

QCR HOLDINGS INC
Form 10-Q
November 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 September 30, 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 7th Street, Moline, Illinois 61265

(Address of principal executive offices, including zip code)

(309) 743-7724

(Registrant's telephone number, including area code)

Edgar Filing: QCR HOLDINGS INC - Form 10-Q

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 November 1, 2014, the Registrant had outstanding 7,942,188 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 September 30, 2014 and December 31, 2013	2
Consolidated Statements of Income For the Three Months Ended September 30, 2014 and 2013	3
Consolidated Statements of Income For the Nine Months Ended September 30, 2014 and 2013	4
Consolidated Statements of Comprehensive Income (Loss) For the Three and Nine Months Ended September 30, 2014 and 2013	5
Consolidated Statements of Changes in Stockholders' Equity For the Nine Months Ended September 30, 2014 and 2013	6-7
Consolidated Statements of Cash Flows For the Nine Months Ended September 30, 2014 and 2013	8-9
Notes to the Consolidated Financial Statements	10-34
Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations	35-64
Item 3 Quantitative and Qualitative Disclosures About Market Risk	65-67
Item 4 Controls and Procedures	68
<u>Part II</u> OTHER INFORMATION	
Item 1 Legal Proceedings	69
Item 1A Risk Factors	69

Edgar Filing: QCR HOLDINGS INC - Form 10-Q

Item 2 Unregistered Sales of Equity Securities and Use of Proceeds	69
Item 3 Defaults upon Senior Securities	69
Item 4 Mine Safety Disclosures	69
Item 5 Other Information	69
Item 6 Exhibits	70
Signatures	71

QCR HOLDINGS, INC. AND SUBSIDIARIES**CONSOLIDATED BALANCE SHEETS (UNAUDITED)****As of September 30, 2014 and December 31, 2013**

	September 30, 2014	December 31, 2013
ASSETS		
Cash and due from banks	\$42,326,177	\$41,950,790
Federal funds sold	29,760,000	39,435,000
Interest-bearing deposits at financial institutions	34,631,773	33,044,917
Securities held to maturity, at amortized cost	185,840,139	145,451,895
Securities available for sale, at fair value	466,944,567	551,758,458
Total securities	652,784,706	697,210,353
Loans receivable held for sale	1,642,300	1,358,290
Loans/leases receivable held for investment	1,571,226,845	1,458,921,268
Gross loans/leases receivable	1,572,869,145	1,460,279,558
Less allowance for estimated losses on loans/leases	(22,767,917)	(21,448,048)
Net loans/leases receivable	1,550,101,228	1,438,831,510
Premises and equipment, net	36,001,748	36,755,364
Goodwill	3,222,688	3,222,688
Core deposit intangible	1,720,799	1,870,433
Bank-owned life insurance	53,278,942	52,002,041
Restricted investment securities	15,303,175	17,027,625
Other real estate owned, net	10,679,847	9,729,053
Other assets	20,784,470	23,873,150
Total assets	\$2,450,595,553	\$2,394,952,924
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits:		
Noninterest-bearing	\$535,967,035	\$542,566,087
Interest-bearing	1,177,900,358	1,104,425,156
Total deposits	1,713,867,393	1,646,991,243
Short-term borrowings	162,186,698	149,292,967
Federal Home Loan Bank advances	196,500,000	231,350,000
Other borrowings	151,455,209	142,448,362
Junior subordinated debentures	40,389,809	40,289,830
Other liabilities	48,016,468	37,003,742
Total liabilities	2,312,415,577	2,247,376,144

STOCKHOLDERS' EQUITY

Preferred stock, \$1 par value; shares authorized 250,000	-	29,867
September 2014 - 0 shares issued and outstanding		
December 2013 - 29,867 shares issued and outstanding		
Common stock, \$1 par value; shares authorized 20,000,000	8,058,059	8,005,708
September 2014 - 8,058,059 shares issued and 7,936,813 outstanding		
December 2013 - 8,005,708 shares issued and 7,884,462 outstanding		
Additional paid-in capital	61,277,831	90,154,528
Retained earnings	75,199,959	64,637,173
Accumulated other comprehensive loss:		
Securities available for sale	(4,596,938)	(13,643,986)
Interest rate cap derivatives	(152,425)	-
Less treasury stock, September 2014 and December 2013 - 121,246 common shares, at cost	(1,606,510)	(1,606,510)
Total stockholders' equity	138,179,976	147,576,780
Total liabilities and stockholders' equity	\$2,450,595,553	\$2,394,952,924

See Notes to Consolidated Financial Statements (Unaudited)

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

	2014	2013
Interest and dividend income:		
Loans/leases, including fees	\$ 17,735,190	\$ 18,262,579
Securities:		
Taxable	2,327,836	2,417,515
Nontaxable	1,531,534	1,090,880
Interest-bearing deposits at financial institutions	66,397	72,808
Restricted investment securities	128,153	143,640
Federal funds sold	7,532	8,821
Total interest and dividend income	21,796,642	21,996,243
Interest expense:		
Deposits	1,168,385	1,393,745
Short-term borrowings	64,665	57,277
Federal Home Loan Bank advances	1,497,456	1,704,824
Other borrowings	1,279,626	1,201,498
Junior subordinated debentures	311,179	328,563
Total interest expense	4,321,311	4,685,907
Net interest income	17,475,331	17,310,336
Provision for loan/lease losses	1,063,323	1,366,984
Net interest income after provision for loan/lease losses	16,412,008	15,943,352
Noninterest income:		
Trust department fees	1,355,700	1,312,349
Investment advisory and management fees	726,908	634,446
Deposit service fees	1,168,961	1,228,685
Gains on sales of residential real estate loans	120,627	184,596
Gains on sales government guaranteed portions of loans	158,736	338,338
Securities gains	19,429	416,936
Earnings on bank-owned life insurance	434,065	466,028
Income (losses) on other real estate owned, net	30,596	(36,745)
Other	1,052,620	1,390,020
Total noninterest income	5,067,642	5,934,653
Noninterest expense:		
Salaries and employee benefits	10,358,783	9,802,712
Occupancy and equipment expense	1,805,949	1,914,996
Professional and data processing fees	1,530,139	1,902,799

Edgar Filing: QCR HOLDINGS INC - Form 10-Q

FDIC and other insurance	711,792	712,954
Loan/lease expense	184,908	396,477
Advertising and marketing	555,076	406,085
Postage and telephone	146,759	276,580
Stationery and supplies	138,377	143,226
Bank service charges	337,067	306,539
Acquisition and data conversion costs	-	388,663
Other	619,259	776,237
Total noninterest expense	16,388,109	17,027,268
Net income before income taxes	5,091,541	4,850,737
Federal and state income tax expense	1,028,876	1,038,793
Net income	\$4,062,665	\$3,811,944
Less: Preferred stock dividends	-	810,837
Net income attributable to QCR Holdings, Inc. common stockholders	\$4,062,665	\$3,001,107
Earnings per common share attributable to QCR Holdings, Inc. common shareholders		
Basic	\$0.51	\$0.52
Diluted	\$0.50	\$0.51
Weighted average common shares outstanding	7,931,944	5,806,019
Weighted average common and common equivalent shares outstanding	8,053,985	5,915,279
Cash dividends declared per common share	\$-	\$-

See Notes to Consolidated Financial Statements (Unaudited)

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

	2014	2013
Interest and dividend income:		
Loans/leases, including fees	\$51,379,586	\$49,721,011
Securities:		
Taxable	7,484,279	7,507,796
Nontaxable	4,434,005	2,837,453
Interest-bearing deposits at financial institutions	228,167	194,286
Restricted investment securities	396,648	399,896
Federal funds sold	14,544	12,684
Total interest and dividend income	63,937,229	60,673,126
Interest expense:		
Deposits	3,371,593	3,687,391
Short-term borrowings	177,172	224,979
Federal Home Loan Bank advances	4,549,412	5,164,258
Other borrowings	3,625,751	3,555,146
Junior subordinated debentures	923,386	831,647
Total interest expense	12,647,314	13,463,421
Net interest income	51,289,915	47,209,705
Provision for loan/lease losses	3,159,364	3,944,903
Net interest income after provision for loan/lease losses	48,130,551	43,264,802
Noninterest income:		
Trust department fees	4,300,456	3,549,200
Investment advisory and management fees	2,086,758	1,938,881
Deposit service fees	3,306,769	3,190,731
Gains on sales of residential real estate loans	317,085	722,368
Gains on sales government guaranteed portions of loans	860,923	1,949,300
Securities gains	40,625	433,396
Earnings on bank-owned life insurance	1,276,901	1,328,598
Bargain purchase gain on Community National Acquisition	-	1,841,385
Losses on other real estate owned, net	(114,109)	(566,714)
Other	3,083,288	3,700,293
Total noninterest income	15,158,696	18,087,438
Noninterest expense:		
Salaries and employee benefits	30,298,892	27,731,628
Occupancy and equipment expense	5,539,208	4,930,707

Edgar Filing: QCR HOLDINGS INC - Form 10-Q

Professional and data processing fees	4,518,460	4,481,613
FDIC and other insurance	2,121,907	1,896,255
Loan/lease expense	908,036	893,436
Advertising and marketing	1,394,211	1,082,694
Postage and telephone	695,555	752,882
Stationery and supplies	435,763	404,614
Bank service charges	959,496	866,379
Acquisition and data conversion costs	-	1,177,567
Other	1,763,530	2,002,342
Total noninterest expense	48,635,058	46,220,117
Net income before income taxes	14,654,189	15,132,123
Federal and state income tax expense	2,694,473	4,009,804
Net income	\$11,959,716	\$11,122,319
Less: Preferred stock dividends	1,081,877	2,432,512
Net income attributable to QCR Holdings, Inc. common stockholders	\$10,877,839	\$8,689,807
Earnings per common share attributable to QCR Holdings, Inc. common shareholders		
Basic	\$1.37	\$1.62
Diluted	\$1.35	\$1.59
Weighted average common shares outstanding	7,919,201	5,375,557
Weighted average common and common equivalent shares outstanding	8,040,418	5,482,298
Cash dividends declared per common share	\$0.04	\$0.04

See Notes to Consolidated Financial Statements (Unaudited)

QCR HOLDINGS, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)****Three and Nine Months Ended September 30, 2014 and 2013**

	Three Months Ended September 30,	
	2014	2013
Net income	\$4,062,665	\$3,811,944
Other comprehensive income loss:		
Unrealized losses on securities available for sale:		
Unrealized holding losses arising during the period before tax	(1,455,231)	(800,796)
Less reclassification adjustment for gains included in net income before tax	19,429	416,936
	(1,474,660)	(1,217,732)
Unrealized gain on derivative instruments	98,724	-
Other comprehensive loss, before tax	(1,375,936)	(1,217,732)
Tax benefit	(563,761)	(399,541)
Other comprehensive loss, net of tax	(812,175)	(818,191)
Comprehensive income attributable to QCR Holdings, Inc.	\$3,250,490	\$2,993,753
	Nine Months Ended September 30,	
	2014	2013
Net income	\$11,959,716	\$11,122,319
Other comprehensive income (loss):		
Unrealized gains (losses) on securities available for sale:		
Unrealized holding gains (losses) arising during the period before tax	14,691,007	(23,395,367)
Less reclassification adjustment for gains included in net income before tax	40,625	433,396
	14,650,382	(23,828,763)
Unrealized losses on derivative instruments	(152,425)	-
Other comprehensive income (loss), before tax	14,497,957	(23,828,763)
Tax expense (benefit)	5,603,334	(9,082,725)
Other comprehensive income (loss), net of tax	8,894,623	(14,746,038)
Comprehensive income (loss) attributable to QCR Holdings, Inc.	\$20,854,339	\$(3,623,719)

See Notes to Consolidated Financial Statements (Unaudited)

QCR HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)

Nine Months Ended September 30, 2014

	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance							
December 31, 2013	\$29,867	\$8,005,708	\$90,154,528	\$64,637,173	\$(13,643,986)	\$(1,606,510)	\$147,576,780
Net income	-	-	-	3,889,215	-	-	3,889,215
Other comprehensive income, net of tax - unrealized gains on securities available for sale	-	-	-	-	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	-	9,814	85,582	-	-	-	95,396

as a result of stock options 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)
Balance March 31, 2014	\$14,867	\$8,038,608	\$75,504,884	\$67,818,380	\$(8,413,202)	\$(1,606,510)	\$141,357,027
Net income	-	-	-	4,007,836	-	-	4,007,836
Other comprehensive income, net of tax - unrealized gains on securities available for sale of \$4,727,163, unrealized losses on interest rate cap derivatives of (\$251,149)	-	-	-	-	4,476,014	-	4,476,014
Common cash dividends declared, \$0.04 per share	-	-	-	(315,053)	-	-	(315,053)
Preferred cash dividends declared	-	-	-	(373,869)	-	-	(373,869)
Redemption of 14,867 shares of Series F Noncumulative Perpetual Preferred Stock	(14,867)	-	(14,809,055)	-	-	-	(14,823,922)
Proceeds from issuance of	-	8,361	119,797	-	-	-	128,158

8,361 shares of common stock as a result of stock purchased under the Employee Stock Purchase Plan							
Proceeds from issuance of 630 shares of common stock as a result of stock options exercised	-	630	5,159	-	-	-	5,789
Stock compensation expense	-	-	179,265				179,265
Tax benefit of nonqualified stock options exercised	-	-	1,284	-	-	-	1,284
Restricted stock awards	-	2,290	(2,290)	-	-	-	-
Balance June 30, 2014	\$-	\$8,049,889	\$60,999,044	\$71,137,294	\$(3,937,188)	\$(1,606,510)	\$134,642,529
Net income	-	-	-	4,062,665	-	-	4,062,665
Other comprehensive loss, net of tax - unrealized losses on securities available for sale of (\$910,899), unrealized gains on interest rate cap derivatives \$98,724	-	-	-	-	(812,175)	-	(812,175)
Proceeds from issuance of 5,481 shares of common stock as a result of stock purchased under the Employee Stock Purchase Plan	-	5,481	78,533	-	-	-	84,014
	-	2,400	19,097	-	-	-	21,497

Proceeds from issuance of 2,400 shares of common stock as a result of stock options exercised							
Tax benefit of nonqualified stock options exercised		5,189				5,189	
Stock compensation expense	-	-	176,257			176,257	
Restricted stock awards	-	289	(289))	-	-	-
Balance							
September 30, 2014	\$-	\$8,058,059	\$61,277,831	\$75,199,959	\$(4,749,363)	\$(1,606,510)	\$138,179,976

(Continued)

QCR HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED) -
continued

Nine Months Ended September 30, 2013

	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance							
December 31, 2012	\$54,867	\$5,039,448	\$78,912,791	\$53,326,542	\$4,706,683	\$(1,606,510)	\$140,433,821
Net income	-	-	-	3,265,144	-	-	3,265,144
Other comprehensive loss, net of tax - unrealized losses on securities available for sale	-	-	-	-	(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	-	19,278	153,550	-	-	-	172,828
Exchange of 7,048 shares of common stock in connection with stock options exercised	-	(7,048)	(111,628)	-	-	-	(118,676)
	-	-	293,798				293,798

Edgar Filing: QCR HOLDINGS INC - Form 10-Q

Stock compensation expense							
Tax benefit of nonqualified stock options exercised	-	-	35,251	-	-	-	35,251
Restricted stock awards	-	16,798	(16,798)	-	-	-	-
Exchange of 16,798 shares of common stock in connection with restricted stock vested, net	-	(16,798)	(289,113)	-	-	-	(305,911)
Balance March 31, 2013	\$54,867	\$5,057,562	\$79,041,338	\$55,780,849	\$3,870,325	\$(1,606,510)	\$142,198,431
Net income	-	-	-	4,045,231	-	-	4,045,231
Other comprehensive loss, net of tax - unrealized losses on securities available for sale	-	-	-	-	(13,091,489)	-	(13,091,489)
Common cash dividends declared, \$0.04 per share	-	-	-	(228,971)	-	-	(228,971)
Preferred cash dividends declared	-	-	-	(810,838)	-	-	(810,838)
Proceeds from issuance of 834,715 shares of common stock as a result of the acquisition of Community National Bancorporation, net	-	834,715	12,181,894	-	-	-	13,016,609
Proceeds from issuance of 9,560 shares of common stock as a result of stock purchased under the Employee Stock Purchase Plan	-	9,560	104,221	-	-	-	113,781
	-	3,769	33,070	-	-	-	36,839

Proceeds from issuance of 3,769 shares of common stock as a result of stock options exercised			162,123				162,123
Stock compensation expense	-	-					
Tax benefit of nonqualified stock options exercised	-	-	4,197	-	-	-	4,197
Restricted stock awards	-	12,707	(12,707)	-	-	-	-
Balance June 30, 2013	\$54,867	\$5,918,313	\$91,514,136	\$58,786,271	\$(9,221,164)	\$(1,606,510)	\$145,445,913
Net income	-	-	-	3,811,944	-	-	3,811,944
Other comprehensive loss, net of tax - unrealized losses on securities available for sale	-	-	-	-	(818,191)	-	(818,191)
Preferred cash dividends declared	-	-	-	(810,837)	-	-	(810,837)
Proceeds from issuance of 5,973 shares of common stock as a result of stock purchased under the Employee Stock Purchase Plan	-	5,973	65,116	-	-	-	71,089
Proceeds from issuance of 7,230 shares of common stock as a result of stock options exercised	-	7,230	76,718	-	-	-	83,948
Tax benefit of nonqualified stock options exercised			6,026				6,026
Stock compensation expense	-	-	163,585				163,585
Restricted stock awards	-	332	(332)	-	-	-	-

Balance

September 30, 2013 **\$54,867** **\$5,931,848** **\$91,825,249** **\$61,787,378** **\$(10,039,355)** **\$(1,606,510)** **\$147,953,477**

See Notes to Consolidated Financial Statements (Unaudited)

7

QCR HOLDINGS, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)****Nine Months Ended September 30, 2014 and 2013**

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 11,959,716	\$ 11,122,319
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,092,992	1,995,829
Provision for loan/lease losses	3,159,364	3,944,903
Stock-based compensation expense	703,274	619,506
Deferred compensation expense accrued	996,941	623,781
Losses on other real estate owned, net	114,109	566,714
Amortization of premiums on securities, net	1,470,641	2,862,396
Securities gains	(40,625)	(433,396)
Loans originated for sale	(32,643,486)	(70,569,738)
Proceeds on sales of loans	33,537,484	76,372,739
Gains on sales of residential real estate loans	(317,085)	(722,368)
Gains on sales of government guaranteed portions of loans	(860,923)	(1,949,300)
Amortization of core deposit intangible	149,634	129,003
Accretion of acquisition fair value adjustments, net	(549,604)	(592,620)
Gain on the sale of premises and equipment	(42,554)	-
Increase in cash value of bank-owned life insurance	(1,276,901)	(1,328,598)
Bargain purchase gain on Community National acquisition	-	(1,841,385)
Decrease (increase) in other assets	(595,429)	7,319,681
Increase in other liabilities	687,445	2,553,307
Net cash provided by operating activities	\$ 18,544,993	\$ 30,672,773
CASH FLOWS FROM INVESTING ACTIVITIES		
Net decrease (increase) in federal funds sold	9,675,000	(9,297,000)
Net decrease (increase) in interest-bearing deposits at financial institutions	(1,586,856)	8,521,233
Proceeds from sales of other real estate owned	1,172,365	662,586
Purchase of derivative instruments	(2,071,650)	-
Activity in securities portfolio:		
Purchases	(48,493,532)	(297,033,410)
Calls, maturities and redemptions	30,827,423	138,661,369
Paydowns	19,147,455	38,967,219
Sales	65,754,467	37,393,047
Activity in restricted investment securities:		
Purchases	(1,653,450)	(6,184,250)
Redemptions	3,377,900	7,243,400
Net increase in loans/leases originated and held for investment	(115,589,620)	(65,747,455)
Net cash received from the sale of premises and equipment	291,006	-
Purchase of premises and equipment	(1,587,828)	(1,597,434)

Edgar Filing: QCR HOLDINGS INC - Form 10-Q

Net cash received from Community National acquisition	-	3,025,073
Net cash used in investing activities	\$(40,737,320)	\$(145,385,622)

CASH FLOWS FROM FINANCING ACTIVITIES

Net increase in deposit accounts	66,893,213	112,711,191
Net increase (decrease) in short-term borrowings	12,893,731	(1,823,399)
Activity in Federal Home Loan Bank advances:		
Advances	17,000,000	163,000,000
Calls and maturities	(51,850,000)	(160,000,000)
Proceeds from term debt	10,000,000	10,000,000
Principal payments on term debt	(1,000,000)	-
Payment on 364-day revolving note	-	(5,600,000)
Repayment of Community National's other borrowings at acquisition	-	(3,950,000)
Payment of cash dividends on common and preferred stock	(1,964,607)	(2,853,434)
Redemption of 15,000 shares of Series F Noncumulative Perpetual Preferred Stock, net	(15,000,000)	-
Redemption of 14,867 shares of Series F Noncumulative Perpetual Preferred Stock, net	(14,823,922)	-
Proceeds from issuance of common stock, net	419,299	384,315
Net cash provided by financing activities	\$22,567,714	\$111,868,673
Net increase (decrease) in cash and due from banks	375,387	(2,844,176)
Cash and due from banks, beginning	41,950,790	61,568,446
Cash and due from banks, ending	\$42,326,177	\$58,724,270

(Continued)

QCR HOLDINGS, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) - continued****Nine Months Ended September 30, 2014 and 2013**

	2014	2013
Supplemental disclosure of cash flow information, cash payments for:		
Interest	\$ 12,445,044	\$ 13,546,215
Income/franchise taxes	\$ 3,457,500	\$ 1,371,120
Supplemental schedule of noncash investing activities:		
Change in accumulated other comprehensive income (loss), unrealized gains (losses) on securities available for sale and derivative instruments, net	\$ 8,894,623	\$ (14,746,038)
Exchange of shares of common stock in connection with payroll taxes for restricted stock and in connection with stock options exercised	\$ (177,984)	\$ (424,587)
Transfers of loans to other real estate owned	\$ 2,237,268	\$ 5,220,235
Change in due to broker	\$ 9,750,000	\$ -
Supplemental disclosure of cash flow information for Community National Acquisition:		
Fair value of assets acquired:		
Cash and due from banks *	\$ -	\$ 9,286,757
Federal funds sold	-	12,335,000
Interest-bearing deposits at financial institutions	-	2,024,539
Securities available for sale	-	45,853,826
Loans/leases receivable held for investment, net	-	195,658,486
Premises and equipment, net	-	8,132,021
Core deposit intangible	-	3,440,076
Bank-owned life insurance	-	4,595,529
Restricted investment securities	-	1,259,375
Other real estate owned	-	550,326
Other assets	-	5,178,583
Total assets acquired	\$ -	\$ 288,314,518
Fair value of liabilities assumed:		
Deposits	\$ -	\$ 255,045,071
Other borrowings	-	3,950,000
Junior subordinated debentures	-	4,125,175
Other liabilities	-	3,911,053
Total liabilities assumed	\$ -	\$ 267,031,299

Edgar Filing: QCR HOLDINGS INC - Form 10-Q

Net assets acquired	\$-	\$21,283,219
Consideration paid:		
Cash paid *	\$-	\$6,261,684
Issuance of 834,715 shares of common stock	-	13,180,150
Total consideration paid	\$-	\$19,441,834
Bargain purchase gain	\$-	\$1,841,385
* Net cash received at closing totaled \$3,025,073		

See Notes to Consolidated Financial Statements (Unaudited)

Part I

Item 1

QCR HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

September 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation: The interim unaudited consolidated financial statements contained herein should be read in conjunction with the audited consolidated financial statements and accompanying notes to the consolidated financial statements for the fiscal year ended December 31, 2013, included in QCR Holdings, Inc.'s (the "Company") Form 10-K filed with the Securities and Exchange Commission on March 10, 2014. Accordingly, footnote disclosures, which would substantially duplicate the disclosures contained in the audited consolidated financial statements, have been omitted.

The financial information of the Company included herein has been prepared in accordance with U.S. generally accepted accounting principles for interim financial reporting and has been prepared pursuant to the rules and regulations for reporting on Form 10-Q and Rule 10-01 of Regulation S-X. Such information reflects all adjustments (consisting of normal recurring adjustments) that are, in the opinion of management, necessary for a fair presentation of the financial position and results of operations for the periods presented. Any differences appearing between the numbers presented in financial statements and management's discussion and analysis are due to rounding. The results of the interim period ended September 30, 2014, are not necessarily indicative of the results expected for the year ending December 31, 2014.

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries which include three commercial banks: Quad City Bank & Trust Company ("QCBT"), Cedar Rapids Bank & Trust Company ("CRBT"), and Rockford Bank & Trust Company ("RB&T"). On May 13, 2013, the Company acquired Community National Bancorporation ("Community National") and its banking subsidiary Community National Bank ("CNB"). The Company operated CNB as a separate banking charter from the acquisition date until October 26, 2013, when CNB's charter was merged with and into CRBT. CNB's merged branch offices operate as a division of CRBT under the name of "Community Bank & Trust". QCBT, CRBT, and RB&T are all state-chartered commercial banks. The Company also engages in direct financing lease contracts through m2 Lease Funds, LLC ("m2 Lease Funds"), a wholly-owned subsidiary of QCBT. All material intercompany transactions and balances have been eliminated in consolidation.

Recent accounting developments: In January 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-04, *Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure*. The objective of ASU 2014-04 is to reduce diversity by clarifying when an in substance repossession or foreclosure occurs, that is, when a creditor should be considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan such that the loan receivable should be derecognized and the real estate property recognized. ASU 2014-04 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2014 and is not expected to have a significant impact on the Company’s consolidated financial statements.

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 implements a common revenue standard that clarifies the principles for recognizing revenue. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract and (v) recognize revenue when (or as) the entity satisfies a performance obligation. ASU 2014-09 is effective on January 1, 2017 and is not expected to have a significant impact on the Company’s financial statements.

Part I

Item 1

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)-continued

In June 2014, FASB issued ASU 2014-11, *Transfers and Servicing*. ASU 2014-11 requires that repurchase-to-maturity transactions be accounted for as secured borrowings, consistent with the accounting for other repurchase agreements. In addition, ASU 2014-11 requires separate accounting for repurchase financings, which entail the transfer of a financial asset executed contemporaneously with a repurchase agreement with the same counterparty. The standard requires entities to disclose certain information about transfers accounted for as sales in transactions that are economically similar to repurchase agreements. In addition, ASU 2014-11 requires disclosures related to collateral and remaining tenor and of the potential risks associated with repurchase agreements, securities lending transactions and repurchase-to-maturity transactions. ASU 2014-11 is effective on January 1, 2015 and is not expected to have a significant impact on the Company's consolidated financial statements.

In August 2014, FASB issued ASU 2014-14, *Classification of Certain Government-Guaranteed Mortgage Loans Upon Foreclosure*. ASU 2014-14 requires creditors to reclassify loans that are within the scope of the ASU to "other receivables" upon foreclosure, rather than reclassifying them as other real estate owned. The most common types of government guaranteed loans include those guaranteed by the Federal Housing Authority (FHA), U.S. Department of Housing and Urban Development (HUD), U.S. Department of Veterans Affairs (VA) and the U.S. Small Business Administration (SBA). The separate other receivable recorded upon foreclosure is to be measured based on the amount of the loan balance (principal and interest) the creditor expects to recover from the guarantor. ASU 2014-14 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2014 and is not expected to have a significant impact on the Company's consolidated financial statements.

Allowance for estimated losses on loans/leases: The Company has certain loans risk-rated 7 (substandard), which are not classified as impaired based on the facts of the credit. For these non-impaired and risk-rated 7 loans, the Company does not provide a general allowance as it does for all other non-impaired loans. Rather, the Company performs a more precise analysis including evaluation of the cash flow and collateral valuation for each individual credit. A specific allowance is established based upon this evaluation. These non-impaired risk-rated 7 loans exist primarily in the commercial and industrial and commercial real estate segments.

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

Part I

Item 1

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)-continued

NOTE 2 – INVESTMENT SECURITIES

The amortized cost and fair value of investment securities as of September 30, 2014 and December 31, 2013 are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
September 30, 2014				
Securities held to maturity:				
Municipal securities	\$184,790,139	\$1,861,338	\$(1,765,426)	\$184,886,051
Other securities	1,050,000	-	-	1,050,000
	\$185,840,139	\$1,861,338	\$(1,765,426)	\$185,936,051
Securities available for sale:				
U.S. govt. sponsored agency securities	\$315,019,934	\$30,913	\$(9,046,242)	\$306,004,605
Residential mortgage-backed and related securities	127,822,284	1,372,274	(1,414,809)	127,779,749
Municipal securities	30,209,955	1,149,656	(99,465)	31,260,146
Other securities	1,354,116	545,951	-	1,900,067
	\$474,406,289	\$3,098,794	\$(10,560,516)	\$466,944,567
December 31, 2013:				
Securities held to maturity:				
Municipal securities	\$144,401,895	\$299,789	\$(7,111,579)	\$137,590,105
Other securities	1,050,000	-	-	1,050,000
	\$145,451,895	\$299,789	\$(7,111,579)	\$138,640,105
Securities available for sale:				
U.S. govt. sponsored agency securities	\$376,574,132	\$41,696	\$(20,142,841)	\$356,472,987
Residential mortgage-backed and related securities	160,110,199	1,153,409	(3,834,157)	157,429,451
Municipal securities	35,813,866	923,315	(778,324)	35,958,857
Other securities	1,372,365	524,798	-	1,897,163
	\$573,870,562	\$2,643,218	\$(24,755,322)	\$551,758,458

The Company's held to maturity municipal securities consist largely of private issues of municipal debt. The municipalities are located within the Midwest with a portion in or adjacent to the communities of QCBT and CRBT. The municipal debt investments are underwritten using specific guidelines with ongoing monitoring.

The Company's residential mortgage-backed and related securities portfolio consists entirely of government sponsored or government guaranteed securities. The Company has not invested in commercial mortgage-backed securities or pooled trust preferred securities.

Part I

Item 1

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)-continued

Gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position as of September 30, 2014 and December 31, 2013, are summarized as follows:

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
September 30, 2014:						
Securities held to maturity:						
Municipal securities	\$29,794,026	\$(633,024)	\$43,172,941	\$(1,132,402)	\$72,966,967	\$(1,765,426)
Securities available for sale:						
U.S. govt. sponsored agency securities	\$32,208,945	\$(156,930)	\$262,773,625	\$(8,889,312)	\$294,982,570	\$(9,046,242)
Residential mortgage-backed and related securities	10,125,288	(74,264)	58,008,272	(1,340,545)	68,133,560	(1,414,809)
Municipal securities	1,446,532	(3,113)	5,616,381	(96,352)	7,062,913	(99,465)
	\$43,780,765	\$(234,307)	\$326,398,278	\$(10,326,209)	\$370,179,043	\$(10,560,516)
December 31, 2013:						
Securities held to maturity:						
Municipal securities	\$101,983,602	\$(6,711,240)	\$2,697,375	\$(400,339)	\$104,680,977	\$(7,111,579)
Securities available for sale:						
U.S. govt. sponsored agency securities	\$333,194,820	\$(19,141,077)	\$10,978,390	\$(1,001,764)	\$344,173,210	\$(20,142,841)
Residential mortgage-backed and related securities	94,723,092	(2,947,770)	14,117,719	(886,387)	108,840,811	(3,834,157)
Municipal securities	13,890,692	(724,939)	985,687	(53,385)	14,876,379	(778,324)

Edgar Filing: QCR HOLDINGS INC - Form 10-Q

\$441,808,604 \$(22,813,786) \$26,081,796 \$(1,941,536) \$467,890,400 \$(24,755,322)

At September 30, 2014, the investment portfolio included 505 securities. Of this number, 241 securities had current unrealized losses with aggregate depreciation of less than 3% from the total amortized cost basis. Of these, 190 securities had an unrealized loss for twelve months or more. All of the debt securities in unrealized loss positions are considered acceptable credit risks. Based upon an evaluation of the available evidence, including the recent changes in market rates, credit rating information and information obtained from regulatory filings, management believes the declines in fair value for these debt securities are temporary. In addition, the Company does not intend to sell these securities and it is not more-likely-than-not that the Company will be required to sell these debt securities before their anticipated recovery. At September 30, 2014 and December 31, 2013, equity securities represented less than 1% of the total portfolio.

The Company did not recognize other-than-temporary impairment on any debt or equity securities for the three and nine months ended September 30, 2014 and 2013.

Part I

Item 1

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)-continued

All sales of securities for the three and nine months ended September 30, 2014 and 2013, respectively, were from securities identified as available for sale. Information on proceeds received, as well as pre-tax gross gains and losses from sales on those securities are as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Proceeds from sales of securities	\$39,876,889	\$31,225,516	\$65,754,467	\$37,393,047
Pre-tax gross gains from sales of securities	357,934	506,611	379,130	523,071
Pre-tax gross losses from sales of securities	(338,505)	(89,675)	(338,505)	(89,675)

The amortized cost and fair value of securities as of September 30, 2014 by contractual maturity are shown below. Expected maturities of residential mortgage-backed and related securities may differ from contractual maturities because the residential mortgages underlying the residential mortgage-backed and related securities may be called or prepaid without any penalties. Therefore, these securities are not included in the maturity categories in the following table. "Other securities" available for sale are excluded from the maturity categories as there is no fixed maturity date for those securities.

	Amortized Cost	Fair Value
Securities held to maturity:		
Due in one year or less	\$12,682,406	\$12,683,453
Due after one year through five years	16,825,667	16,856,667
Due after five years	156,332,066	156,395,931
	\$185,840,139	\$185,936,051
Securities available for sale:		
Due in one year or less	\$3,649,998	\$3,664,418
Due after one year through five years	60,972,541	60,242,076
Due after five years	280,607,350	273,358,257
	\$345,229,889	\$337,264,751
Residential mortgage-backed and related securities	127,822,284	127,779,749

Edgar Filing: QCR HOLDINGS INC - Form 10-Q

Other securities	1,354,116	1,900,067
	\$474,406,289	\$466,944,567

Portions of the U.S. government sponsored agency securities and municipal securities contain call options, at the discretion of the issuer, to terminate the security at par and at predetermined dates prior to the stated maturity, summarized as follows:

	Amortized Cost	Fair Value
Securities held to maturity:		
Municipal securities	\$99,883,698	\$100,074,857
Securities available for sale:		
U.S. govt. sponsored agency securities	250,617,040	243,092,527
Municipal securities	18,473,306	18,985,950
	\$269,090,346	\$262,078,477

Part I

Item 1

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)-continued

The Company had available for sale municipal securities with a fair value of \$31.3 million and \$36.0 million as of September 30, 2014 and December 31, 2013, respectively. In addition, the Company had held to maturity municipal securities which were reported at amortized cost totaling \$184.8 million and \$144.4 million as of September 30, 2014 and December 31, 2013, respectively.

As of September 30, 2014, the Company's municipal securities portfolios were comprised of general obligation bonds with fair values totaling \$63.2 million and revenue bonds issued by 272 issuers, primarily consisting of states, counties, towns, villages and school districts with fair values totaling \$153.0 million. The Company held investments in general obligation bonds in 19 states, including three states in which the aggregate fair value exceeded \$5.0 million. The Company held investments in revenue bonds in eight states, including four states in which the aggregate fair value exceeded \$5.0 million.

As of December 31, 2013, the Company's municipal securities portfolios were comprised of general obligation bonds with fair values totaling \$54.2 million and revenue bonds issued by 269 issuers, primarily consisting of states, counties, towns, villages and school districts with fair values totaling \$119.3 million. The Company held investments in general obligation bonds in 20 states, including two states in which the aggregate fair value exceeded \$5.0 million. The Company held investments in revenue bonds in eight states, including four states in which the aggregate fair value exceeded \$5.0 million.

The amortized cost and fair values of the Company's portfolio of general obligation bonds are summarized in the following tables by the issuer's state:

September 30, 2014:

U.S. State:	Number of Issuers	Amortized Cost	Fair Value	Average Exposure Per Issuer (Fair Value)
Illinois	32	\$23,058,258	\$23,431,499	\$732,234

Edgar Filing: QCR HOLDINGS INC - Form 10-Q

Iowa	25	16,557,625	16,746,965	669,879
Missouri	12	6,136,797	6,097,169	508,097
Other	52	16,674,720	16,908,510	325,164
Total general obligation bonds	121	\$62,427,400	\$63,184,143	\$522,183

December 31, 2013:

U.S. State:	Number of Issuers	Amortized Cost	Fair Value	Average Exposure Per Issuer (Fair Value)
Iowa	30	\$17,946,059	\$17,444,045	\$581,468
Illinois	36	15,063,325	15,264,718	424,020
Other	67	22,166,026	21,512,582	321,083
Total general obligation bonds	133	\$55,175,410	\$54,221,345	\$407,679

The general obligations bonds are diversified across many issuers. As of September 30, 2014 and December 31, 2013, the Company did not hold general obligation bonds of any single issuer, the aggregate book or market value of which exceeded 10% of the Company's stockholders' equity. Of the general obligation bonds in the Company's portfolio, the majority are unrated bonds that represent small, private issuances. All unrated general obligation bonds were underwritten according to loan underwriting standards and have an average risk rating of 2, indicating very high quality. Additionally, many of these bonds are funding essential services (water, sewer, education, medical facilities).

Part I

Item 1

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)-continued

The amortized cost and fair values of the Company's portfolio of revenue bonds are summarized in the following tables by the issuer's state:

September 30, 2014:

U.S. State:	Number of Issuers	Amortized Cost	Fair Value	Average Exposure Per Issuer (Fair Value)
Iowa	37	\$59,955,899	\$60,603,053	\$1,637,920
Missouri	65	54,016,464	53,997,386	830,729
Indiana	12	17,991,200	17,835,277	1,486,273
Kansas	6	12,310,134	12,139,318	2,023,220
Other	31	8,298,997	8,387,020	270,549
Total revenue bonds	151	\$152,572,694	\$152,962,054	\$1,012,994

December 31, 2013:

U.S. State:	Number of Issuers	Amortized Cost	Fair Value	Average Exposure Per Issuer (Fair Value)
Iowa	31	\$47,903,572	\$46,257,997	\$1,492,193
Missouri	57	42,085,249	40,054,613	702,713
Indiana	8	15,020,000	14,324,717	1,790,590
Kansas	5	11,022,382	9,997,068	1,999,414
Other	35	9,009,148	8,693,222	248,378
Total revenue bonds	136	\$125,040,351	\$119,327,617	\$877,409

The revenue bonds are diversified across many issuers. As of September 30, 2014 and December 31, 2013, the Company did not hold revenue bonds of any single issuer, the aggregate book or market value of which exceeded 10% of the Company's stockholders' equity. Of the revenue bonds in the Company's portfolio, the majority are unrated bonds that represent small, private issuances. All unrated revenue bonds were underwritten according to loan underwriting standards and have an average risk rating of 2, indicating very high quality. Additionally, many of these bonds are funding essential services (water, sewer, education, medical facilities).

The Company's municipal securities are owned by each of the three charters, whose investment policies set forth limits for various subcategories within the municipal securities portfolio. Each charter is monitored individually and as of September 30, 2014, all were well-within policy limitations approved by the board of directors. Policy limits are calculated as a percentage of total risk-based capital.

As of September 30, 2014, the Company's regular monitoring of its municipal securities portfolio had not uncovered any facts or circumstances resulting in significantly different credits ratings than those assigned by a nationally recognized statistical rating organization, or in the case of unrated bonds, the rating assigned using the credit underwriting standards.

Part I

Item 1

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)-continued

NOTE 3 – LOANS/LEASES RECEIVABLE

The composition of the loan/lease portfolio as of September 30, 2014 and December 31, 2013 is presented as follows:

	As of September 30, 2014	As of December 31, 2013
Commercial and industrial loans	\$479,747,059	\$431,688,129
Commercial real estate loans		
Owner-occupied commercial real estate	251,076,360	261,215,912
Commercial construction, land development, and other land	69,856,024	57,844,902
Other non owner-occupied commercial real estate	376,795,649	352,692,115
	697,728,033	671,752,929
Direct financing leases *	162,476,079	128,901,442
Residential real estate loans **	154,954,020	147,356,323
Installment and other consumer loans	71,760,173	76,033,810
	1,566,665,364	1,455,732,633
Plus deferred loan/lease origination costs, net of fees	6,203,781	4,546,925
	1,572,869,145	1,460,279,558
Less allowance for estimated losses on loans/leases	(22,767,917)	(21,448,048)
	\$1,550,101,228	\$1,438,831,510
* Direct financing leases:		
Net minimum lease payments to be received	\$184,475,603	\$145,662,254
Estimated unguaranteed residual values of leased assets	1,538,482	1,694,499
Unearned lease/residual income	(23,538,006)	(18,455,311)
	162,476,079	128,901,442
Plus deferred lease origination costs, net of fees	6,339,575	4,814,183
	168,815,654	133,715,625
Less allowance for estimated losses on leases	(3,106,887)	(2,517,217)
	\$165,708,767	\$131,198,408

*Management performs an evaluation of the estimated unguaranteed residual values of leased assets on an annual basis, at a minimum. The evaluation consists of discussions with reputable and current vendors and management's expertise and understanding of the current states of particular industries to determine informal valuations of the equipment. As necessary and where available, management will utilize valuations by independent appraisers. The large majority of leases with residual values contain a lease options rider which requires the lessee to pay the residual value directly, finance the payment of the residual value, or extend the lease term to pay the residual value. In these cases, the residual value is protected and the risk of loss is minimal. There were no losses related to residual values for the three and nine months ended September 30, 2014 and 2013.

**Includes residential real estate loans held for sale totaling \$1,642,300 and \$1,358,290 as of September 30, 2014, and December 31, 2013, respectively.

Part I

Item 1

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)-continued

The aging of the loan/lease portfolio by classes of loans/leases as of September 30, 2014 and December 31, 2013 is presented as follows:

Classes of Loans/Leases	As of September 30, 2014					Total	
	Current	30-59 Days Past Due	60-89 Days Past Due	Accruing Past Due 90 Days or More	Nonaccrual Loans/Leases		
Commercial and Industrial	\$470,898,126	\$638,002	\$284,380	\$-	\$7,926,551	\$479,747,059	
Commercial Real Estate Owner-Occupied	249,903,102	-	-	-	1,173,258	251,076,360	
Commercial Construction, Land Development, and Other Land	68,732,309	510,364	-	-	613,351	69,856,024	
Other Non Owner-Occupied Commercial Real Estate	363,737,989	266,956	25,543	-	12,765,161	376,795,649	
Direct Financing Leases	159,714,653	699,590	392,119	-	1,669,717	162,476,079	
Residential Real Estate	153,145,275	49,543	382,281	51,094	1,325,827	154,954,020	
Installment and Other Consumer	70,404,267	284,429	203,591	4,312	863,574	71,760,173	
	\$1,536,535,721	\$2,448,884	\$1,287,914	\$55,406	\$26,337,439	\$1,566,665,364	
As a percentage of total loan/lease portfolio	98.08	% 0.16	% 0.08	% 0.00	% 1.68	% 100.00	%

Edgar Filing: QCR HOLDINGS INC - Form 10-Q

Classes of Loans/Leases	As of December 31, 2013						
	Current	30-59 Days Past Due	60-89 Days Past Due	Accruing Past Due 90 Days or More	Nonaccrual Loans/Leases	Total	
Commercial and Industrial	\$429,557,699	\$199,949	\$185,500	\$-	\$1,744,981	\$431,688,129	
Commercial Real Estate							
Owner-Occupied Commercial Real Estate	258,557,660	465,418	993,163	60,286	1,139,385	261,215,912	
Commercial Construction, Land Development, and Other Land	56,301,186	358,626	-	-	1,185,090	57,844,902	
Other Non Owner-Occupied Commercial Real Estate	341,743,730	476,877	151,017	-	10,320,491	352,692,115	
Direct Financing Leases	126,878,515	714,464	414,005	-	894,458	128,901,442	
Residential Real Estate	142,353,936	3,088,516	275,262	20,126	1,618,483	147,356,323	
Installment and Other Consumer	74,811,489	127,082	116,468	3,762	975,009	76,033,810	
	\$1,430,204,215	\$5,430,932	\$2,135,415	\$84,174	\$17,877,897	\$1,455,732,633	
As a percentage of total loan/lease portfolio	98.25	% 0.37	% 0.15	% 0.01	% 1.23	% 100.00	%

Part I

Item 1

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)-continued

Nonperforming loans/leases by classes of loans/leases as of September 30, 2014 and December 31, 2013 are presented as follows:

Classes of Loans/Leases	As of September 30, 2014					Percentage of Total Nonperforming Loans/Leases
	Accruing Past Due 90 Days or More	Nonaccrual Loans/Leases *	Troubled Debt Restructurings - Accruing	Total Nonperforming Loans/Leases		
Commercial and Industrial Commercial Real Estate	\$-	\$ 7,926,551	\$ 1,437,974	\$ 9,364,525	32.83	%
Owner-Occupied Commercial Real Estate	-	1,173,258	-	1,173,258	4.11	%
Commercial Construction, Land Development, and Other Land	-	613,351	-	613,351	2.15	%
Other Non Owner-Occupied Commercial Real Estate	-	12,765,161	-	12,765,161	44.76	%
Direct Financing Leases	-	1,669,717	-	1,669,717	5.85	%
Residential Real Estate	51,094	1,325,827	333,895	1,710,816	6.00	%
Installment and Other Consumer	4,312	863,574	357,000	1,224,886	4.29	%
	\$55,406	\$ 26,337,439	\$ 2,128,869	\$ 28,521,714	100.00	%

*Nonaccrual loans/leases includes \$9,620,674 of troubled debt restructurings, including \$81,043 in commercial and industrial loans, \$8,768,590 in commercial real estate loans, \$64,144 in direct financing leases, \$515,827 in residential real estate loans, and \$191,070 in installment loans.

Classes of Loans/Leases	As of December 31, 2013					Percentage of Total Nonperforming Loans/Leases
	Accruing Past Due 90 Days or More	Nonaccrual Loans/Leases **	Troubled Debt Restructurings - Accruing	Total Nonperforming Loans/Leases		

Edgar Filing: QCR HOLDINGS INC - Form 10-Q

Commercial and Industrial Commercial Real Estate	\$-	\$ 1,744,981	\$ 878,381	\$ 2,623,362	12.81	%
Owner-Occupied Commercial Real Estate	60,286	1,139,385	-	1,199,671	5.86	%
Commercial Construction, Land Development, and Other Land	-	1,185,090	-	1,185,090	5.79	%
Other Non Owner-Occupied Commercial Real Estate	-	10,320,491	905,205	11,225,696	54.80	%
Direct Financing Leases	-	894,458	-	894,458	4.37	%
Residential Real Estate	20,126	1,618,483	371,995	2,010,604	9.82	%
Installment and Other Consumer	3,762	975,009	367,000	1,345,771	6.57	%
	\$84,174	\$ 17,877,897	\$ 2,522,581	\$ 20,484,652	100.00	%

**Nonaccrual loans/leases includes \$10,890,785 of troubled debt restructurings, including \$77,072 in commercial and industrial loans, \$10,077,501 in commercial real estate loans, \$446,996 in residential real estate loans, and \$289,216 in installment loans.

Part I

Item 1

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)-continued

Changes in the allowance for estimated losses on loans/leases by portfolio segment for the three and nine months ended September 30, 2014 and 2013, respectively, are presented as follows:

Three Months Ended September 30, 2014

	Commercial and Industrial	Commercial Real Estate	Direct Financing Leases	Residential Real Estate	Installment and Other Consumer	Total
Balance, beginning	\$6,549,378	\$10,277,692	\$3,319,131	\$1,439,185	\$1,481,638	\$23,067,024
Provisions (credits) charged to expense	851,542	(196,865)	509,657	(53,963)	(47,048)	1,063,323
Loans/leases charged off	(741,127)	(120,505)	(741,478)	(42,022)	(86,370)	(1,731,502)
Recoveries on loans/leases previously charged off	254,265	68,346	19,577	9,870	17,014	369,072
Balance, ending	\$6,914,058	\$10,028,668	\$3,106,887	\$1,353,070	\$1,365,234	\$22,767,917

Three Months Ended September 30, 2013

	Commercial and Industrial	Commercial Real Estate	Direct Financing Leases	Residential Real Estate	Installment and Other Consumer	Total
Balance, beginning	\$4,790,828	\$12,190,497	\$2,187,605	\$1,165,341	\$822,108	\$21,156,379
Provisions (credits) charged to expense	765,582	88,761	338,984	102,523	71,134	1,366,984
Loans/leases charged off	(214,920)	(443,721)	(203,724)	(13,599)	(51,673)	(927,637)
Recoveries on loans/leases previously charged off	26,034	375,325	644	13,240	51,420	466,663
Balance, ending	\$5,367,524	\$12,210,862	\$2,323,509	\$1,267,505	\$892,989	\$22,062,389

Nine Months Ended September 30, 2014

Edgar Filing: QCR HOLDINGS INC - Form 10-Q

	Commercial and Industrial	Commercial Real Estate	Direct Financing Leases	Residential Real Estate	Installment and Other Consumer	Total
Balance, beginning	\$5,648,774	\$10,705,434	\$2,517,217	\$1,395,849	\$1,180,774	\$21,448,048
Provisions (credits) charged to expense	1,930,050	(460,356)	1,428,678	42,712	218,280	3,159,364
Loans/leases charged off	(967,207)	(436,056)	(885,966)	(95,464)	(102,107)	(2,486,800)
Recoveries on loans/leases previously charged off	302,441	219,646	46,958	9,973	68,287	647,305
Balance, ending	\$6,914,058	\$10,028,668	\$3,106,887	\$1,353,070	\$1,365,234	\$22,767,917

Nine Months Ended September 30, 2013

	Commercial and Industrial	Commercial Real Estate	Direct Financing Leases	Residential Real Estate	Installment and Other Consumer	Total
Balance, beginning	\$4,531,545	\$11,069,502	\$1,990,395	\$1,070,328	\$1,263,434	\$19,925,204
Provisions (credits) charged to expense	1,026,073	1,875,132	1,057,744	307,196	(321,242)	3,944,903
Loans/leases charged off	(253,820)	(1,264,446)	(726,395)	(126,490)	(192,160)	(2,563,311)
Recoveries on loans/leases previously charged off	63,726	530,674	1,765	16,471	142,957	755,593
Balance, ending	\$5,367,524	\$12,210,862	\$2,323,509	\$1,267,505	\$892,989	\$22,062,389

Part I

Item 1

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)-continued

The allowance for estimated losses on loans/leases by impairment evaluation and by portfolio segment as of September 30, 2014 and December 31, 2013 is presented as follows:

	As of September 30, 2014						
	Commercial and Industrial	Commercial Real Estate	Direct Financing Leases	Residential Real Estate	Installment and Other Consumer	Total	
Allowance for impaired loans/leases	\$2,204,926	\$2,473,500	\$165,617	\$129,859	\$506,860	\$5,480,762	
Allowance for nonimpaired loans/leases	4,709,132	7,555,168	2,941,270	1,223,211	858,374	17,287,155	
	\$6,914,058	\$10,028,668	\$3,106,887	\$1,353,070	\$1,365,234	\$22,767,917	
Impaired loans/leases	\$8,258,681	\$14,431,006	\$1,669,717	\$1,659,722	\$1,278,089	\$27,297,215	
Nonimpaired loans/leases	471,488,378	683,297,027	160,806,362	153,294,298	70,482,084	1,539,368,149	
	\$479,747,059	\$697,728,033	\$162,476,079	\$154,954,020	\$71,760,173	\$1,566,665,364	
Allowance as a percentage of impaired loans/leases	26.70	% 17.14	% 9.92	% 7.82	% 39.66	% 20.08	%
Allowance as a percentage nonimpaired loans/leases	1.00	% 1.11	% 1.83	% 0.80	% 1.22	% 1.12	%
	1.44	% 1.44	% 1.91	% 0.87	% 1.90	% 1.45	%

Edgar Filing: QCR HOLDINGS INC - Form 10-Q

As of December 31, 2013										
	Commercial and Industrial	Commercial Real Estate	Direct Financing Leases	Residential Real Estate	Installment and Other Consumer	Total				
Allowance for impaired loans/leases	\$927,453	\$3,174,704	\$192,847	\$246,266	\$467,552	\$5,008,822				
Allowance for nonimpaired loans/leases	4,721,321	7,530,730	2,324,370	1,149,583	713,222	16,439,226				
	\$5,648,774	\$10,705,434	\$2,517,217	\$1,395,849	\$1,180,774	\$21,448,048				
Impaired loans/leases	\$1,761,850	\$12,956,915	\$894,458	\$2,116,747	\$1,350,450	\$19,080,420				
Nonimpaired loans/leases	429,926,279	658,796,014	128,006,984	145,239,576	74,683,360	1,436,652,213				
	\$431,688,129	\$671,752,929	\$128,901,442	\$147,356,323	\$76,033,810	\$1,455,732,633				
Allowance as a percentage of impaired loans/leases	52.64	% 24.50	% 21.56	% 11.63	% 34.62	% 26.25				%
Allowance as a percentage nonimpaired loans/leases	1.10	% 1.14	% 1.82	% 0.79	% 0.95	% 1.14				%
	1.31	% 1.59	% 1.95	% 0.95	% 1.55	% 1.47				%

Part I

Item 1

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)-continued

Information for impaired loans/leases is presented in the tables below. The recorded investment represents customer balances net of any partial charge-offs recognized on the loan/lease. The unpaid principal balance represents the recorded balance outstanding on the loan/lease prior to any partial charge-offs.

Loans/leases, by classes of financing receivable, considered to be impaired as of and for the nine months ended September 30, 2014 are presented as follows:

Classes of Loans/Leases	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized	Interest Income Recognized for Cash Payments Received
Impaired Loans/Leases with No Specific Allowance Recorded:						
Commercial and Industrial	\$ 560,005	\$ 667,983	\$ -	\$ 647,016	\$ 19,754	\$ 19,754
Commercial Real Estate						