

QCR HOLDINGS INC
Form 10-Q
November 06, 2012

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, 2012

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 ID Number)

3551 7th Street, Moline, Illinois 61265
(Address of principal executive offices)

(309) 743-7761
(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

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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, 2012, the Registrant had outstanding 4,878,317 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)
As of September 30, 2012 and December 31, 2011

	September 30, 2012	December 31, 2011
ASSETS		
Cash and due from banks	\$40,564,561	\$53,136,710
Federal funds sold	5,725,000	20,785,000
Interest-bearing deposits at financial institutions	49,436,938	26,750,602
Securities held to maturity, at amortized cost	650,000	200,000
Securities available for sale, at fair value	590,701,449	565,029,291
Total securities	591,351,449	565,229,291
Loans receivable held for sale	6,285,131	3,832,760
Loans/leases receivable held for investment	1,238,007,078	1,196,912,737
Gross loans/leases receivable	1,244,292,209	1,200,745,497
Less allowance for estimated losses on loans/leases	(19,416,748)	(18,789,262)
Net loans/leases receivable	1,224,875,461	1,181,956,235
Premises and equipment, net	31,589,347	31,740,751
Goodwill	3,222,688	3,222,688
Bank-owned life insurance	43,208,268	42,011,281
Restricted investment securities	14,780,800	15,253,600
Other real estate owned, net	5,002,791	8,385,758
Other assets	14,188,769	18,138,138
Total assets	\$2,023,946,072	\$1,966,610,054
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits:		
Noninterest-bearing	\$417,284,214	\$357,183,481
Interest-bearing	925,951,220	848,274,307
Total deposits	1,343,235,434	1,205,457,788
Short-term borrowings	140,888,698	213,536,450
Federal Home Loan Bank advances	196,350,000	204,750,000
Other borrowings	138,237,737	136,231,663
Junior subordinated debentures	36,085,000	36,085,000
Other liabilities	30,027,917	26,116,451
Total liabilities	1,884,824,786	1,822,177,352
STOCKHOLDERS' EQUITY		
Preferred stock, \$1 par value; shares authorized 250,000 September 2012 - 54,867 shares issued and outstanding December 2011 - 65,090 shares issued and outstanding	54,867	65,090
	4,984,024	4,879,435

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Common stock, \$1 par value; shares authorized 20,000,000 September 2012 - 4,984,024 shares issued and 4,862,778 outstanding December 2011 - 4,879,435 shares issued and 4,758,189 outstanding		
Additional paid-in capital	78,342,963	89,702,533
Retained earnings	51,077,870	44,585,902
Accumulated other comprehensive income	6,122,102	4,754,714
Noncontrolling interests	145,970	2,051,538
Less treasury stock, September 2012 and December 2011 - 121,246 common shares, at cost	(1,606,510)	(1,606,510)
Total stockholders' equity	139,121,286	144,432,702
Total liabilities and stockholders' equity	\$2,023,946,072	\$1,966,610,054

See Notes to Consolidated Financial Statements

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

	2012	2011
Interest and dividend income:		
Loans/leases, including fees	\$ 15,804,330	\$ 16,215,725
Securities:		
Taxable	2,781,889	2,877,574
Nontaxable	690,466	244,209
Interest-bearing deposits at financial institutions	75,818	97,714
Restricted investment securities	131,967	126,333
Federal funds sold	3,055	7,875
Total interest and dividend income	19,487,525	19,569,430
Interest expense:		
Deposits	1,488,749	2,201,070
Short-term borrowings	60,500	65,502
Federal Home Loan Bank advances	1,809,888	1,931,259
Other borrowings	1,238,254	1,301,144
Junior subordinated debentures	260,616	241,751
Total interest expense	4,858,007	5,740,726
Net interest income	14,629,518	13,828,704
Provision for loan/lease losses	1,496,194	2,456,965
Net interest income after provision for loan/lease losses	13,133,324	11,371,739
Noninterest income:		
Trust department fees	914,586	762,133
Investment advisory and management fees	575,711	549,515
Deposit service fees	847,343	893,685
Gains on sales of loans, net	684,546	408,364
Securities gains	-	443,614
Gains (losses) on other real estate owned, net	(745,799)	42,262
Earnings on bank-owned life insurance	399,925	331,440
Credit card issuing fees, net of processing costs	140,542	178,636
Other	1,300,328	725,658
Total noninterest income	4,117,182	4,335,307
Noninterest expense:		
Salaries and employee benefits	8,201,323	7,651,695
Occupancy and equipment expense	1,459,901	1,359,758
Professional and data processing fees	1,065,780	1,077,435
FDIC and other insurance	599,422	578,776
Loan/lease expense	273,166	839,993
Advertising and marketing	437,130	277,376
Postage and telephone	190,868	242,103
Stationery and supplies	139,592	122,582

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Bank service charges	211,378	186,351
Other	452,957	437,080
Total noninterest expense	13,031,517	12,773,149
Net income before income taxes	4,218,989	2,933,897
Federal and state income tax expense	1,034,479	667,296
Net income	\$3,184,510	\$2,266,601
Less: Net income attributable to noncontrolling interests	127,177	103,446
Net income attributable to QCR Holdings, Inc.	\$3,057,333	\$2,163,155
Less: Preferred stock dividends	810,837	2,188,058
Net income attributable to QCR Holdings, Inc. common stockholders	\$2,246,496	\$(24,903)
Earnings per common share attributable to QCR Holdings, Inc. common shareholders		
Basic	\$0.45	\$(0.01)
Diluted	\$0.44	\$(0.01)
Weighted average common shares outstanding	4,978,699	4,866,692
Weighted average common and common equivalent shares outstanding	5,080,288	4,866,692
Cash dividends declared per common share	\$-	\$-

See Notes to Consolidated Financial Statements

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

	2012	2011
Interest and dividend income:		
Loans/leases, including fees	\$47,748,276	\$48,466,331
Securities:		
Taxable	8,353,482	8,035,495
Nontaxable	1,624,577	743,368
Interest-bearing deposits at financial institutions	288,400	311,807
Restricted investment securities	378,067	427,818
Federal funds sold	3,055	97,919
Total interest and dividend income	58,395,857	58,082,738
Interest expense:		
Deposits	4,834,006	6,948,265
Short-term borrowings	202,731	248,079
Federal Home Loan Bank advances	5,503,329	6,053,134
Other borrowings	3,719,730	3,870,062
Junior subordinated debentures	787,597	974,637
Total interest expense	15,047,393	18,094,177
Net interest income	43,348,464	39,988,561
Provision for loan/lease losses	3,325,109	5,196,850
Net interest income after provision for loan/lease losses	40,023,355	34,791,711
Noninterest income:		
Trust department fees	2,650,552	2,607,668
Investment advisory and management fees	1,776,499	1,630,976
Deposit service fees	2,626,822	2,623,018
Gains on sales of loans, net	1,965,957	1,923,185
Securities gains	104,600	1,472,528
Losses on other real estate owned, net	(1,324,468)	(90,492)
Earnings on bank-owned life insurance	1,196,987	1,032,493
Credit card issuing fees, net of processing costs	409,730	397,132
Other	2,734,890	1,969,304
Total noninterest income	12,141,569	13,565,812
Noninterest expense:		
Salaries and employee benefits	24,581,642	22,480,731
Occupancy and equipment expense	4,177,076	4,017,506
Professional and data processing fees	3,342,847	3,338,935
FDIC and other insurance	1,756,493	2,149,093
Loan/lease expense	755,066	1,772,290
Advertising and marketing	1,057,246	836,459
Postage and telephone	716,050	703,803
Stationery and supplies	417,769	380,754

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Bank service charges	609,599	525,007
Prepayment fees on Federal Home Loan Bank advances	-	832,099
Other-than-temporary impairment losses on securities	62,400	118,847
Other	1,402,492	1,185,443
Total noninterest expense	38,878,680	38,340,967
Net income before income taxes	13,286,244	10,016,556
Federal and state income tax expense	3,425,506	2,745,257
Net income	\$9,860,738	\$7,271,299
Less: Net income attributable to noncontrolling interests	494,431	308,215
Net income attributable to QCR Holdings, Inc.	\$9,366,307	\$6,963,084
Less: Preferred stock dividends	2,685,248	4,256,171
Net income attributable to QCR Holdings, Inc. common stockholders	6,681,059	\$2,706,913
Earnings per common share attributable to QCR Holdings, Inc. common shareholders		
Basic	\$1.37	\$0.56
Diluted	\$1.35	\$0.56
Weighted average common shares outstanding	4,871,626	4,795,382
Weighted average common and common equivalent shares outstanding	4,938,514	4,847,433
Cash dividends declared per common share	\$0.04	\$0.04

See Notes to Consolidated Financial Statements

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

	Three Months Ended September 30,	
	2012	2011
Net income	\$3,184,510	\$2,266,601
Other comprehensive income:		
Unrealized gains on securities available for sale:		
Unrealized holding gains arising during the period before tax	2,660,251	4,340,017
Less reclassification adjustment for gains included in net income before tax	-	443,614
	2,660,251	3,896,403
Tax expense	1,016,673	1,492,108
Other comprehensive income, net of tax	1,643,578	2,404,295
Comprehensive income attributable to QCR Holdings, Inc.	\$4,828,088	\$4,670,896
	Nine Months Ended September 30,	
	2012	2011
Net income	\$9,860,738	\$7,271,299
Other comprehensive income:		
Unrealized gains on securities available for sale:		
Unrealized holding gains arising during the period before tax	2,313,706	7,091,919
Less reclassification adjustment for gains included in net income before tax	104,600	1,472,528
	2,209,106	5,619,391
Tax expense	841,718	2,150,922
Other comprehensive income, net of tax	1,367,388	3,468,469
Comprehensive income attributable to QCR Holdings, Inc.	\$11,228,126	\$10,739,768

See Notes to Consolidated Financial Statements

QCR HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)
Nine Months Ended September 30, 2012 and 2011

	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Treasury Stock	Total
Balance December 31, 2011	\$65,090	\$4,879,435	\$89,702,533	\$44,585,902	\$4,754,714	\$2,051,538	\$(1,606,510)	\$144,432,7
Comprehensive income:								
Net income	-	-	-	3,236,818	-	166,031	-	3,402,849
Other comprehensive loss, net of tax	-	-	-	-	(1,517,235)	-	-	(1,517,235)
Comprehensive income								1,885,614
Preferred cash dividends declared	-	-	-	(938,625)	-	-	-	(938,625)
Proceeds from issuance of 7,767 shares of common stock as a result of stock purchased under the Employee Stock Purchase Plan	-	7,767	55,566	-	-	-	-	63,333
Proceeds from issuance of 276 shares of common stock as a result of stock options exercised	-	276	2,374	-	-	-	-	2,650
Exchange of 576 shares of common stock in connection with payroll taxes for restricted stock	-	(576)	(2,103)	-	-	-	-	(2,679)
Stock compensation expense	-	-	326,245	-	-	-	-	326,245
	-	57,770	(57,770)	-	-	-	-	-

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Restricted stock awards								
Other adjustments to noncontrolling interests	-	-	-	-	-	(2,066)	-	(2,066)
Balance March 31, 2012	\$65,090	\$4,944,672	\$90,026,845	\$46,884,095	\$3,237,479	\$2,215,503	\$(1,606,510)	\$145,767,1
Comprehensive income:								
Net income	-	-	-	3,072,156	-	201,223	-	3,273,379
Other comprehensive income, net of tax	-	-	-	-	1,241,045	-	-	1,241,045
Comprehensive income								4,514,424
Common cash dividends declared, \$0.04 per share	-	-	-	(189,091)	-	-	-	(189,091)
Preferred cash dividends declared	-	-	-	(935,786)	-	-	-	(935,786)
Redemption of 10,223 shares of Series F Noncumulative Perpetual Preferred Stock	(10,223)	-	(10,212,777)	-	-	-	-	(10,223,0
Proceeds from issuance of 10,856 shares of common stock as a result of stock purchased under the Employee Stock Purchase Plan	-	10,856	78,055	-	-	-	-	88,911
Proceeds from issuance of 9,090 shares of common stock as a result of stock options exercised	-	9,090	79,902	-	-	-	-	88,992
Exchange of 611 shares of common stock	-	(611)	(7,125)	-	-	-	-	(7,736)

in connection with stock options exercised								
Proceeds from exercise of warrants to purchase 4,300 shares of common stock issued in conjunction with the Series A Subordinated Notes	-	4,300	38,700	-	-	-	-	43,000
Stock compensation expense	-	-	177,269					177,269
Other adjustments to noncontrolling interests	-	-	-	-	-	(2,065)	-	(2,065)
Balance June 30, 2012	\$54,867	\$4,968,307	\$80,180,869	\$48,831,374	\$4,478,524	\$2,414,661	\$(1,606,510)	\$139,322,0
Comprehensive income:								
Net income	-	-	-	3,057,333	-	127,177	-	3,184,510
Other comprehensive income, net of tax	-	-	-	-	1,643,578	-	-	1,643,578
Comprehensive income								4,828,088
Preferred cash dividends declared	-	-	-	(810,837)	-	-	-	(810,837)
Purchase of noncontrolling interest	-	-	(2,133,417)	-	-	(2,393,802)	-	(4,527,21
Proceeds from issuance of 7,642 shares of common stock as a result of stock purchased under the Employee Stock Purchase Plan	-	7,642	58,326	-	-	-	-	65,968
Proceeds from issuance of	-	7,075	58,996	-	-	-	-	66,071

7,075 shares of common stock as a result of stock options exercised								
Proceeds from exercise of warrants to purchase 1,000 shares of common stock issued in conjunction with the Series A Subordinated Notes	-	1,000	9,000	-	-	-	-	10,000
Stock compensation expense	-	-	169,189					169,189
Other adjustments to noncontrolling interests	-	-	-	-	-	(2,066)	-	(2,066)
Balance September 30, 2012	\$54,867	\$4,984,024	\$78,342,963	\$51,077,870	\$6,122,102	\$145,970	\$(1,606,510)	\$139,121,2

(continued)

QCR HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED) (continued)
Nine Months Ended September 30, 2012 and 2011

	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Treasury Stock	Total
Balance December 31, 2010	\$63,237	\$4,732,428	\$86,478,269	\$40,550,900	\$704,165	\$1,648,219	\$(1,606,510)	\$132,570,
Comprehensive income:								
Net income	-	-	-	2,124,960	-	106,524	-	2,231,488
Other comprehensive loss, net of tax	-	-	-	-	(1,345,554)	-	-	(1,345,554)
Comprehensive income								885,930
Preferred cash dividends declared	-	-	-	(915,462)	-	-	-	(915,462)
Discount accretion on cumulative preferred stock	-	-	116,909	(116,909)	-	-	-	-
Proceeds from issuance of 9,081 shares of common stock as a result of stock purchased under the Employee Stock Purchase Plan	-	9,081	49,249	-	-	-	-	58,330
Proceeds from issuance of 24,300 shares of common stock as a result of stock options exercised	-	24,300	146,067	-	-	-	-	170,367
Exchange of 2,171 shares of common stock in connection with stock options exercised	-	(2,171)	(14,070)	-	-	-	-	(16,241)
Stock compensation	-	-	206,569	-	-	-	-	206,569

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expense								
Restricted stock awards	-	69,924	(69,924)	-	-	-	-	-
Other adjustments to noncontrolling interests	-	-	-	-	-	(2,065)	-	(2,065)
Balance March 31, 2011	\$63,237	\$4,833,562	\$86,913,069	\$41,643,489	\$(641,389)	\$1,752,678	\$(1,606,510)	\$132,958,
Comprehensive income:								
Net income	-	-	-	2,674,969	-	98,245	-	2,773,214
Other comprehensive income, net of tax	-	-	-	-	2,409,728	-	-	2,409,728
Comprehensive income								5,182,942
Common cash dividends declared, \$0.04 per share	-	-	-	(185,863)	-	-	-	(185,863)
Preferred cash dividends declared and accrued	-	-	-	(915,462)	-	-	-	(915,462)
Discount accretion on cumulative preferred stock	-	-	120,280	(120,280)	-	-	-	-
Proceeds from issuance of 11,355 shares of common stock as a result of stock purchased under the Employee Stock Purchase Plan	-	11,355	61,582	-	-	-	-	72,937
Proceeds from issuance of 10,967 shares of common stock as a result of stock options exercised	-	10,967	65,205	-	-	-	-	76,172
Exchange of 379 shares of common stock in connection with stock options exercised	-	(379)	(3,033)	-	-	-	-	(3,412)

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Stock compensation expense	-	-	141,370					141,370
Other adjustments to noncontrolling interests	-	-	-	-	-	(2,066)	-	(2,066)
Balance June 30, 2011	\$63,237	\$4,855,505	\$87,298,473	\$43,096,853	\$1,768,339	\$1,848,857	\$(1,606,510)	\$137,324,000
Comprehensive income:								
Net income	-	-	-	2,163,155	-	103,446	-	2,266,601
Other comprehensive income, net of tax	-	-	-	-	2,404,295	-	-	2,404,295
Comprehensive income								4,670,896
Preferred cash dividends declared	-	-	-	(835,802)	-	-	-	(835,802)
Discount accretion on cumulative preferred stock	-	-	1,352,256	(1,352,256)	-	-	-	-
Proceeds from the issuance of 40,090 shares of Series F Non-Cumulative Perpetual Preferred Stock	40,090	-	40,034,251	-	-	-	-	40,074,341
Redemption of 38,237 shares of Series D Cumulative Perpetual Preferred Stock	(38,237)	-	(38,198,763)	-	-	-	-	(38,237,000)
Proceeds from issuance of 7,975 shares of common stock as a result of stock purchased under the Employee Stock Purchase Plan	-	7,975	43,251	-	-	-	-	51,226
Stock compensation expense	-	-	149,160					149,160
	-	5,000	(5,000)					-

Restricted stock
awards

Other
adjustments to
noncontrolling
interests

Balance

September 30,
2011

-	-	-	-	-	-	(28,702)	-	(28,702)
\$65,090	\$4,868,480	\$90,673,628	\$43,071,950	\$4,172,634	\$1,923,601	\$(1,606,510)	\$143,168,	

See Notes to Consolidated Financial Statements

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

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$9,860,738	\$7,271,299
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,740,621	1,866,403
Provision for loan/lease losses	3,325,109	5,196,850
Amortization of offering costs on subordinated debentures	10,738	10,738
Stock-based compensation expense	672,703	547,087
Losses on other real estate owned, net	1,324,468	90,492
Amortization of premiums on securities, net	2,950,609	2,541,408
Securities gains	(104,600)	(1,472,528)
Other-than-temporary impairment losses on securities	62,400	118,847
Loans originated for sale	(90,563,711)	(65,240,469)
Proceeds on sales of loans	90,077,297	75,960,589
Gains on sales of loans, net	(1,965,957)	(1,923,185)
Prepayment fees on Federal Home Loan Bank advances	-	832,099
Increase in cash value of bank-owned life insurance	(1,196,987)	(1,032,493)
Decrease in other assets	3,090,716	707,321
Increase in other liabilities	1,467,552	955,174
Net cash provided by operating activities	\$20,751,696	\$26,429,632
CASH FLOWS FROM INVESTING ACTIVITIES		
Net decrease in federal funds sold	15,060,000	56,170,000
Net (increase) decrease in interest-bearing deposits at financial institutions	(22,686,336)	15,080,252
Proceeds from sales of other real estate owned	4,201,516	8,376,898
Activity in securities portfolio:		
Purchases	(363,501,993)	(458,081,700)
Calls, maturities and redemptions	292,291,109	302,145,002
Paydowns	25,174,348	4,977,152
Sales	19,215,075	54,326,191
Activity in restricted investment securities:		
Purchases	(3,466,800)	(245,000)
Redemptions	3,939,600	1,675,700
Purchases of bank-owned life insurance	-	(7,000,000)
Net increase in loans/leases originated and held for investment	(45,934,981)	(48,043,333)
Purchase of premises and equipment	(1,589,217)	(1,693,870)
Net cash used in investing activities	\$(77,297,679)	\$(72,312,708)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in deposit accounts	137,777,646	92,653,389
Net increase (decrease) in short-term borrowings	(72,647,752)	2,431,992
Activity in Federal Home Loan Bank advances:		
Advances	14,000,000	5,000,000
Calls and maturities	(22,400,000)	(24,000,000)
Prepayments	-	(15,832,099)

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Net increase (decrease) in other borrowings	2,006,074	(9,941,030)
Payment of cash dividends on common and preferred stock	(3,278,112)	(3,274,991)
Redemption of 10,223 shares of Series F Noncumulative Perpetual Preferred Stock	(10,223,000)	-
Proceeds from issuance of 40,090 shares of Series F Noncumulative Perpetual Preferred Stock	-	40,074,341
Redemption of Series D Cumulative Perpetual Preferred Stock	-	(38,237,000)
Proceeds from issuance of common stock, net	418,510	409,379
Purchase of noncontrolling interest	(1,679,532)	-
Net cash provided by financing activities	\$43,973,834	\$49,283,981
Net increase (decrease) in cash and due from banks	(12,572,149)	3,400,905
Cash and due from banks, beginning	53,136,710	42,030,806
Cash and due from banks, ending	\$40,564,561	\$45,431,711