

QCR HOLDINGS INC  
Form 10-Q  
November 10, 2008

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**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 September 30, 2008**

**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 7<sup>th</sup> 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 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 November 1, 2008, the Registrant had outstanding 4,630,883 shares of common stock, \$1.00 par value per share.

QCR HOLDINGS, INC. AND SUBSIDIARIES  
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**QCR HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS (UNAUDITED)**  
**September 30, 2008 and December 31, 2007**

	September 30, 2008	December 31, 2007
<b>ASSETS</b>		
Cash and due from banks	\$ 33,943,067	\$ 40,490,000
Federal funds sold	9,536,411	7,985,000
Interest-bearing deposits at financial institutions	1,282,987	5,096,048
Securities held to maturity, at amortized cost	350,000	350,000
Securities available for sale, at fair value	231,623,193	220,207,243
	231,973,193	220,557,243
Loans receivable held for sale	4,162,970	6,507,583
Loans/leases receivable held for investment	1,173,585,054	1,050,480,273
	1,177,748,024	1,056,987,856
Less: Allowance for estimated losses on loans/leases	(14,495,563)	(11,315,253)
	1,163,252,461	1,045,672,603
Premises and equipment, net	31,548,914	31,884,153
Goodwill	3,222,688	3,222,688
Intangible asset	89,250	
Accrued interest receivable	7,924,502	7,585,690
Bank-owned life insurance	27,336,830	26,549,614
Assets related to discontinued operations, held for sale	106,331,948	68,222,699
Other assets	24,973,874	19,298,604
Total assets	\$ 1,641,416,125	\$ 1,476,564,342
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
<b>LIABILITIES</b>		
Deposits:		
Noninterest-bearing	\$ 143,071,342	\$ 160,533,242
Interest-bearing	837,328,338	723,472,017
Total deposits	980,399,680	884,005,259
Short-term borrowings	127,094,449	170,204,021
Federal Home Loan Bank advances	214,695,000	168,815,006

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Other borrowings	76,605,144	47,690,122
Junior subordinated debentures	36,085,000	36,085,000
Liabilities related to discontinued operations, held for sale	94,789,085	59,061,550
Other liabilities	20,335,440	22,916,909
<b>Total liabilities</b>	<b>1,550,003,798</b>	<b>1,388,777,867</b>
Minority interest in consolidated subsidiaries	1,974,134	1,720,683
<b>STOCKHOLDERS EQUITY</b>		
Preferred stock, \$1 par value; shares authorized 250,000; September 2008 - 568 shares issued and outstanding, December 2007 - 568 shares issued and outstanding,	568	568
Common stock, \$1 par value; shares authorized 10,000,000 September 2008 - 4,625,088 shares issued and outstanding, December 2007 - 4,597,744 shares issued and outstanding,	4,625,088	4,597,744
Additional paid-in capital	42,902,685	42,317,374
Retained earnings	41,579,821	36,338,566
Accumulated other comprehensive income	330,031	2,811,540
<b>Total stockholders equity</b>	<b>89,438,193</b>	<b>86,065,792</b>
<b>Total liabilities and stockholders equity</b>	<b>\$ 1,641,416,125</b>	<b>\$ 1,476,564,342</b>

See Notes to Consolidated Financial Statements

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**QCR HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)**  
**Three Months Ended September 30,**

	2008	2007
Interest and dividend income:		
Loans/leases, including fees	\$ 18,530,735	\$ 18,673,871
Securities:		
Taxable	2,742,291	2,385,165
Nontaxable	229,159	251,526
Interest-bearing deposits at financial institutions	10,391	70,931
Federal funds sold	28,492	40,758
 Total interest and dividend income	 21,541,068	 21,422,251
 Interest expense:		
Deposits	5,570,085	7,846,616
Short-term borrowings	656,039	1,471,588
Federal Home Loan Bank advances	2,248,559	1,859,131
Other borrowings	752,521	591,458
Junior subordinated debentures	572,822	660,690
 Total interest expense	 9,800,026	 12,429,483
 Net interest income	 11,741,042	 8,992,768
 Provision for loan/lease losses	 2,154,061	 956,967
 Net interest income after provision for loan/lease losses	 9,586,981	 8,035,801
 Non-interest income:		
Credit card issuing fees, net of processing costs	228,786	191,918
Trust department fees	781,182	924,464
Deposit service fees	816,019	672,288
Gains on sales of loans, net	200,499	277,265
Gains on sales of foreclosed assets	61,152	
Gains on sales of other assets		435,791
Earnings on bank-owned life insurance	241,190	242,534
Investment advisory and management fees, gross	480,587	369,239
Other	501,794	435,073
 Total non-interest income	 3,311,209	 3,548,572
 Non-interest expenses:		
Salaries and employee benefits	6,467,255	5,648,520

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Professional and data processing fees	1,143,404	805,640
Advertising and marketing	386,099	262,068
Occupancy and equipment expense	1,326,446	1,217,051
Stationery and supplies	116,589	129,811
Postage and telephone	222,931	235,247
Bank service charges	159,598	139,948
FDIC and other insurance	338,453	295,144
Other	415,508	358,501
Total non-interest expenses	10,576,283	9,091,930
Income from continuing operations before income taxes	2,321,907	2,492,443
Federal and state income tax expense from continuing operations	613,372	744,434
Income from continuing operations before minority interest in net income of consolidated subsidiaries	1,708,535	1,748,009
Minority interest in net income of consolidated subsidiaries	93,386	17,046
Income from continuing operations	\$ 1,615,149	\$ 1,730,963
Discontinued operations (Note 2):		
Gain on sale of merchant credit card acquiring business	4,645,213	
Operating income from merchant credit card acquiring business	119,483	112,937
Operating loss from First Wisconsin Bank & Trust	(582,307)	(348,244)
Income (loss) from discontinued operations before income taxes	4,182,389	(235,307)
Federal and state income tax expense (benefit) from discontinued operations	1,492,056	(98,153)
Income (loss) from discontinued operations	\$ 2,690,333	\$ (137,154)
Net income	\$ 4,305,482	\$ 1,593,809
Less preferred stock dividends	446,125	268,000
Net income available to common stockholders	\$ 3,859,357	\$ 1,325,809
Basic earnings per common share (Note 3):		
Income from continuing operations	0.25	0.32
Income (loss) from discontinued operations	0.58	(0.03)
Net income	\$ 0.83	\$ 0.29
Diluted earnings per common share (Note 3):		
Income from continuing operations	0.25	0.32
Income (loss) from discontinued operations	0.58	(0.03)
Net income	\$ 0.83	\$ 0.29



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Cash dividends declared per common share	\$ 0.00	\$ 0.00
Comprehensive income	\$ 3,150,057	\$ 3,324,477

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**QCR HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)**  
**Nine Months Ended September 30,**

	2008	2007
Interest and dividend income:		
Loans/leases, including fees	\$ 54,844,169	\$ 53,784,361
Securities:		
Taxable	8,017,862	6,445,213
Nontaxable	712,774	790,804
Interest-bearing deposits at financial institutions	157,590	294,561
Federal funds sold	70,440	214,329
 Total interest and dividend income	 63,802,835	 61,529,268
 Interest expense:		
Deposits	18,129,951	23,492,921
Short-term borrowings	2,723,254	3,865,000
Federal Home Loan Bank advances	6,188,099	5,370,203
Other borrowings	1,921,505	1,170,699
Junior subordinated debentures	1,770,728	1,965,959
 Total interest expense	 30,733,537	 35,864,782
 Net interest income	 33,069,298	 25,664,486
 Provision for loan/lease losses	 4,493,644	 2,083,959
 Net interest income after provision for loan/lease losses	 28,575,654	 23,580,527
 Non-interest income:		
Credit card issuing fees, net of processing costs	735,123	509,956
Trust department fees	2,549,856	2,783,795
Deposit service fees	2,319,958	1,918,389
Gains on sales of loans, net	863,146	965,680
Gains on sales of foreclosed assets	65,736	1,007
Gains on sales of other assets		435,791
Earnings on bank-owned life insurance	787,217	642,517
Investment advisory and management fees, gross	1,566,604	1,134,362
Other	1,491,681	1,361,348
 Total non-interest income	 10,379,321	 9,752,845
 Non-interest expenses:		
Salaries and employee benefits	19,301,094	16,114,688

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Professional and data processing fees	3,410,312	2,514,243
Advertising and marketing	980,942	769,424
Occupancy and equipment expense	3,791,235	3,522,896
Stationery and supplies	369,363	381,577
Postage and telephone	694,742	702,712
Bank service charges	430,614	419,526
FDIC and other insurance	971,037	697,301
Loss on sale of fixed assets		239,016
Other	1,183,168	985,239
<b>Total non-interest expenses</b>	<b>31,132,507</b>	<b>26,346,622</b>
Income from continuing operations before income taxes	7,822,468	6,986,750
Federal and state income tax expense from continuing operations	2,154,572	2,031,192
Income from continuing operations before minority interest in net income of consolidated subsidiaries	5,667,896	4,955,558
Minority interest in net income of consolidated subsidiaries	362,213	250,935
Income from continuing operations	\$ 5,305,683	\$ 4,704,623
Discontinued operations (Note 2):		
Gain on sale of merchant credit card acquiring business	4,645,213	
Operating income from merchant credit card acquiring business	361,160	305,939
Operating loss from First Wisconsin Bank & Trust	(2,790,363)	(1,182,758)
Income (loss) from discontinued operations before income taxes	2,216,010	(876,819)
Federal and state income tax expense (benefit) from discontinued operations	757,478	(339,296)
Income (loss) from discontinued operations	\$ 1,458,532	\$ (537,523)
Net income	\$ 6,764,215	\$ 4,167,100
Less preferred stock dividends	1,338,375	804,000
Net income available to common stockholders	\$ 5,425,840	\$ 3,363,100
Basic earnings per common share (Note 3):		
Income from continuing operations	0.86	0.85
Income (loss) from discontinued operations	0.32	(0.12)
Net income	\$ 1.18	\$ 0.73
Diluted earnings per common share (Note 3):		
Income from continuing operations	0.85	0.85
Income (loss) from discontinued operations	0.31	(0.12)

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Net income	\$	1.17	\$	0.73
Cash dividends declared per common share	\$	0.04	\$	0.04
Comprehensive income	\$	4,282,706	\$	5,262,567

See Notes to Consolidated Financial Statements

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**QCR HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS EQUITY (UNAUDITED)**  
**Nine Months Ended September 30, 2008**

	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
<b>Balance December 31, 2007</b>	<b>\$ 568</b>	<b>\$ 4,597,744</b>	<b>\$ 42,317,374</b>	<b>\$ 36,338,566</b>	<b>\$ 2,811,540</b>	<b>\$ 86,065,792</b>
Comprehensive income:						
Net income				686,444		686,444
Other comprehensive income, net of tax					1,808,101	1,808,101
<b>Comprehensive income</b>						<b>2,494,545</b>
Preferred cash dividends declared				(446,125)		(446,125)
Proceeds from issuance of 4,373 shares of common stock as a result of stock purchased under the Employee Stock Purchase Plan		4,373	45,686			50,059
Proceeds from issuance of 1,732 shares of common stock as a result of stock options exercised		1,732	15,839			17,571
Tax benefit of nonqualified stock options exercised			717			717
Stock compensation expense			99,922			99,922