

QCR HOLDINGS INC
Form 10-Q
May 09, 2007

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 AND EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2007

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

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, 2007, the Registrant had outstanding 4,573,584 shares of common stock, \$1.00 par value per share.

QCR HOLDINGS, INC. AND SUBSIDIARIES
INDEX

	Page Number	
Part I	FINANCIAL INFORMATION	
Item 1	Consolidated Financial Statements (Unaudited)	
	<u>Consolidated Balance Sheets,</u> <u>March 31, 2007 and December 31, 2006</u>	2
	<u>Consolidated Statements of Income,</u> <u>For the Three Months Ended March 31, 2007 and 2006</u>	3
	<u>Consolidated Statement of Changes in Stockholders' Equity,</u> <u>For the Three Months Ended March 31, 2007</u>	4
	<u>Consolidated Statements of Cash Flows,</u> <u>For the three Months Ended March 31, 2007 and 2006</u>	5
	<u>Notes to Consolidated Financial Statements</u>	6-14
Item 2	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	15-32
Item 3	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	33-34
Item 4	<u>Controls and Procedures</u>	35
Part II	<u>OTHER INFORMATION</u>	
Item 1	<u>Legal Proceedings</u>	36
Item 1.A.	<u>Risk Factors</u>	36
Item 2	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	36
Item 3	<u>Defaults Upon Senior Securities</u>	36
Item 4	<u>Submission of Matters to a Vote of Security Holders</u>	36
Item 5	<u>Other Information</u>	36
Item 6	<u>Exhibits</u>	36-37
	<u>Signatures</u>	38-39

Exhibit 31.2

Exhibit 32.1

Exhibit 32.2

Table of Contents

QCR HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (UNAUDITED)
March 31, 2007 and December 31, 2006

	March 31, 2007	December 31, 2006
ASSETS		
Cash and due from banks	\$ 34,317,262	\$ 42,502,770
Federal funds sold	7,315,000	2,320,000
Interest-bearing deposits at financial institutions	19,982,587	2,130,096
Securities held to maturity, at amortized cost	350,000	350,000
Securities available for sale, at fair value	179,657,017	194,423,893
	180,007,017	194,773,893
Loans receivable held for sale	7,850,085	6,186,632
Loans/leases receivable held for investment	983,015,235	954,560,692
	990,865,320	960,747,324
Less: Allowance for estimated losses on loans/leases	(11,074,612)	(10,612,082)
	979,790,708	950,135,242
Premises and equipment, net	32,091,285	32,524,840
Goodwill	3,222,688	3,222,688
Intangible asset	872,151	
Accrued interest receivable	7,120,132	7,160,298
Bank-owned life insurance	19,081,086	18,877,526
Other assets	20,022,903	18,027,603
Total assets	\$ 1,303,822,819	\$ 1,271,674,956
LIABILITIES AND STOCKHOLDERS EQUITY		
LIABILITIES		
Deposits:		
Noninterest-bearing	\$ 121,723,033	\$ 124,184,486
Interest-bearing	756,116,164	751,262,781
Total deposits	877,839,197	875,447,267
Short-term borrowings	119,232,113	111,683,951
Federal Home Loan Bank advances	165,298,927	151,858,749
Other borrowings	12,239,486	3,761,636

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Junior subordinated debentures	36,085,000	36,085,000
Other liabilities	19,309,112	20,592,953
Total liabilities	1,230,003,835	1,199,429,556
Minority interest in consolidated subsidiaries	1,451,926	1,362,820
STOCKHOLDERS EQUITY		
Preferred stock, \$1 par value; shares authorized 250,000; March 2007 - 268 shares issued and outstanding, December 2006 - 268 shares issued and outstanding,	268	268
Common stock, \$1 par value; shares authorized 10,000,000 March 2007 and December 2006 - 4,565,158 shares issued and outstanding,	4,565,158	4,560,629
Additional paid-in capital	34,430,226	34,293,511
Retained earnings	32,994,899	32,000,213
Accumulated other comprehensive income	376,507	27,959
Total stockholders equity	72,367,058	70,882,580
Total liabilities and stockholders equity	\$ 1,303,822,819	\$ 1,271,674,956

See Notes to Consolidated Financial Statements

Table of Contents

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

	2007	2006
Interest and dividend income:		
Loans/leases, including fees	\$ 17,488,896	\$ 12,813,995
Securities:		
Taxable	1,974,199	1,693,002
Nontaxable	276,832	169,397
Interest-bearing deposits at financial institutions	122,333	42,479
Federal funds sold	79,811	149,976
 Total interest and dividend income	 19,942,071	 14,868,849
 Interest expense:		
Deposits	7,960,901	5,286,505
Short-term borrowings	1,144,867	562,421
Federal Home Loan Bank advances	1,719,877	1,273,480
Other borrowings	131,950	109,370
Junior subordinated debentures	650,135	520,252
 Total interest expense	 11,607,730	 7,752,028
 Net interest income	 8,334,341	 7,116,821
 Provision for loan/lease losses	 406,457	 543,844
 Net interest income after provision for loan/lease losses	 7,927,883	 6,572,977
 Noninterest income:		
Credit card fees, net of processing costs	381,983	495,793
Trust department fees	919,111	781,293
Deposit service fees	578,684	465,416
Gains on sales of loans, net	274,731	205,235
Securities (losses) gains, net	0	(142,586)
Gains on sales of foreclosed assets	2,430	5,440
Earnings on bank-owned life insurance	203,559	249,708
Investment advisory and management fees, gross	376,535	300,543
Other	390,796	435,207
 Total noninterest income	 3,127,829	 2,796,049
 Noninterest expenses:		
Salaries and employee benefits	5,554,746	4,919,278

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Professional and data processing fees	928,648	790,838
Advertising and marketing	237,730	243,307
Occupancy and equipment expense	1,218,772	1,250,013
Stationery and supplies	154,722	169,369
Postage and telephone	253,856	225,130
Bank service charges	141,630	135,536
Insurance	166,277	133,076
Loss on disposals/sales of fixed assets	239,016	0
Other	306,121	326,966
Total noninterest expenses	9,201,518	8,193,513
Income before income taxes	1,854,194	1,175,513
Federal and state income taxes	500,566	288,958
Income before minority interest in net income of consolidated subsidiaries	1,353,628	886,555
Minority interest in income of consolidated subsidiaries	90,942	53,384
Net income	\$ 1,262,686	\$ 833,171
Net income	\$ 1,262,686	\$ 833,171
Less preferred stock dividends	268,000	0
Net income available to common stockholders	\$ 994,686	\$ 833,171
Earnings per common share:		
Basic	\$ 0.22	\$ 0.18
Diluted	\$ 0.22	\$ 0.18
Weighted average common shares outstanding	4,564,664	4,535,591
Weighted average common and common equivalent shares outstanding	4,589,866	4,585,871
Cash dividends declared per common share	\$ 0.00	\$ 0.00
Comprehensive income	\$ 1,611,234	\$ 827,596

See Notes to Consolidated Financial Statements

Table of Contents

QCR HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS EQUITY (UNAUDITED)
Three Months Ended March 31, 2007

	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance December 31, 2006	\$ 268	\$ 4,560,629	\$ 34,293,511	\$ 32,000,213	\$ 27,959	\$ 70,882,580
Comprehensive income:						
Net income				1,262,686		1,262,686
Other comprehensive income, net of tax					348,548	348,548
Comprehensive income						1,611,234
Preferred cash dividends declared				(268,000)		(268,000)
Additional costs from fourth quarter 2006 issuance of preferred stock			(10,671)			(10,671)
Proceeds from issuance of 3,879 shares of common stock as a result of stock purchased under the Employee Stock Purchase Plan		3,879	56,307			60,186
Proceeds from issuance of 650 shares of common stock as a result of stock options exercised		650	4,942			5,592
Tax benefit of nonqualified stock options exercised			1,032			1,032
Stock compensation expense			85,105			85,105
Balance March 31, 2007	\$ 268	\$ 4,565,158	\$ 34,430,226	\$ 32,994,899	\$ 376,507	\$ 72,367,058

Table of Contents

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

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 1,262,686	\$ 833,171
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation	589,850	574,295
Provision for loan/lease losses	406,457	543,844
Amortization of offering costs on subordinated debentures	3,579	3,579
Stock-based compensation expense	(118,386)	77,443
Minority interest in income of consolidated subsidiaries	90,942	53,384
Gain on sale of foreclosed assets	(2,430)	0
Amortization of premiums on securities, net	18,637	90,676
Investment securities losses, net	0	142,586
Loans originated for sale	(24,642,440)	(17,839,797)
Proceeds on sales of loans	23,255,521	16,072,806
Net gains on sales of loans	(274,731)	(205,235)
Net losses on disposals/sales of premises and equipment	239,016	0
Decrease (increase) in accrued interest receivable	40,166	(504,692)
Increase in other assets	(2,704,080)	(399,172)
Decrease in other liabilities	(769,074)	(3,067,156)
Net cash used in operating activities	\$ (2,604,287)	\$ (3,624,268)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net (increase) decrease in federal funds sold	(4,995,000)	2,760,000
Net increase in interest-bearing deposits at financial institutions	(17,852,491)	(1,312,441)
Proceeds from sale of foreclosed assets	15,430	0
Activity in securities portfolio:		
Purchases	(6,699,925)	(13,154,015)
Calls, maturities and redemptions	21,880,000	10,850,000
Paydowns	133,779	184,465
Activity in bank-owned life insurance:		
Purchases	0	(260,807)
Increase in cash value	(203,560)	(249,708)
Net loans/leases originated and held for investment	(28,398,469)	(27,570,227)
Purchase of premises and equipment	(156,295)	(730,090)
Purchase of intangible asset	(872,151)	0
Net cash used in investing activities	\$ (37,148,682)	\$ (29,482,823)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in deposit accounts	2,391,930	48,884,526
Net increase (decrease) in short-term borrowings	7,548,162	(31,502,577)
Activity in Federal Home Loan Bank advances:		

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Advances	31,000,000	3,000,000
Payments	(17,559,822)	(3,556,966)
Net increase (decrease) in other borrowings	8,477,850	(1,388,563)
Proceeds from issuance of junior subordinated debentures	0	10,310,000
Tax benefit of nonqualified stock options exercised	1,032	8,130
Payment of cash dividends	(346,798)	(181,249)
Costs from issuance of preferred stock, net	(10,671)	0
Proceeds from issuance of common stock, net	65,778	78,904
Net cash provided by financing activities	\$ 31,567,461	\$ 25,652,205
Net decrease in cash and due from banks	(8,185,508)	(7,454,886)
Cash and due from banks, beginning	42,502,770	38,956,627
Cash and due from banks, ending	\$ 34,317,262	\$ 31,501,741
Supplemental disclosure of cash flow information, cash payments for:		
Interest	\$ 12,011,025	\$ 7,006,831
Income/franchise taxes	\$ 241,467	\$ 969,958
Supplemental schedule of noncash investing activities:		
Change in accumulated other comprehensive income, unrealized gains (losses) on securities available for sale, net	\$ 348,548	\$ (5,575)
Transfers of loans to other real estate owned	\$ 0	\$ 0

See Notes to Consolidated Financial Statements

Table of Contents

Part I
Item 1

QCR HOLDINGS, INC.
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
MARCH 31, 2007

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation: The accompanying unaudited consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles and the rules and regulations of the Securities and Exchange Commission for interim financial information and with the instructions to Form 10-Q. They do not include all of the information or footnotes required by United States generally accepted accounting principles for complete annual financial statements. Accordingly, these financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2006. However, all adjustments that are, in the opinion of management, necessary for a fair presentation have been included. Any differences appearing between numbers presented in financial statements and management's discussion and analysis are due to rounding. Results for the period ended March 31, 2007 are not necessarily indicative of the results expected for the year ending December 31, 2007.

Certain amounts in the prior period financial statements have been reclassified, with no effect on net income or stockholders' equity, to conform with the current period presentation.

Principles of consolidation: The accompanying consolidated financial statements include the accounts of QCR Holdings, Inc. (the Company), a Delaware corporation, and its wholly owned subsidiaries, Quad City Bank and Trust Company (Quad City Bank & Trust), Cedar Rapids Bank and Trust Company (Cedar Rapids Bank & Trust), Rockford Bank and Trust Company (Rockford Bank & Trust), First Wisconsin Bank and Trust Company (First Wisconsin Bank & Trust), Quad City Bancard, Inc. (Bancard), and Quad City Liquidation Corporation (QCLC). Quad City Bank & Trust owns 80% of the equity interests of M2 Lease Funds, LLC (M2 Lease Funds). The Company also owns an equity investment of 57% in Velie Plantation Holding Company, LLC (Velie Plantation Holding Company). All significant intercompany accounts and transactions have been eliminated in consolidation. The Company also wholly owns QCR Holdings Statutory Trust II (Trust II), QCR Holdings Statutory Trust III (Trust III), QCR Holdings Statutory Trust IV (Trust IV), and QCR Holdings Statutory Trust V (Trust V). These four entities were established by the Company for the sole purpose of issuing trust preferred securities. As required by current accounting rules, the Company's equity investments in these entities are not consolidated, but are included in other assets on the consolidated balance sheet for \$1.1 million in aggregate at March 31, 2007. In addition to these ten wholly owned subsidiaries and two majority owned subsidiaries, the Company has an aggregate investment of \$87 thousand in two affiliated companies, Nobel Electronic Transfer, LLC (Nobel) and Nobel Real Estate Investors, LLC (Nobel Real Estate). The Company owns 20% equity positions in both Nobel and Nobel Real Estate. In June 2005, Cedar Rapids Bank & Trust entered into a joint venture as a 50% owner of Cedar Rapids Mortgage Company, LLC (Cedar Rapids Mortgage Company).

Table of Contents

Part I

Item 1

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)-continued

Stock-based compensation plans: Please refer to Note 13 of our consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2006, for information related to the Company's stock option and incentive plans, stock appreciation rights (SARs) and stock purchase plan.

The Company accounts for stock-based compensation in accordance with Statement of Financial Accounting Standards No. 123(R), Share-Based Payment (SFAS No. 123(R)). SFAS No. 123(R) requires measurement of compensation cost for all stock-based awards at fair value on the grant date and recognition of compensation expense over the requisite service period for awards expected to vest. Stock-based compensation expense totaled (\$118) thousand and \$3 thousand for the three months ended March 31,