

QCR HOLDINGS INC
Form 10-Q
May 09, 2018

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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, 2018

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) 736-3580

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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," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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, 2018, the Registrant had outstanding 13,952,800 shares of common stock, \$1.00 par value per share.

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QCR HOLDINGS, INC. AND SUBSIDIARIES

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Throughout this Quarterly Report on Form 10-Q, we use certain acronyms and abbreviations, as defined in Note 1.

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**QCR HOLDINGS,
INC. AND
SUBSIDIARIES
CONSOLIDATED
BALANCE
SHEETS
(UNAUDITED)
As of March 31,
2018 and
December 31, 2017**

	March 31, 2018	December 31, 2017
ASSETS		
Cash and due from banks	\$61,845,988	\$75,721,663
Federal funds sold	14,505,000	30,197,000
Interest-bearing deposits at financial institutions	45,051,555	55,765,012
Securities held to maturity, at amortized cost	378,584,337	379,474,205
Securities available for sale, at fair value	259,644,940	272,907,907
Total securities	638,229,277	652,382,112
Loans receivable held for sale	279,750	645,001
Loans/leases receivable held for investment	3,054,622,689	2,963,840,399
Gross loans/leases receivable	3,054,902,439	2,964,485,400
Less allowance for estimated losses on loans/leases	(36,532,602)	(34,355,728)
Net loans/leases receivable	3,018,369,837	2,930,129,672
Bank-owned life insurance	59,477,481	59,059,494
Premises and equipment, net	63,564,277	62,838,255
Restricted investment securities	22,413,075	19,782,525
Other real estate owned, net	12,750,023	13,558,308
Goodwill	28,334,092	28,334,092
Core deposit intangible	8,774,402	9,078,953
Other assets	52,999,407	45,817,687
Total assets	\$4,026,314,414	\$3,982,664,773
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits:		
Noninterest-bearing	\$784,815,082	\$789,547,696
Interest-bearing	2,495,186,410	2,477,107,360
Total deposits	3,280,001,492	3,266,655,056
Short-term borrowings	16,859,753	13,993,122
Federal Home Loan Bank advances	216,345,000	192,000,000

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Other borrowings	64,062,500	66,000,000
Junior subordinated debentures	37,534,402	37,486,487
Other liabilities	51,083,350	53,242,979
Total liabilities	3,665,886,497	3,629,377,644

STOCKHOLDERS' EQUITY

Preferred stock, \$1 par value; shares authorized 250,000 March 2018 and December 2017 - No shares issued or outstanding	-	-
Common stock, \$1 par value; shares authorized 20,000,000 March 2018 - 13,936,957 shares issued and outstanding December 2017 - 13,918,168 shares issued and outstanding	13,936,957	13,918,168
Additional paid-in capital	189,684,858	189,077,550
Retained earnings	162,345,792	151,962,661
Accumulated other comprehensive loss:		
Securities available for sale	(4,917,148)	(866,223)
Interest rate cap derivatives	(622,542)	(805,027)
Total stockholders' equity	360,427,917	353,287,129
Total liabilities and stockholders' equity	\$4,026,314,414	\$3,982,664,773

See Notes to
Consolidated
Financial
Statements
(Unaudited)

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

	2018	2017
Interest and dividend income:		
Loans/leases, including fees	\$34,213,732	\$27,211,417
Securities:		
Taxable	1,555,884	1,142,235
Nontaxable	3,289,002	2,647,722
Interest-bearing deposits at financial institutions	197,003	198,652
Restricted investment securities	234,344	130,430
Federal funds sold	56,331	14,643
Total interest and dividend income	39,546,296	31,345,099
Interest expense:		
Deposits	4,881,149	2,232,756
Short-term borrowings	32,913	23,960
Federal Home Loan Bank advances	1,064,113	403,469
Other borrowings	718,176	683,208
Junior subordinated debentures	447,027	332,823
Total interest expense	7,143,378	3,676,216
Net interest income	32,402,918	27,668,883
Provision for loan/lease losses	2,539,839	2,105,109
Net interest income after provision for loan/lease losses	29,863,079	25,563,774
Noninterest income:		
Trust department fees	2,237,081	1,740,207
Investment advisory and management fees	952,344	961,599
Deposit service fees	1,531,453	1,316,390
Gains on sales of residential real estate loans, net	100,815	96,323
Gains on sales of government guaranteed portions of loans, net	358,434	950,641
Swap fee income	958,694	113,520
Earnings on bank-owned life insurance	417,987	469,687
Debit card fees	766,108	702,801
Correspondent banking fees	264,827	245,189
Other	953,706	687,397
Total noninterest income	8,541,449	7,283,754

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Noninterest expense:		
Salaries and employee benefits	15,977,975	13,307,331
Occupancy and equipment expense	3,065,811	2,502,219
Professional and data processing fees	2,707,716	2,083,392
Acquisition costs	92,539	5,630
FDIC insurance, other insurance and regulatory fees	756,211	621,242
Loan/lease expense	290,747	293,538
Net cost of operations of other real estate	131,742	14,230
Advertising and marketing	693,239	609,431
Bank service charges	440,571	423,901
Correspondent banking expense	204,754	198,351
CDI amortization	304,551	230,867
Other	1,197,641	982,985
Total noninterest expense	25,863,497	21,273,117
Net income before income taxes	12,541,031	11,574,411
Federal and state income tax expense	1,991,070	2,389,446
Net income	\$10,549,961	\$9,184,965
Basic earnings per common share	\$0.76	\$0.70
Diluted earnings per common share	\$0.74	\$0.68
Weighted average common shares outstanding	13,888,661	13,133,382
Weighted average common and common equivalent shares outstanding	14,205,584	13,488,417
Cash dividends declared per common share	\$0.06	\$0.05

See Notes to
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(Unaudited)

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**QCR HOLDINGS,
INC. AND
SUBSIDIARIES
CONSOLIDATED
STATEMENTS OF
COMPREHENSIVE
INCOME
(UNAUDITED)
Three Months Ended
March 31, 2018 and
2017**

	Three Months Ended March 31,	
	2018	2017
Net income	\$10,549,961	\$9,184,965
Other comprehensive income (loss):		
Unrealized gains (losses) on securities available for sale:		
Unrealized holding gains (losses) arising during the period before tax	(5,366,113)	598,190
Less reclassification for adoption of ASU 2016-01	666,900	-
	(4,699,213)	598,190
Unrealized gains (losses) on interest rate cap derivatives:		
Unrealized holding gains (losses) arising during the period before tax	150,478	(45,202)
Less reclassification adjustment for ineffectiveness and caplet amortization before tax	(80,515)	(122,813)
	230,993	77,611
Other comprehensive income (loss), before tax	(4,468,220)	675,801
Tax expense (benefit)	(1,266,680)	265,062
Other comprehensive income (loss), net of tax	(3,201,540)	410,739
Comprehensive income	\$7,348,421	\$9,595,704

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(Unaudited)

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**QCR HOLDINGS,
INC. AND
SUBSIDIARIES
CONSOLIDATED
STATEMENTS OF
CHANGES IN
STOCKHOLDERS'
EQUITY
(UNAUDITED)
Three Months
Ended March 31,
2018 and 2017**

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive (Loss)	Total
Balance December 31, 2017	\$13,918,168	\$189,077,550	\$151,962,661	\$(1,671,250)	\$353,287,129
Net income	-	-	10,549,961	-	10,549,961
Other comprehensive loss, net of tax	-	-	-	(3,201,540)	(3,201,540)
Impact of adoption of ASU 2016-01	-	-	666,900	(666,900)	-
Common cash dividends declared, \$0.06 per share	-	-	(833,730)	-	(833,730)
Issuance of 2,669 shares of common stock as a result of stock purchased under the Employee Stock Purchase Plan	2,669	100,262	-	-	102,931
Issuance of 13,074 shares of common stock as a result of stock options exercised	13,074	192,522	-	-	205,596
Stock-based compensation expense	-	495,493	-	-	495,493
Restricted stock awards - 6,860 shares of common stock	6,860	(6,860)	-	-	-
Exchange of 3,814 shares of common stock in connection with stock options exercised and restricted stock vested	(3,814)	(174,109)	-	-	(177,923)
Balance March 31, 2018	\$13,936,957	\$189,684,858	\$162,345,792	\$(5,539,690)	\$360,427,917

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive (Loss)	Total
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Balance December 31, 2016	\$13,106,845	\$156,776,642	\$118,616,901	\$(2,459,589)) \$286,040,799
Net income	-	-	9,184,965	-	9,184,965
Other comprehensive income, net of tax	-	-	-	410,739	410,739
Common cash dividends declared, \$0.05 per share	-	-	(656,574)	-	(656,574)
Issuance of 3,573 shares of common stock as a result of stock purchased under the Employee Stock Purchase Plan	3,573	83,091	-	-	86,664
Issuance of 44,284 shares of common stock as a result of stock options exercised	44,284	630,290	-	-	674,574
Stock-based compensation expense	-	388,753	-	-	388,753
Restricted stock awards - 13,289 shares of common stock	13,289	(13,289)	-	-	-
Exchange of 6,772 shares of common stock in connection with stock options exercised and restricted stock vested	(6,772)	(283,518)	-	-	(290,290)
Balance March 31, 2017	\$13,161,219	\$157,581,969	\$127,145,292	\$(2,048,850)) \$295,839,630

See Notes to
Consolidated
Financial
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(Unaudited)

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**QCR HOLDINGS,
INC. AND
SUBSIDIARIES
CONSOLIDATED
STATEMENTS
OF CASH
FLOWS
(UNAUDITED)
Three Months
Ended March 31,
2018 and 2017**

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 10,549,961	\$ 9,184,965
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,020,975	896,952
Provision for loan/lease losses	2,539,839	2,105,109
Stock-based compensation expense	495,493	388,753
Deferred compensation expense accrued	511,502	404,723
Losses on other real estate owned, net	118,159	-
Amortization of premiums on securities, net	438,641	347,178
Loans originated for sale	(12,939,466)	(21,416,325)
Proceeds on sales of loans	13,763,966	22,547,789
Gains on sales of residential real estate loans	(100,815)	(96,323)
Gains on sales of government guaranteed portions of loans	(358,434)	(950,641)
Amortization of core deposit intangible	304,551	230,867
Accretion of acquisition fair value adjustments, net	(732,689)	(1,915,001)
Increase in cash value of bank-owned life insurance	(417,987)	(469,687)
Decrease (increase) in other assets	(4,403,592)	5,427,798
Decrease in other liabilities	(2,886,830)	(5,852,341)
Net cash provided by operating activities	\$ 7,903,274	\$ 10,833,816
CASH FLOWS FROM INVESTING ACTIVITIES		
Net decrease in federal funds sold	15,692,000	6,459,000
Net decrease (increase) in interest-bearing deposits at financial institutions	10,713,457	(93,471,781)
Proceeds from sales of other real estate owned	736,370	34,191
Activity in securities portfolio:		
Purchases	(7,100,109)	(12,138,040)
Calls, maturities and redemptions	4,540,000	17,385,968
Paydowns	9,085,377	8,486,628
Activity in restricted investment securities:		
Purchases	(4,450,550)	(7,600)
Redemptions	1,820,000	1,315,500
Net increase in loans/leases originated and held for investment	(90,378,382)	(29,236,438)
Purchase of premises and equipment	(704,413)	(1,396,902)

Net cash used in investing activities			<i>\$(60,046,250)</i>	<i>\$(102,569,474)</i>
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CASH FLOWS FROM FINANCING ACTIVITIES

Net increase in deposit accounts			<i>13,377,517</i>	<i>136,704,261</i>
Net increase (decrease) in short-term borrowings			<i>2,866,631</i>	<i>(20,501,291)</i>
Activity in Federal Home Loan Bank advances:				
Calls and maturities			<i>-</i>	<i>(4,000,000)</i>
Net change in short-term and overnight advances			<i>24,345,000</i>	<i>(26,950,000)</i>
Activity in other borrowings:				
Calls, maturities and scheduled principal payments			<i>(1,937,500)</i>	<i>(8,000,000)</i>
Payment of cash dividends on common stock			<i>(692,874)</i>	<i>(522,574)</i>
Proceeds from issuance of common stock, net			<i>308,527</i>	<i>761,238</i>
Net cash provided by financing activities			<i>\$38,267,301</i>	<i>\$77,491,634</i>
Net decrease in cash and due from banks			<i>(13,875,675)</i>	<i>(14,244,024)</i>
Cash and due from banks, beginning			<i>75,721,663</i>	<i>70,569,993</i>
Cash and due from banks, ending			<i>\$61,845,988</i>	<i>\$56,325,969</i>

(Continued)

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**QCR HOLDINGS,
INC. AND
SUBSIDIARIES
CONSOLIDATED
STATEMENTS
OF CASH
FLOWS
(UNAUDITED) -
continued
Three Months
Ended March 31,
2018 and 2017**

	2018	2017
Supplemental disclosure of cash flow information, cash payments for:		
Interest	\$3,654,713	\$3,747,218
Income/franchise taxes	\$74,604	\$4,842
Supplemental schedule of noncash investing activities:		
Change in accumulated other comprehensive income, unrealized gains on securities available for sale and derivative instruments, net	\$(3,201,540)	\$410,739
Exchange of shares of common stock in connection with payroll taxes for restricted stock and in connection with stock options exercised	\$(177,923)	\$(290,290)
Transfers of loans to other real estate owned	\$46,244	\$136,450
Dividends payable	\$833,730	\$656,574
Increase in the fair value of interest rate swap assets and liabilities	\$103,080	\$303,383
Transfer of equity securities from securities available for sale to other assets at fair value	\$2,614,261	\$-

See Notes to
Consolidated
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(Unaudited)

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Part I

Item 1

QCR HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

March 31, 2018

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, 2017*, included in the Company's Annual Report on Form *10-K* filed with the SEC on *March 12, 2018*. 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 GAAP 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 *March 31, 2018* are *not* necessarily indicative of the results expected for the year ending *December 31, 2018*, or for any other period.

The acronyms and abbreviations identified below are used throughout this Quarterly Report on Form *10-Q*. It *may* be helpful to refer back to this page as you read this report.

Allowance: Allowance for estimated losses on loans/leases

AOCI: Accumulated other comprehensive income (loss)

AFS: Available for sale

ASC: Accounting Standards Codification

ASU: Accounting Standards Update

Bates Companies: Bates Financial Advisors, Inc., Bates

Guaranty: Guaranty Bankshares, Ltd.

Guaranty Bank: Guaranty Bank and Trust Company

HTM: Held to maturity

m2: *m2* Lease Funds, LLC

NIM: Net interest margin

NPA: Nonperforming asset

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Financial Services, Inc., Bates Securities, Inc. and Bates Financial Group, Inc.	NPL: Nonperforming loan
BOLI: Bank-owned life insurance	OREO: Other real estate owned
Caps: Interest rate cap derivatives	OTTI: Other-than-temporary impairment
CDI: Core deposit intangible	PCI: Purchased credit impaired
Community National: Community National Bancorporation	Provision: Provision for loan/lease losses
CRBT: Cedar Rapids Bank & Trust Company	QCBT: Quad City Bank & Trust Company
CRE: Commercial real estate	RB&T: Rockford Bank & Trust Company
CSB: Community State Bank	ROAA: Return on Average Assets
C&I: Commercial and industrial	SBA: U.S. Small Business Administration
Dodd-Frank Act: Dodd-Frank Wall Street Reform and Consumer Protection Act	SEC: Securities and Exchange Commission
EPS: Earnings per share	SFC Bank: Springfield First Community Bank
Exchange Act: Securities Exchange Act of 1934, as amended	Springfield Bancshares: Springfield Bancshares, Inc.
FASB: Financial Accounting Standards Board	TA: Tangible assets
FDIC: Federal Deposit Insurance Corporation	Tax Act: Tax Cuts and Jobs Act of 2017
FHLB: Federal Home Loan Bank	TCE: Tangible common equity
FRB: Federal Reserve Bank of Chicago	TDRs: Troubled debt restructurings
GAAP: Generally Accepted Accounting Principles	TEY: Tax equivalent yield
	The Company: QCR Holdings, Inc.
	USDA: U.S. Department of Agriculture

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries which include *four* commercial banks: QCBT, CRBT, CSB and RB&T. All are state-chartered commercial banks and all are members of the Federal Reserve system. The Company also engages in direct financing lease contracts through *m2*, a wholly-owned subsidiary of QCBT. All material intercompany transactions and balances have been eliminated in consolidation.

The acquisition of Guaranty Bank, headquartered in Cedar Rapids, Iowa occurred on *October 2, 2017* and Guaranty Bank was merged into CRBT on *December 2, 2017*. The financial results for the periods since acquisition are included in this report. See Note 2 of the Company's Annual Report on Form 10-K for the year ended *December 31, 2017* for additional information about the acquisition.

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Part I

Item 1

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)-continued

Recent accounting developments: 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 was originally effective for the Company on January 1, 2017; however, FASB issued ASU 2015-14 which defers the effective date in order to provide additional time for both public and private entities to evaluate the impact. ASU 2014-09 was adopted by the Company on January 1, 2018 and did *not* have a significant impact on the Company's consolidated financial statements.

In January 2016, FASB issued ASU 2016-01, *Financial Instruments—Overall*. ASU 2016-01 makes targeted adjustments to GAAP by eliminating the AFS classification for equity securities and requiring equity investments to be measured at fair value with changes in fair value recognized in net income. The standard also requires public business entities to use the exit price notion when measuring fair value of financial instruments for disclosure purposes. The standard clarifies that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to AFS securities in combination with the entity's other deferred tax assets. It also requires an entity to present separately (within other comprehensive income) the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. Additionally, the standard eliminates the requirement for public business entities to disclose the methods and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet. Upon adoption of ASU 2016-01 by the Company on January 1, 2018, the fair value of the Company's loan portfolio is now presented using an exit price method. Also, the Company is *no* longer required to disclose the methodologies used for estimating fair value of financial assets and liabilities that are *not* measured at fair value on a recurring or nonrecurring basis. The remaining requirements of this update had *no* significant impact on the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*. Under ASU 2016-02, lessees will be required to recognize a lease liability measured on a discounted basis and a right-of-use asset for all leases (with the exception of short-term leases). Lessor accounting is largely unchanged under ASU 2016-02. However, the definition of initial direct costs was updated to include only initial direct costs that are considered incremental. This change in definition will change the manner in which the Company recognizes the costs associated with originating leases. ASU 2016-02 is effective

for fiscal years beginning after *December 15, 2018*, including interim periods within those fiscal years. Early adoption is permitted for all entities. The Company is in the process of analyzing the impact of adoption on the Company's consolidated financial statements.

In *June 2016*, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses*. Under the standard, assets measured at amortized costs (including loans, leases and AFS securities) will be presented at the net amount expected to be collected. Rather than the “incurred” model that is currently being utilized, the standard will require the use of a forward-looking approach to recognizing all expected credit losses at the beginning of an asset's life. For public companies, ASU 2016-13 is effective for fiscal years beginning after *December 15, 2019*, including interim periods within those fiscal years. Companies *may* choose to early adopt for fiscal years beginning after *December 15, 2018*, including interim periods within those fiscal years. The Company is in the process of analyzing the impact of adoption on the Company's consolidated financial statements.

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In *February 2018*, the FASB issued ASU 2018-02, *Income Statement – Reporting Comprehensive Income: Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. Under the standard, entities are allowed to make a *one-time* reclassification from AOCI to retained earnings for the effect of remeasuring deferred tax liabilities and assets originally recorded in other comprehensive income as a result of the change in the federal tax rate as defined by the Tax Act. ASU 2018-02 is effective for fiscal years beginning after *December 15, 2018*, including interim periods within those years. Companies *may* choose to early adopt for fiscal years or interim periods that have *not* been issued or made available for issuance as of *February 14, 2018*. The Company chose to early adopt ASU 2018-02 and apply the guidance to the consolidated financial statements for the year ended *December 31, 2017*.

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

NOTE 2 – INVESTMENT SECURITIES

The amortized cost and fair value of investment securities as of *March 31, 2018* and *December 31, 2017* are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
March 31, 2018:				
Securities HTM:				
Municipal securities	\$377,534,337	\$2,244,218	\$(5,024,697)	\$374,753,858
Other securities	1,050,000	-	(11,175)	1,038,825
	\$378,584,337	\$2,244,218	\$(5,035,872)	\$375,792,683

Securities AFS:

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U.S. govt. sponsored agency securities	\$37,591,155	\$21,236	\$(744,881)	\$36,867,510
Residential mortgage-backed and related securities	162,453,605	60,222	(5,224,784)	157,289,043
Municipal securities	61,862,665	238,583	(899,444)	61,201,804
Other securities	4,254,716	31,867	-	4,286,583
	\$266,162,141	\$351,908	\$(6,869,109)	\$259,644,940

December 31, 2017:

Securities HTM:

Municipal securities	\$378,424,205	\$2,763,718	\$(2,488,119)	\$378,699,804
Other securities	1,050,000	-	-	1,050,000
	\$379,474,205	\$2,763,718	\$(2,488,119)	\$379,749,804

Securities AFS:

U.S. govt. sponsored agency securities	\$38,409,157	\$37,344	\$(349,967)	\$38,096,534
Residential mortgage-backed and related securities	165,459,470	155,363	(2,313,529)	163,301,304
Municipal securities	66,176,364	660,232	(211,100)	66,625,496
Other securities	4,014,004	896,384	(25,815)	4,884,573
	\$274,058,995	\$1,749,323	\$(2,900,411)	\$272,907,907

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The Company's HTM municipal securities consist largely of private issues of municipal debt. The large majority of the municipalities are located within the Midwest. 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 private mortgage-backed securities or pooled trust preferred securities.

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 *March 31, 2018* and *December 31, 2017*, 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
March 31, 2018:						
Securities HTM:						
Municipal securities	\$69,404,232	\$(2,881,032)	\$59,545,239	\$(2,143,665)	\$128,949,471	\$(5,024,697)
Other securities	1,038,825	(11,175)	-	-	1,038,825	(11,175)
	\$70,443,057	\$(2,892,207)	\$59,545,239	\$(2,143,665)	\$129,988,296	\$(5,035,872)
Securities AFS:						
U.S. govt. sponsored agency securities	\$29,643,497	\$(589,515)	\$3,634,609	\$(155,365)	\$33,278,106	\$(744,880)
Residential mortgage-backed and related securities	94,102,512	(2,858,578)	55,394,159	(2,366,206)	149,496,671	(5,224,784)
Municipal securities	36,845,821	(659,492)	8,217,318	(239,952)	45,063,139	(899,444)
	\$160,591,830	\$(4,107,585)	\$67,246,086	\$(2,761,523)	\$227,837,916	\$(6,869,108)

December 31, 2017:

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Securities HTM:

Municipal securities	\$23,750,826	\$(354,460)	\$72,611,780	\$(2,133,659)	\$96,362,606	\$(2,488,119)
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Securities AFS:

U.S. govt. sponsored agency securities	\$28,576,258	\$(200,022)	\$3,640,477	\$(149,945)	\$32,216,735	\$(349,967)
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Residential

mortgage-backed and related securities	88,927,779	(871,855)	57,931,731	(1,441,674)	146,859,510	(2,313,529)
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Municipal securities	10,229,337	(41,151)	9,997,433	(169,949)	20,226,770	(211,100)
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Other securities	923,535	(25,815)	-	-	923,535	(25,815)
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	\$128,656,909	\$(1,138,843)	\$71,569,641	\$(1,761,568)	\$200,226,550	\$(2,900,411)
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At *March 31, 2018*, the investment portfolio included *604* securities. Of this number, *290* securities were in an unrealized loss position. The aggregate losses of these securities totaled approximately *1.8%* of the total amortized cost of the portfolio. Of these *290* securities, *105* 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 lacks the intent 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.

The Company did *not* recognize OTTI on any investment securities for the *three* months ended *March 31, 2018* and *2017*.

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There were *no* sales of securities for the *three* months ended *March 31, 2018* and *2017*.

The amortized cost and fair value of securities as of *March 31, 2018* 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 prepaid without any penalties. Therefore, these securities are *not* included in the maturity categories in the following table.

	Amortized Cost	Fair Value
Securities HTM:		
Due in one year or less	\$3,344,356	\$3,345,990
Due after one year through five years	25,163,524	25,191,668
Due after five years	350,076,457	347,255,025
	\$378,584,337	\$375,792,683
Securities AFS:		
Due in one year or less	\$3,368,633	\$3,381,748
Due after one year through five years	23,949,100	23,738,028
Due after five years	76,390,803	75,236,121
	103,708,536	102,355,897
Residential mortgage-backed and related securities	162,453,605	157,289,043
	\$266,162,141	\$259,644,940

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. These callable securities are summarized as follows:

	Amortized Cost	Fair Value
Securities HTM:		
Municipal securities	\$209,306,946	\$207,262,788

Securities AFS:

U.S. gov't. sponsored agency securities	<i>5,048,812</i>	<i>4,947,644</i>
Municipal securities	<i>54,016,828</i>	<i>53,258,850</i>
	<i>\$59,065,640</i>	<i>\$58,206,494</i>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)-continued

As of *March 31, 2018*, the Company's municipal securities portfolios were comprised of general obligation bonds issued by *128* issuers with fair values totaling *\$101.3* million and revenue bonds issued by *148* issuers, primarily consisting of states, counties, towns, villages and school districts with fair values totaling *\$334.6* million. The Company held investments in general obligation bonds in *26* states, including *six* states in which the aggregate fair value exceeded *\$5.0* million. The Company held investments in revenue bonds in *16* states, including *seven* states in which the aggregate fair value exceeded *\$5.0* million.

As of *December 31, 2017*, the Company's municipal securities portfolios were comprised of general obligation bonds issued by *131* issuers with fair values totaling *\$108.0* million and revenue bonds issued by *145* issuers, primarily consisting of states, counties, towns, villages and school districts with fair values totaling *\$337.3* million. The Company held investments in general obligation bonds in *26* states, including *six* states in which the aggregate fair value exceeded *\$5.0* million. The Company held investments in revenue bonds in *16* states, including *seven* 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:

March 31, 2018:

U.S. State:	Number of Issuers	Amortized Cost	Fair Value	Average Exposure Per Issuer (Fair Value)
North Dakota	7	\$21,627,097	\$20,756,566	\$2,965,224
Illinois	20	18,532,776	18,513,766	925,688
Iowa	16	13,878,991	13,830,003	864,375
Texas	17	10,763,333	10,554,430	620,849
Missouri	17	8,314,872	8,323,476	489,616

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Ohio	8	7,378,887	7,296,859	912,107
Other	43	22,261,263	22,068,390	513,218
Total general obligation bonds	128	\$102,757,219	\$101,343,490	\$791,746

December 31, 2017:

U.S. State:	Number of Issuers	Amortized Cost	Fair Value	Average Exposure Per Issuer (Fair Value)
North Dakota	7	\$21,626,574	\$21,724,197	\$3,103,457
Illinois	20	19,328,700	19,514,024	975,701
Iowa	16	13,881,689	13,969,512	873,095
Texas	17	11,253,775	11,308,848	665,226
Missouri	17	9,243,355	9,308,287	547,546
Ohio	9	8,002,705	7,938,028	882,003
Other	45	24,000,278	24,215,119	538,114
Total general obligation bonds	131	\$107,337,076	\$107,978,015	\$824,260

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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:

March 31, 2018:

U.S. State:	Number of Issuers	Amortized Cost	Fair Value	Average Exposure Per Issuer (Fair Value)
Missouri	58	\$108,311,804	\$108,445,780	\$1,869,755
Iowa	29	68,370,374	68,236,038	2,352,967
Ohio	10	55,757,914	55,699,375	5,569,938
Indiana	26	49,258,364	48,833,113	1,878,197
Illinois	2	17,205,951	17,373,994	8,686,997
Kansas	6	12,651,338	12,172,961	2,028,827
North Dakota	5	11,220,278	10,644,441	2,128,888
Other	12	13,863,760	13,206,470	1,100,539
Total revenue bonds	148	\$336,639,783	\$334,612,172	\$2,260,893

December 31, 2017:

U.S. State:	Number of Issuers	Amortized Cost	Fair Value	Average Exposure Per Issuer (Fair Value)
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Missouri	56	\$106,259,015	\$106,232,837	\$1,897,015
Iowa	29	68,724,899	69,079,470	2,382,051
Ohio	10	55,766,091	55,820,203	5,582,020
Indiana	26	51,171,818	50,861,336	1,956,205
Illinois	2	17,211,441	17,408,544	8,704,272
Kansas	6	12,873,329	12,877,087	2,146,181
North Dakota	5	11,451,560	11,351,676	2,270,335
Other	11	13,805,340	13,716,132	1,246,921
Total revenue bonds	145	\$337,263,493	\$337,347,285	\$2,326,533

Both general obligation and revenue bonds are diversified across many issuers. As of *March 31, 2018* and *December 31, 2017*, the Company did *not* hold general obligation or revenue bonds of any single issuer, the aggregate book or market value of which exceeded 5% of the Company's stockholders' equity. Of the general obligation and revenue bonds in the Company's portfolio, the majority are unrated bonds that represent small, private issuances. All unrated bonds were underwritten according to loan underwriting standards and have an average loan risk rating of 2, indicating very high quality. Additionally, many of these bonds are funding essential municipal services such as water, sewer, education, and medical facilities.

The Company's municipal securities are owned by each of the *four* charters, whose investment policies set forth limits for various subcategories within the municipal securities portfolio. Each charter is monitored individually, and as of *March 31, 2018*, all were well within policy limitations approved by the board of directors. Policy limits are calculated as a percentage of each charter's total risk-based capital.

As of *March 31, 2018*, the Company's standard monitoring of its municipal securities portfolio had *not* uncovered any facts or circumstances resulting in significantly different credit 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.

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NOTE 3 – LOANS/LEASES RECEIVABLE

The composition of the loan/lease portfolio as of *March 31, 2018* and *December 31, 2017* is presented as follows:

	As of March 31, 2018	As of December 31, 2017
C&I loans*	\$1,201,085,625	\$1,134,516,315
CRE loans		
Owner-occupied CRE	346,996,627	332,742,477
Commercial construction, land development, and other land	171,404,628	186,402,404
Other non owner-occupied CRE	839,302,131	784,347,000
	1,357,703,386	1,303,491,882
Direct financing leases **	137,614,465	141,448,232
Residential real estate loans ***	254,484,231	258,646,265
Installment and other consumer loans	95,911,569	118,610,799
	3,046,799,276	2,956,713,493
Plus deferred loan/lease origination costs, net of fees	8,103,163	7,771,907
	3,054,902,439	2,964,485,400
Less allowance	(36,532,602)	(34,355,728)
	\$3,018,369,837	\$2,930,129,672
* Direct financing leases:		
Net minimum lease payments to be received	\$152,430,047	\$156,583,887
Estimated unguaranteed residual values of leased assets	929,932	929,932
Unearned lease/residual income	(15,745,514)	(16,065,587)
	137,614,465	141,448,232
Plus deferred lease origination costs, net of fees	4,350,767	4,624,027
	141,965,232	146,072,259
Less allowance	(2,730,301)	(2,382,098)

\$139,234,931 \$143,690,161

* Includes equipment financing agreements outstanding at *m2*, totaling \$78,911,791 and \$66,758,397 as of *March 31, 2018* and *December 31, 2017*, respectively.

**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, which is combined with 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* months ended *March 31, 2018* and *2017*.

***Includes residential real estate loans held for sale totaling \$279,750 and \$645,001 as of *March 31, 2018*, and *December 31, 2017*, respectively.

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Changes in accretable yield for acquired loans were as follows:

	Three months ended March 31, 2018		
	PCI	Performing	Total
	Loans	Loans	
Balance at the beginning of the period	\$(191,132)	\$(6,280,075)	\$(6,471,207)
Accretion recognized	34,236	620,532	654,768
Balance at the end of the period	\$(156,896)	\$(5,659,543)	\$(5,816,439)

	Three months ended March 31, 2017		
	PCI	Performing	Total
	Loans	Loans	
Balance at the beginning of the period	\$(194,306)	\$(9,115,614)	\$(9,309,920)
Accretion recognized	66,690	2,171,540	2,238,230
Balance at the end of the period	\$(127,616)	\$(6,944,074)	\$(7,071,690)

The aging of the loan/lease portfolio by classes of loans/leases as of *March 31, 2018* and *December 31, 2017* is presented as follows:

Classes of Loans/Leases	As of March 31, 2018					Total
	Current	30-59 Days	60-89 Days	Accruing	Nonaccrual	
		Past	Past	Past Due		
		Due	Due	90 Days or More	Loans/Leases	
C&I	\$1,197,675,583	\$1,714,614	\$210,724	\$36,162	\$1,448,542	\$1,201,085,625
CRE						

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Owner-Occupied CRE	346,524,727	142,587	-	-	329,313	346,996,627
Commercial Construction, Land Development, and Other Land	168,928,348	55,561	568,523	-	1,852,196	171,404,628
Other Non Owner-Occupied CRE	834,328,826	105,223	-	-	4,868,082	839,302,131
Direct Financing Leases	133,012,415	1,196,302	599,350	-	2,806,398	137,614,465
Residential Real Estate	250,956,900	2,304,607	35,457	-	1,187,267	254,484,231
Installment and Other Consumer	95,435,771	190,027	13,806	4,778	267,187	95,911,569
	\$3,026,862,570	\$5,708,921	\$1,427,860	\$40,940	\$12,758,985	\$3,046,799,276

As a percentage of total loan/lease portfolio	99.34	%	0.19	%	0.05	%	0.00	%	0.42	%	100.00	%
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As of December 31, 2017

Classes of Loans/Leases	Current	30-59 Days Past Due	60-89 Days Past Due	Accruing Past Due 90 Days or More	Nonaccrual Loans/Leases	Total
C&I CRE	\$1,124,734,486	\$8,306,829	\$243,647	\$-	\$1,231,353	\$1,134,516,315
Owner-Occupied CRE	331,868,142	540,435	-	-	333,900	332,742,477
Commercial Construction, Land Development, and Other Land	181,558,092	-	-	-	4,844,312	186,402,404
Other Non Owner-Occupied CRE	782,526,249	572,877	4,146	-	1,243,728	784,347,000
Direct Financing Leases	137,708,397	1,305,191	259,600	-	2,175,044	141,448,232
Residential Real Estate	253,261,821	3,552,709	393,410	74,519	1,363,806	258,646,265
Installment and Other Consumer	117,773,259	517,537	56,760	14,152	249,091	118,610,799
	\$2,929,430,446	\$14,795,578	\$957,563	\$88,671	\$11,441,234	\$2,956,713,493

As a percentage of total loan/lease portfolio	99.08	%	0.50	%	0.03	%	0.00	%	0.39	%	100.00	%
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NPLs by classes of loans/leases as of *March 31, 2018* and *December 31, 2017* are presented as follows:

Classes of Loans/Leases	As of March 31, 2018			Total NPLs	Percentage of Total NPLs	
	Accruing Past Due 90 Days or More	Nonaccrual Loans/Leases *	Accruing TDRs			
C&I	\$36,162	\$1,448,542	\$4,714,450	\$6,199,154	34.29	%
CRE						
Owner-Occupied CRE	-	329,313	107,322	436,635	2.42	%
Commercial Construction, Land Development, and Other Land	-	1,852,196	-	1,852,196	10.25	%
Other Non Owner-Occupied CRE	-	4,868,082	-	4,868,082	26.93	%
Direct Financing Leases	-	2,806,398	169,198	2,975,596	16.46	%
Residential Real Estate	-	1,187,267	271,694	1,458,961	8.07	%
Installment and Other Consumer	4,778	267,187	12,828	284,793	1.58	%
	\$40,940	\$12,758,985	\$5,275,492	\$18,075,417	100.00	%

*Nonaccrual loans/leases included \$2,637,483 of TDRs, including \$25,984 in C&I loans, \$1,312,469 in CRE loans, \$1,208,050 in direct financing leases, \$84,555 in residential real estate loans, and \$6,425 in installment loans.

Classes of Loans/Leases	As of December 31, 2017			Total NPLs	Percentage of	
	Accruing Past	Nonaccrual	Accruing TDRs			

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	Due 90 Days or More	Loans/Leases **			Total NPLs	
C&I	\$-	\$ 1,231,353	\$ 5,224,182	\$ 6,455,535	34.63	%
CRE						
Owner-Occupied CRE	-	333,900	107,322	441,222	2.37	%
Commercial Construction, Land Development, and Other Land	-	4,844,312	-	4,844,312	25.99	%
Other Non Owner-Occupied CRE	-	1,243,728	-	1,243,728	6.67	%
Direct Financing Leases	-	2,175,044	1,494,448	3,669,492	19.68	%
Residential Real Estate	74,519	1,363,806	272,493	1,710,818	9.18	%
Installment and Other Consumer	14,152	249,091	14,027	277,270	1.49	%
	\$88,671	\$ 11,441,234	\$ 7,112,472	\$ 18,642,377	100.00	%

**Nonaccrual loans/leases included \$2,282,495 of TDRs, including \$122,598 in C&I loans, \$1,336,871 in CRE loans, \$700,255 in direct financing leases, \$115,190 in residential real estate loans, and \$7,581 in installment loans.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)-continued

Changes in the allowance by portfolio segment for the *three* months ended *March 31, 2018* and *2017*, respectively, are presented as follows:

	Three Months Ended March 31, 2018					
	C&I	CRE	Direct Financing Leases	Residential Real Estate	Installment and Other Consumer	Total
Balance, beginning	\$14,323,036	\$13,962,688	\$ 2,382,098	\$2,466,431	\$1,221,475	\$34,355,728
Provisions (credits) charged to expense	808,161	965,383	604,783	(39,337)	200,849	2,539,839
Loans/leases charged off	(95,499)	-	(283,887)	(52,325)	(4,747)	(436,458)
Recoveries on loans/leases previously charged off	29,547	9,949	27,307	450	6,240	73,493
Balance, ending	\$15,065,245	\$14,938,020	\$ 2,730,301	\$2,375,219	\$1,423,817	\$36,532,602
	Three Months Ended March 31, 2017					
	C&I	CRE	Direct Financing Leases	Residential Real Estate	Installment and Other Consumer	Total
Balance, beginning	\$12,545,110	\$11,670,609	\$ 3,111,898	\$2,342,344	\$1,087,487	\$30,757,448
Provisions charged to expense	593,359	966,271	505,015	43,520	(3,056)	2,105,109
Loans/leases charged off	(218,273)	-	(658,684)	(13,623)	(2,046)	(892,626)
Recoveries on loans/leases previously charged off	33,894	6,386	20,031	3,623	25,285	89,219
Balance, ending	\$12,954,090	\$12,643,266	\$ 2,978,260	\$2,375,864	\$1,107,670	\$32,059,150

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The allowance by impairment evaluation and by portfolio segment as of *March 31, 2018* and *December 31, 2017* is presented as follows:

As of March 31, 2018								
	C&I	CRE	Direct Financing Leases	Residential Real Estate	Installment and Other Consumer	Total		
Allowance for impaired loans/leases	\$567,321	\$1,670,897	\$628,379	\$248,592	\$112,177	\$3,227,366		
Allowance for nonimpaired loans/leases	14,497,924	13,267,123	2,101,922	2,126,627	1,311,640	33,305,236		
	\$15,065,245	\$14,938,020	\$2,730,301	\$2,375,219	\$1,423,817	\$36,532,602		
Impaired loans/leases	\$6,010,688	\$7,094,483	\$2,975,596	\$1,556,817	\$281,197	\$17,918,781		
Nonimpaired loans/leases	1,195,074,937	1,350,608,903	134,638,869	252,927,414	95,630,372	3,028,880,495		
	\$1,201,085,625	\$1,357,703,386	\$137,614,465	\$254,484,231	\$95,911,569	\$3,046,799,276		
Allowance as a percentage of impaired loans/leases	9.44	% 23.55	% 21.12	% 15.97	% 39.89	% 18.01		%
Allowance as a percentage of nonimpaired loans/leases	1.21	% 0.98	% 1.56	% 0.84	% 1.37	% 1.10		%
Total allowance as a percentage of total loans/leases	1.25	% 1.10	% 1.98	% 0.93	% 1.48	% 1.20		%

As of December 31, 2017

	C&I	CRE	Direct Financing	Residential Real	Installment and	Total
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			Leases	Estate	Other Consumer		
Allowance for impaired loans/leases	\$715,627	\$1,429,460	\$504,469	\$355,167	\$38,596	\$3,043,319	
Allowance for nonimpaired loans/leases	13,607,409	12,533,228	1,877,629	2,111,264	1,182,879	31,312,409	
	\$14,323,036	\$13,962,688	\$2,382,098	\$2,466,431	\$1,221,475	\$34,355,728	
Impaired loans/leases	\$6,248,209	\$6,529,262	\$3,669,492	\$1,704,846	\$202,354	\$18,354,163	
Nonimpaired loans/leases	1,128,268,106	1,296,962,620	137,778,740	256,941,419	118,408,445	2,938,359,330	
	\$1,134,516,315	\$1,303,491,882	\$141,448,232	\$258,646,265	\$118,610,799	\$2,956,713,493	
Allowance as a percentage of impaired loans/leases	11.45	% 21.89	% 13.75	% 20.83	% 19.07	% 16.58	%
Allowance as a percentage of nonimpaired loans/leases	1.21	% 0.97	% 1.36	% 0.82	% 1.00	% 1.07	%
Total allowance as a percentage of total loans/leases	1.26	% 1.07	% 1.68	% 0.95	% 1.03	% 1.16	%

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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 *three* months ended *March 31, 2018* 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:						
C&I	\$5,038,888	\$5,053,164	\$-	\$5,297,775	\$ 75,406	\$ 75,406
CRE						
Owner-Occupied CRE	289,261	289,261	-	289,261	5,822	5,822
Commercial Construction, Land Development, and Other Land	-	-	-	-	-	-
Other Non Owner-Occupied CRE	1,227,579	1,227,579	-	1,235,654	-	-
Direct Financing Leases	1,927,663	1,927,663	-	2,355,745	6,291	6,291
Residential Real Estate	911,804	986,583	-	884,441	-	-
Installment and Other Consumer	140,857	140,857	-	120,043	-	-
	\$9,536,052	\$9,625,107	\$-	\$10,182,919	\$ 87,519	\$ 87,519
Impaired Loans/Leases with Specific Allowance Recorded:						
C&I	\$957,524	\$957,524	\$567,321	\$824,536	\$ 1,983	\$ 1,983

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CRE						
Owner-Occupied CRE	147,375	147,375	43,875	149,669	-	-
Commercial Construction, Land Development, and Other Land	5,430,268	5,430,268	1,627,022	5,137,290	-	-
Other Non Owner-Occupied CRE	-	-	-	-	-	-
Direct Financing Leases	1,047,933	1,047,933	628,379	962,961	-	-
Residential Real Estate	547,158	570,234	248,592	544,558	2,934	2,934
Installment and Other Consumer	140,340	140,340	112,177	128,285	83	83
	\$8,270,598	\$8,293,674	\$3,227,366	\$7,747,299	\$ 5,000	\$ 5,000
Total Impaired Loans/Leases:						
C&I	\$5,996,412	\$6,010,688	\$567,321	\$6,122,311	\$ 77,389	\$ 77,389
CRE						
Owner-Occupied CRE	436,636	436,636	43,875	438,930	5,822	5,822
Commercial Construction, Land Development, and Other Land	5,430,268	5,430,268	1,627,022	5,137,290	-	-
Other Non Owner-Occupied CRE	1,227,579	1,227,579	-	1,235,654	-	-
Direct Financing Leases	2,975,596	2,975,596	628,379	3,318,706	6,291	6,291
Residential Real Estate	1,458,962	1,556,817	248,592	1,428,999	2,934	2,934
Installment and Other Consumer	281,197	281,197	112,177	248,328	83	83
	\$17,806,650	\$17,918,781	\$3,227,366	\$17,930,218	\$ 92,519	\$ 92,519

Impaired loans/leases for which *no* allowance has been provided have adequate collateral, based on management's current estimates.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)-continued

Loans/leases, by classes of financing receivable, considered to be impaired as of and for the *three* months ended *March 31, 2017* 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:						
C&I	\$835,955	\$846,392	\$-	\$927,387	\$ 7,352	\$ 7,352
CRE						
Owner-Occupied CRE	-	-	-	-	-	-
Commercial Construction, Land Development, and Other Land	-	-	-	-	-	-
Other Non Owner-Occupied CRE	1,174,260	1,174,260	-	1,183,813	-	-
Direct Financing Leases	1,593,104	1,593,104	-	1,868,355	18,895	18,895
Residential Real Estate	1,147,434	1,222,215	-	1,025,656	1,161	1,161
Installment and Other Consumer	175,957	175,957	-	115,846	-	-
	\$4,926,710	\$5,011,928	\$-	\$5,121,057	\$ 27,408	\$ 27,408
Impaired Loans/Leases with Specific Allowance Recorded:						
C&I	\$8,352,499	\$8,356,338	\$1,751,774	\$8,110,658	\$ 62,666	\$ 62,666
CRE						
Owner-Occupied CRE	322,148	322,148	57,398	322,148	-	-
Commercial Construction, Land Development, and Other Land	4,349,267	4,349,267	823,061	4,351,542	-	-
Other Non Owner-Occupied CRE	78,386	78,386	7,986	39,193	-	-
Direct Financing Leases	1,488,964	1,488,964	795,840	1,300,811	-	-

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Residential Real Estate	633,340	633,340	274,566	636,134	4,240	4,240
Installment and Other Consumer	48,770	48,770	37,932	49,563	112	112
	\$15,273,374	\$15,277,213	\$3,748,557	\$		