

QCR HOLDINGS INC  
Form 10-Q  
May 07, 2014

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 March 31, 2014

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**

(State or other jurisdiction of incorporation or organization)

**42-1397595**

(I.R.S. Employer Identification No.)

**3551 7<sup>th</sup> Street, Moline, Illinois 61265**

(Address of principal executive offices, including zip code)

**(309) 743-7761**

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(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 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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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 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 May 1, 2014, the Registrant had outstanding 7,917,652 shares of common stock, \$1.00 par value per share.

## QCR HOLDINGS, INC. AND SUBSIDIARIES

INDEX

	Page Number(s)
<u>Part I</u> FINANCIAL INFORMATION	
Item 1 Consolidated Financial Statements (Unaudited)	
Consolidated Balance Sheets As of March 31, 2014 and December 31, 2013	2
Consolidated Statements of Income For the Three Months Ended March 31, 2014 and 2013	3
Consolidated Statements of Comprehensive Income For the Three Months Ended March 31, 2014 and 2013	4
Consolidated Statement of Changes in Stockholders' Equity For the Three Months Ended March 31, 2014 and 2013	5
Consolidated Statements of Cash Flows For the Three Months Ended March 31, 2014 and 2013	6-7
Notes to the Consolidated Financial Statements	8-26
Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations	27-54
Item 3 Quantitative and Qualitative Disclosures About Market Risk	55-56
Item 4 Controls and Procedures	57
<u>Part II</u> OTHER INFORMATION	
Item 1 Legal Proceedings	58
Item 1A Risk Factors	58
	3

Item 2 Unregistered Sales of Equity Securities and Use of Proceeds	58
Item 3 Defaults upon Senior Securities	58
Item 4 Mine Safety Disclosures	58
Item 5 Other Information	58
Item 6 Exhibits	59
Signatures	60

**QCR HOLDINGS, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS (UNAUDITED)****As of March 31, 2014 and December 31, 2013**

	March 31, 2014	December 31, 2013
<b>ASSETS</b>		
Cash and due from banks	\$55,444,302	\$41,950,790
Federal funds sold	11,570,000	39,435,000
Interest-bearing deposits at financial institutions	44,389,277	33,044,917
Securities held to maturity, at amortized cost	161,629,152	145,451,895
Securities available for sale, at fair value	545,477,537	551,758,458
Total securities	707,106,689	697,210,353
Loans receivable held for sale	291,600	1,358,290
Loans/leases receivable held for investment	1,492,287,942	1,458,921,268
Gross loans/leases receivable	1,492,579,542	1,460,279,558
Less allowance for estimated losses on loans/leases	(22,653,270 )	(21,448,048 )
Net loans/leases receivable	1,469,926,272	1,438,831,510
Premises and equipment, net	36,625,837	36,755,364
Goodwill	3,222,688	3,222,688
Core deposit intangible	1,820,555	1,870,433
Bank-owned life insurance	52,456,205	52,002,041
Restricted investment securities	17,252,725	17,027,625
Other real estate owned, net	9,674,635	9,729,053
Other assets	16,830,025	23,873,150
Total assets	\$2,426,319,210	\$2,394,952,924
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
Deposits:		
Noninterest-bearing	\$579,109,614	\$542,566,087
Interest-bearing	1,092,784,029	1,104,425,156
Total deposits	1,671,893,643	1,646,991,243
Short-term borrowings	165,569,112	149,292,967
Federal Home Loan Bank advances	235,700,000	231,350,000
Other borrowings	142,250,644	142,448,362
Junior subordinated debentures	40,322,765	40,289,830
Other liabilities	29,226,019	37,003,742
Total liabilities	2,284,962,183	2,247,376,144

**STOCKHOLDERS' EQUITY**

Preferred stock, \$1 par value; shares authorized 250,000	14,867	29,867
March 2014 - 14,867 shares issued and outstanding		
December 2013 - 29,867 shares issued and outstanding		
Common stock, \$1 par value; shares authorized 20,000,000	8,038,608	8,005,708
March 2014 - 8,038,608 shares issued and 7,917,362 outstanding		
December 2013 - 8,005,708 shares issued and 7,884,462 outstanding		
Additional paid-in capital	75,504,884	90,154,528
Retained earnings	67,818,380	64,637,173
Accumulated other comprehensive loss	(8,413,202 )	(13,643,986 )
Less treasury stock, March 2014 and December 2013 - 121,246 common shares, at cost	(1,606,510 )	(1,606,510 )
Total stockholders' equity	141,357,027	147,576,780
Total liabilities and stockholders' equity	\$2,426,319,210	\$2,394,952,924

See Notes to Consolidated Financial Statements (Unaudited)

**QCR HOLDINGS, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)****Three Months Ended March 31, 2014 and 2013**

	2014	2013
Interest and dividend income:		
Loans/leases, including fees	\$ 16,775,590	\$ 15,088,827
Securities:		
Taxable	2,582,794	2,460,449
Nontaxable	1,454,056	802,473
Interest-bearing deposits at financial institutions	90,527	59,754
Restricted investment securities	128,925	125,105
Federal funds sold	3,319	874
Total interest and dividend income	21,035,211	18,537,482
Interest expense:		
Deposits	1,101,593	1,116,791
Short-term borrowings	51,696	64,267
Federal Home Loan Bank advances	1,555,976	1,732,812
Other borrowings	1,171,531	1,190,755
Junior subordinated debentures	305,174	241,540
Total interest expense	4,185,970	4,346,165
Net interest income	16,849,241	14,191,317
Provision for loan/lease losses	1,094,162	1,057,782
Net interest income after provision for loan/lease losses	15,755,079	13,133,535
Noninterest income:		
Trust department fees	1,500,342	1,039,670
Investment advisory and management fees	648,992	609,341
Deposit service fees	1,045,885	907,823
Gains on sales of residential real estate loans	63,487	291,151
Gains on sales government guaranteed portions of loans	194,019	845,224
Securities gains	20,625	-
Earnings on bank-owned life insurance	454,164	438,687
Losses on other real estate owned, net	(18,048 )	(446,630 )
Other	837,375	1,518,763
Total noninterest income	4,746,841	5,204,029
Noninterest expense:		
Salaries and employee benefits	10,017,918	8,742,683
Occupancy and equipment expense	1,894,288	1,428,870
Professional and data processing fees	1,584,406	1,140,061
FDIC and other insurance	714,750	555,911

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Loan/lease expense	345,636	245,091
Advertising and marketing	337,587	264,568
Postage and telephone	290,675	218,691
Stationery and supplies	151,751	110,670
Bank service charges	298,032	275,495
Acquisition and data conversion costs	-	356,578
Other	505,377	619,882
Total noninterest expense	16,140,420	13,958,500
Net income before income taxes	4,361,500	4,379,064
Federal and state income tax expense	472,285	1,113,920
Net income	\$3,889,215	\$3,265,144
Less: Preferred stock dividends	708,008	810,837
Net income attributable to QCR Holdings, Inc. common stockholders	\$3,181,207	\$2,454,307
Earnings per common share attributable to QCR Holdings, Inc. common shareholders		
Basic	\$0.40	\$0.50
Diluted	\$0.40	\$0.49
Weighted average common shares outstanding	7,901,035	4,927,591
Weighted average common and common equivalent shares outstanding	8,030,043	5,034,342
Cash dividends declared per common share	\$-	\$-

See Notes to Consolidated Financial Statements (Unaudited)



**QCR HOLDINGS, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)****Three Months Ended March 31, 2014 and 2013**

	2014	2013
Net income	\$3,889,215	\$3,265,144
Other comprehensive income (loss):		
Unrealized gains (losses) on securities available for sale:		
Unrealized holding gains (losses) arising during the period before tax	8,490,174	(1,356,552)
Less reclassification adjustment for gains included in net income before tax	20,625	-
	8,469,549	(1,356,552)
Tax expense (benefit)	3,238,765	(520,194 )
Other comprehensive income (loss), net of tax	5,230,784	(836,358 )
Comprehensive income attributable to QCR Holdings, Inc.	\$9,119,999	\$2,428,786

See Notes to Consolidated Financial Statements (Unaudited)

## QCR HOLDINGS, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)

## Three Months Ended March 31, 2014 and 2013

	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
<b>Balance</b>							
<b>December 31, 2013</b>	<b>\$29,867</b>	<b>\$8,005,708</b>	<b>\$90,154,528</b>	<b>\$64,637,173</b>	<b>\$(13,643,986)</b>	<b>\$(1,606,510)</b>	<b>\$147,576,780</b>
Net income	-	-	-	3,889,215	-	-	3,889,215
Other comprehensive income, net of tax	-	-	-	-	5,230,784	-	5,230,784
Preferred cash dividends declared	-	-	-	(708,008)	-	-	(708,008)
Redemption of 15,000 shares of Series F Noncumulative Perpetual Preferred Stock	(15,000)	-	(14,985,000)	-	-	-	(15,000,000)
Proceeds from issuance of 6,189 shares of common stock as a result of stock purchased under the Employee Stock Purchase Plan	-	6,189	78,256	-	-	-	84,445
Proceeds from issuance of 9,814 shares of common stock as a result of stock options	-	9,814	85,582	-	-	-	95,396

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exercised Stock compensation expense	-	-	347,752				347,752
Tax benefit of nonqualified stock options exercised	-	-	18,647	-	-	-	18,647
Restricted stock awards	-	27,197	(27,197 )	-	-	-	-
Exchange of 10,300 shares of common stock in connection with restricted stock vested, net	-	(10,300 )	(167,684 )	-	-	-	(177,984 )
<b>Balance March 31, 2014</b>	<b>\$14,867</b>	<b>\$8,038,608</b>	<b>\$75,504,884</b>	<b>\$67,818,380</b>	<b>\$(8,413,202 )</b>	<b>\$(1,606,510)</b>	<b>\$141,357,027</b>

	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
<b>Balance December 31, 2012</b>	<b>\$54,867</b>	<b>\$5,039,448</b>	<b>\$78,912,791</b>	<b>\$53,326,542</b>	<b>\$4,706,683</b>	<b>\$(1,606,510)</b>	<b>\$140,433,821</b>
Net income	-	-	-	3,265,144	-	-	3,265,144
Other comprehensive loss, net of tax	-	-	-	-	(836,358 )	-	(836,358 )
Preferred cash dividends declared	-	-	-	(810,837 )	-	-	(810,837 )
Proceeds from issuance of 5,884 shares of common stock as a result of stock purchased under the Employee Stock Purchase Plan	-	5,884	63,487	-	-	-	69,371
Proceeds from issuance of 19,278 shares of common stock as a result of	-	-	-	-	-	-	-

stock options  
exercised