

QCR HOLDINGS INC
Form 10-Q
November 08, 2018
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UNITED STATES 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 ended September 30, 2018

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 Identification No.)

3551 7th Street, Moline, Illinois 61265

(Address of principal executive offices, including zip code)

(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 the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

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Yes No

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange 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 November 1, 2018, the Registrant had outstanding 15,673,883 shares of common stock, \$1.00 par value per share.

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QCR HOLDINGS, INC. AND SUBSIDIARIES

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Throughout this Quarterly Report on Form 10-Q, we use certain acronyms and abbreviations, as defined in Note 1.

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QCR HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

As of September 30, 2018 and December 31, 2017

	September 30, 2018	December 31, 2017
Assets		
Cash and due from banks	\$ 73,406,657	\$ 75,721,663
Federal funds sold	33,070,000	30,197,000
Interest-bearing deposits at financial institutions	96,590,367	55,765,012
Securities held to maturity, at amortized cost	395,421,195	379,474,205
Securities available for sale, at fair value	255,323,442	272,907,907
Total securities	650,744,637	652,382,112
Loans receivable held for sale	2,557,907	645,001
Loans/leases receivable held for investment	3,650,828,460	2,963,840,399
Gross loans/leases receivable	3,653,386,367	2,964,485,400
Less allowance for estimated losses on loans/leases	(43,077,457)	(34,355,728)
Net loans/leases receivable	3,610,308,910	2,930,129,672
Bank-owned life insurance	67,443,063	59,059,494
Premises and equipment, net	73,828,512	62,838,255
Restricted investment securities	28,679,400	19,782,525
Other real estate owned, net	12,203,780	13,558,308
Goodwill	73,618,426	28,334,092
Core deposit intangible	16,136,914	9,078,953
Other assets	56,701,829	45,817,687
Total assets	\$ 4,792,732,495	\$ 3,982,664,773
Liabilities and Stockholders' Equity		
Liabilities:		
Deposits:		
Noninterest-bearing	\$ 802,090,334	\$ 789,547,696
Interest-bearing	2,986,186,588	2,477,107,360
Total deposits	3,788,276,922	3,266,655,056
Short-term borrowings	12,929,499	13,993,122
Federal Home Loan Bank advances	359,128,925	192,000,000
Other borrowings	73,950,426	66,000,000
Junior subordinated debentures	37,626,070	37,486,487
Other liabilities	63,433,264	53,242,979
Total liabilities	4,335,345,106	3,629,377,644
Stockholders' Equity:		

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Preferred stock, \$1 par value; shares authorized 250,000 September 2018 and December 2017- No shares issued or outstanding	—	—
Common stock, \$1 par value; shares authorized 20,000,000 September 2018 - 15,673,760 shares issued and outstanding December 2017 - 13,918,168 shares issued and outstanding	15,673,760	13,918,168
Additional paid-in capital	269,373,303	189,077,550
Retained earnings	179,826,524	151,962,661
Accumulated other comprehensive loss:		
Securities available for sale	(7,347,979)	(866,223)
Derivatives	(138,219)	(805,027)
Total stockholders' equity	457,387,389	353,287,129
Total liabilities and stockholders' equity	\$ 4,792,732,495	\$ 3,982,664,773

See Notes to Consolidated Financial Statements (Unaudited)

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QCR HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

Three Months Ended September 30,

	2018	2017
Interest and dividend income:		
Loans/leases, including fees	\$ 44,033,687	\$ 29,245,320
Securities:		
Taxable	1,521,789	1,367,212
Nontaxable	3,516,550	2,862,208
Interest-bearing deposits at financial institutions	323,636	141,331
Restricted investment securities	329,767	172,776
Federal funds sold	105,042	52,018
Total interest and dividend income	49,830,471	33,840,865
Interest expense:		
Deposits	8,722,555	3,556,189
Short-term borrowings	78,053	33,248
Federal Home Loan Bank advances	1,272,538	607,751
Other borrowings	924,780	724,854
Junior subordinated debentures	519,062	362,475
Total interest expense	11,516,988	5,284,517
Net interest income	38,313,483	28,556,348
Provision for loan/lease losses	6,205,828	2,086,436
Net interest income after provision for loan/lease losses	32,107,655	26,469,912
Noninterest income:		
Trust department fees	2,195,828	1,721,401
Investment advisory and management fees	1,059,413	968,452
Deposit service fees	1,655,529	1,522,461
Gains on sales of residential real estate loans, net	336,679	98,409
Gains on sales of government guaranteed portions of loans, net	46,417	91,974
Swap fee income	1,110,182	194,256
Securities losses, net	—	(63,588)
Earnings on bank-owned life insurance	474,426	428,002
Debit card fees	845,740	754,803
Correspondent banking fees	195,450	239,060
Other	889,161	746,073
Total noninterest income	8,808,825	6,701,303
Noninterest expense:		
Salaries and employee benefits	17,432,632	13,423,943
Occupancy and equipment expense	3,318,470	2,516,274
Professional and data processing fees	2,537,027	2,950,839
Acquisition costs	1,292,043	407,997
Post-acquisition compensation, transition and integration costs	493,063	522,740

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FDIC insurance, other insurance and regulatory fees	932,746	690,894
Loan/lease expense	369,379	257,540
Net income from operations of other real estate	(50,362)	(160,640)
Advertising and marketing	983,762	669,923
Bank service charges	461,656	460,153
Correspondent banking expense	205,121	204,189
CDI amortization	541,665	230,867
Other	1,982,408	1,221,028
Total noninterest expense	30,499,610	23,395,747
Net income before income taxes	10,416,870	9,775,468
Federal and state income tax expense	1,608,035	1,921,533
Net income	\$ 8,808,835	\$ 7,853,935
Basic earnings per common share	\$ 0.56	\$ 0.60
Diluted earnings per common share	\$ 0.55	\$ 0.58
Weighted average common shares outstanding	15,625,123	13,151,350
Weighted average common and common equivalent shares outstanding	15,922,324	13,507,955
Cash dividends declared per common share	\$ 0.06	\$ 0.05
See Notes to Consolidated Financial Statements (Unaudited)		

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QCR HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

Nine Months Ended September 30,

	2018	2017
Interest and dividend income:		
Loans/leases, including fees	\$ 113,655,270	\$ 84,571,466
Securities:		
Taxable	4,671,333	3,770,022
Nontaxable	10,100,598	8,198,173
Interest-bearing deposits at financial institutions	748,953	559,697
Restricted investment securities	776,013	435,096
Federal funds sold	222,814	104,778
Total interest and dividend income	130,174,981	97,639,232
Interest expense:		
Deposits	20,132,044	8,779,548
Short-term borrowings	173,469	76,365
Federal Home Loan Bank advances	3,218,769	1,365,433
Other borrowings	2,375,837	2,103,731
Junior subordinated debentures	1,473,965	1,042,227
Total interest expense	27,374,084	13,367,304
Net interest income	102,800,897	84,271,928
Provision for loan/lease losses	11,046,402	6,214,538
Net interest income after provision for loan/lease losses	91,754,495	78,057,390
Noninterest income:		
Trust department fees	6,490,896	5,153,609
Investment advisory and management fees	3,069,423	2,798,886
Deposit service fees	4,797,385	4,297,210
Gains on sales of residential real estate loans, net	539,266	