decrease) in accrued interest receivable	268,948	(528,718)
(Increase) decrease in other assets	(1,065,629)	978,260
Decrease in other liabilities	(2,335,212)	(8,318,402)
Net cash provided by (used in) operating activities	\$ 5,317,300	\$ (2,849,949)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net (increase) decrease in federal funds sold	(36,528,750)	4,010,000
Net (increase) decrease in interest-bearing deposits at financial institutions	(34,549,286)	2,442,574
Activity in securities portfolio:		
Purchases	(67,364,998)	(51,832,984)
Calls, maturities and redemptions	41,786,705	40,074,000
Paydowns	76,485	149,991
Increase in cash value of bank-owned life insurance	(291,040)	(295,060)
(Increase) decrease in loans/leases originated and held for investment	4,843,135	(46,597,566)
Purchase of premises and equipment	(190,135)	(465,887)
Net increase in cash related to discontinued operations, held for sale		(1,067,831)
Net cash used in investing activities	\$ (92,217,884)	\$ (53,582,763)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in deposit accounts	27,628,995	59,149,335
Net increase (decrease) in short-term borrowings	20,720,466	(13,698,330)
Activity in Federal Home Loan Bank advances:		
Advances		12,000,000
Payments	(7,700,000)	(5,712,822)
Net increase (decrease) in other borrowings	(35,128)	4,949,407
Tax benefit of nonqualified stock options exercised		717

Edgar Filing: QCR HOLDINGS INC - Form 10-Q

Payment of cash dividends	(631,160)	(451,910)
Proceeds from issuance of preferred stock and common stock warrant, net	38,052,823	
Proceeds from issuance of common stock, net	52,389	67,630
Net cash provided by financing activities	\$ 78,088,385	\$ 56,304,027
Net decrease in cash and due from banks	(8,812,199)	(128,685)
Cash and due from banks, beginning	33,464,074	40,490,000
Cash and due from banks, ending	\$ 24,651,875	\$ 40,361,315
Supplemental disclosure of cash flow information, cash payments for:		
Interest	\$ 10,024,462	\$ 12,261,326
Income/franchise taxes	\$ 1,355,663	\$ 991,238
Supplemental schedule of noncash investing activities:		
Change in accumulated other comprehensive income, unrealized gains (losses) on securities available for sale, net	\$ (745,735)	\$ 1,808,101