

QCR HOLDINGS INC
Form 10-Q
May 07, 2014

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2014

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 0-22208

QCR HOLDINGS, INC.

(Exact name of Registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

42-1397595

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

3551 7th Street, Moline, Illinois 61265

(Address of principal executive offices, including zip code)

(309) 743-7761

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(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date: As of May 1, 2014, the Registrant had outstanding 7,917,652 shares of common stock, \$1.00 par value per share.

QCR HOLDINGS, INC. AND SUBSIDIARIES

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

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

STOCKHOLDERS' EQUITY

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

See Notes to Consolidated Financial Statements (Unaudited)

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

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

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

See Notes to Consolidated Financial Statements (Unaudited)

QCR HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

Three Months Ended March 31, 2014 and 2013

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

See Notes to Consolidated Financial Statements (Unaudited)

QCR HOLDINGS, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)****Three Months Ended March 31, 2014 and 2013**

	Preferred	Common	Additional	Retained	Accumulated Other	Treasury	Total
	Stock	Stock	Paid-In Capital	Earnings	Comprehensive Income (Loss)	Stock	
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	-	-	-	-	5,230,784	-	5,230,784
Preferred cash dividends declared	-	-	-	(708,008)	-	-	(708,008)
Redemption of 15,000 shares of Series F Noncumulative Perpetual Preferred Stock	(15,000)	-	(14,985,000)	-	-	-	(15,000,000)
Proceeds from issuance of 6,189 shares of common stock as a result of stock purchased under the Employee Stock Purchase Plan	-	6,189	78,256	-	-	-	84,445
Proceeds from issuance of 9,814 shares of common stock as a result of stock options	-	9,814	85,582	-	-	-	95,396

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

	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	-	-	-	-	(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	-	19,278	153,550	-	-	-	172,828

common stock as a result of stock options exercised								
Exchange of 7,048 shares of common stock in connection with stock options exercised	-	(7,048)	(111,628)	-	-	-	(118,676)	
Stock compensation expense	-	-	293,798				293,798	
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	

See Notes to Consolidated Financial Statements (Unaudited)

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

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$3,889,215	\$3,265,144
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	692,562	584,884
Provision for loan/lease losses	1,094,162	1,057,782
Stock-based compensation expense	347,752	293,798
Deferred compensation expense accrued	347,850	204,794
Losses on other real estate owned, net	18,048	446,630
Amortization of premiums on securities, net	535,951	974,045
Securities gains	(20,625)	-
Loans originated for sale	(6,354,404)	(26,928,996)
Proceeds on sales of loans	7,678,600	30,382,098
Gains on sales of residential real estate loans	(63,487)	(291,151)
Gains on sales of government guaranteed portions of loans	(194,019)	(845,224)
Amortization of core deposit intangible	49,878	-
Accretion of acquisition fair value adjustments, net	(161,042)	-
Increase in cash value of bank-owned life insurance	(454,164)	(438,687)
Decrease in other assets	3,804,360	587,964
Decrease in other liabilities	(8,049,459)	(2,056,297)
Net cash provided by operating activities	\$3,161,178	\$7,236,784
CASH FLOWS FROM INVESTING ACTIVITIES		
Net decrease in federal funds sold	27,865,000	26,560,000
Net increase in interest-bearing deposits at financial institutions	(11,344,360)	(11,422,165)
Proceeds from sales of other real estate owned	97,120	15,989
Activity in securities portfolio:		
Purchases	(26,142,834)	(187,650,573)
Calls, maturities and redemptions	10,563,599	82,114,256
Paydowns	6,547,632	12,893,508
Sales	7,020,625	-
Activity in restricted investment securities:		
Purchases	(1,040,000)	(1,743,750)
Redemptions	814,900	2,193,900
Net increase in loans/leases originated and held for investment	(33,066,658)	(7,125,623)
Purchase of premises and equipment	(563,035)	(775,714)
Net cash used in investing activities	\$(19,248,011)	\$(84,940,172)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in deposit accounts	24,915,536	46,379,158

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Net increase in short-term borrowings	16,276,145	770,510
Activity in Federal Home Loan Bank advances:		
Advances	60,700,000	46,000,000
Calls and maturities	(56,350,000)	(43,000,000)
Net decrease in other borrowings	(200,000)	-
Payment of cash dividends on common and preferred stock	(941,177)	(1,002,789)
Redemption of 15,000 shares of Series F Noncumulative Perpetual Preferred Stock, net	(15,000,000)	-
Proceeds from issuance of common stock, net	179,841	242,200
Net cash provided by financing activities	\$29,580,345	\$49,389,079
Net increase (decrease) in cash and due from banks	13,493,512	(28,314,309)
Cash and due from banks, beginning	41,950,790	61,568,446
Cash and due from banks, ending	\$55,444,302	\$33,254,137

(Continued)

QCR HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) - continued

Three Months Ended March 31, 2014 and 2013

	2014	2013
Supplemental disclosure of cash flow information, cash payments for:		
Interest	\$4,140,254	\$4,472,977
Income/franchise taxes	\$1,365,000	\$717,300
 Supplemental schedule of noncash investing activities:		
Change in accumulated other comprehensive income (loss), unrealized gains (losses) on securities available for sale, net	\$5,230,784	\$(836,358)
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	\$60,750	\$187,500

See Notes to Consolidated Financial Statements (Unaudited)

Part I

Item 1

QCR HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

March 31, 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 March 31, 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 July 2013, the Financial Accounting Standards Board (“FASB”) issued ASU 2013-11, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*. ASU 2013-11 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. Adoption did not have a significant impact on the Company’s consolidated financial statements.

In January 2014, FASB issued 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. Management is in the process of evaluating the impact of ASU 2014-04 on the Company’s consolidated financial statements.

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)-continued

NOTE 2 – INVESTMENT SECURITIES

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
March 31, 2014				
Securities held to maturity:				
Municipal securities	\$ 160,579,152	\$ 756,828	\$ (4,768,120)	\$ 156,567,860
Other securities	1,050,000	-	-	1,050,000
	\$ 161,629,152	\$ 756,828	\$ (4,768,120)	\$ 157,617,860
Securities available for sale:				
U.S. govt. sponsored agency securities	\$ 363,901,863	\$ 31,503	\$ (13,595,807)	\$ 350,337,559
Residential mortgage-backed and related securities	159,343,903	1,377,020	(2,601,522)	158,119,401
Municipal securities	34,495,776	997,316	(417,026)	35,076,066
Other securities	1,378,550	565,961	-	1,944,511
	\$ 559,120,092	\$ 2,971,800	\$ (16,614,355)	\$ 545,477,537
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

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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 March 31, 2014 and December 31, 2013, are summarized as follows:

	Less than 12 Months		12 Months or More		Total	
	Fair	Gross	Fair	Gross	Fair	Gross
	Value	Unrealized	Value	Unrealized	Value	Unrealized
		Losses		Losses		Losses
March 31, 2014:						
Securities held to maturity:						
Municipal securities	\$90,268,363	\$(3,972,217)	\$11,141,166	\$(795,903)	\$101,409,529	\$(4,768,120)
Securities available for sale:						
U.S. govt. sponsored agency securities	\$330,406,007	\$(12,809,546)	\$11,194,076	\$(786,261)	\$341,600,083	\$(13,595,807)
Residential mortgage-backed and related securities	74,273,019	(1,586,915)	21,330,340	(1,014,607)	95,603,359	(2,601,522)
Municipal securities	12,715,294	(372,659)	1,699,797	(44,367)	14,415,091	(417,026)
	\$417,394,320	\$(14,769,120)	\$34,224,213	\$(1,845,235)	\$451,618,533	\$(16,614,355)
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	94,723,092	(2,947,770)	14,117,719	(886,387)	108,840,811	(3,834,157)

related securities

Municipal securities	13,890,692	(724,939)	985,687	(53,385)	14,876,379	(778,324)
	\$441,808,604	\$(22,813,786)	\$26,081,796	\$(1,941,536)	\$467,890,400	\$(24,755,322)

At March 31, 2014, the investment portfolio included 539 securities. Of this number, 323 securities had current unrealized losses with aggregate depreciation of less than 4% from the total amortized cost basis. Of these, 38 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 March 31, 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 months ended March 31, 2014 and 2013.

Part I

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)-continued

All sales of securities for the three months ended March 31, 2014 and 2013, respectively, were from securities identified as available-for-sale. Information on proceeds received, as well as pre-tax gross gains from sales on those securities is as follows:

	Three Months Ended	
	March 31, 2014	March 31, 2013
Proceeds from sales of securities	\$7,020,625	\$ -
Pre-tax gross gains from sales of securities	20,625	-

The amortized cost and fair value of securities as of March 31, 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	\$2,298,028	\$2,299,876
Due after one year through five years	10,898,311	10,876,493
Due after one year through five years	148,432,813	144,441,491
	\$161,629,152	\$157,617,860
Securities available for sale:		
Due in one year or less	\$5,399,927	\$5,412,462
Due after one year through five years	51,172,655	50,810,680
Due after five years	341,825,057	329,190,483
	\$398,397,639	\$385,413,625

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Residential mortgage-backed and related securities	159,343,903	158,119,401
Other securities	1,378,550	1,944,511
	\$559,120,092	\$545,477,537

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	\$ 107,791,951	\$ 104,916,513
Securities available for sale:		
U.S. govt. sponsored agency securities	307,435,005	295,518,088
Municipal securities	22,063,064	22,190,224
	\$ 329,498,069	\$ 317,708,312

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 March 31, 2014 and December 31, 2013 is presented as follows:

	As of March 31, 2014	As of December 31, 2013
Commercial and industrial loans	\$442,350,475	\$431,688,129
Commercial real estate loans		
Owner-occupied commercial real estate	269,483,524	261,215,912
Commercial construction, land development, and other land	55,194,025	57,844,902
Other non owner-occupied commercial real estate	354,550,656	352,692,115
	679,228,205	671,752,929
 Direct financing leases *	139,994,059	128,901,442
Residential real estate loans **	148,950,217	147,356,323
Installment and other consumer loans	76,809,540	76,033,810
	1,487,332,496	1,455,732,633
Plus deferred loan/lease origination costs, net of fees	5,247,046	4,546,925
	1,492,579,542	1,460,279,558
Less allowance for estimated losses on loans/leases	(22,653,270)	(21,448,048)
	\$1,469,926,272	\$1,438,831,510

* Direct financing leases:

Net minimum lease payments to be received	\$158,423,507	\$145,662,254
Estimated unguaranteed residual values of leased assets	1,611,999	1,694,499
Unearned lease/residual income	(20,041,447)	(18,455,311)
	139,994,059	128,901,442
Plus deferred lease origination costs, net of fees	5,347,779	4,814,183
	145,341,838	133,715,625
Less allowance for estimated losses on leases	(2,820,239)	(2,517,217)

\$142,521,599 \$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 months ended March 31, 2014 and 2013.

**Includes residential real estate loans held for sale totaling \$291,600 and \$1,358,290 as of March 31, 2014, and December 31, 2013, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)-continued

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

Classes of Loans/Leases	As of March 31, 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	\$ 440,037,552	\$ 679,842	\$ 82,110	\$ 4,838	\$ 1,546,133	\$ 442,350,475
Commercial Real Estate						
Owner-Occupied Commercial Real Estate	268,087,219	217,205	101,723	-	1,077,377	269,483,524
Commercial Construction, Land Development, and Other Land	53,069,537	943,219	-	-	1,181,269	55,194,025
Other Non Owner-Occupied Commercial Real Estate	342,951,740	246,141	1,104,646	-	10,248,129	354,550,656
Direct Financing Leases	136,956,753	1,684,403	120,969	735	1,231,199	139,994,059
Residential Real Estate	145,891,697	1,562,455	-	-	1,496,065	148,950,217
Installment and Other Consumer	75,402,962	429,310	104,031	2	873,235	76,809,540
	\$ 1,462,397,460	\$ 5,762,575	\$ 1,513,479	\$ 5,575	\$ 17,653,407	\$ 1,487,332,496
	98.32	% 0.39	% 0.10	% 0.00	% 1.19	% 100.00

As a percentage of
total loan/lease
portfolio

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	%			%

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)-continued

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

Classes of Loans/Leases	As of March 31, 2014					
	Accruing Past Due 90 Days or More	Nonaccrual Loans/Leases *	Troubled Debt Restructurings Accruing	Total Nonperforming Loans/Leases	Percentage of Total Nonperforming Loans/Leases	
Commercial and Industrial Commercial Real Estate	\$4,838	\$ 1,546,133	\$ 179,695	\$ 1,730,666	9.29	%
Owner-Occupied Commercial Real Estate	-	1,077,377	-	1,077,377	5.78	%
Commercial Construction, Land Development, and Other Land	-	1,181,269	-	1,181,269	6.34	%
Other Non Owner-Occupied Commercial Real Estate	-	10,248,129	-	10,248,129	55.00	%
Direct Financing Leases	735	1,231,199	89,443	1,321,377	7.09	%
Residential Real Estate	-	1,496,065	347,543	1,843,608	9.89	%
Installment and Other Consumer	2	873,235	357,000	1,230,237	6.60	%
	\$5,575	\$ 17,653,407	\$ 973,681	\$ 18,632,663	100.00	%

*Nonaccrual loans/leases includes \$10,666,735 of troubled debt restructurings, including \$75,371 in commercial and industrial loans, \$9,862,220 in commercial real estate loans, \$70,144 in direct financing leases, \$449,525 in residential real estate loans, and \$209,475 in installment loans.

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As of December 31, 2013

Classes of Loans/Leases	Accruing Past Due 90 Days or More	Nonaccrual Loans/Leases **	Troubled Debt Restructurings -	Total Nonperforming Loans/Leases	Percentage of Total Nonperforming Loans/Leases	
			Accruing			
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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)-continued

Changes in the allowance for estimated losses on loans/leases by portfolio segment for the three months ended March 31, 2014 and 2013, respectively, are presented as follows:

Three Months Ended March 31, 2014						
	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	976,790	(229,985)	352,647	(4,355)	(935)	1,094,162
Loans/leases charged off	(4,023)	(4,098)	(65,733)	(2,712)	(2,755)	(79,321)
Recoveries on loans/leases previously charged off	26,117	116,306	16,108	103	31,747	190,381
Balance, ending	\$6,647,658	\$10,587,657	\$2,820,239	\$1,388,885	\$1,208,831	\$22,653,270
Three Months Ended March 31, 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	(87,807)	1,114,294	378,623	8,899	(356,227)	1,057,782
Loans/leases charged off	(215)	-	(73,049)	(112,891)	(116,612)	(302,767)
Recoveries on loans/leases previously charged off	22,741	5,157	554	-	60,791	89,243
Balance, ending	\$4,466,264	\$12,188,953	\$2,296,523	\$966,336	\$851,386	\$20,769,462

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

	As of March 31, 2014										
	Commercial and Industrial	Commercial Real Estate	Direct Financing Leases	Residential Real Estate	Installment and Other Consumer	Total					
Allowance for loans/leases individually evaluated for impairment	\$ 732,427	\$ 2,712,472	\$ 298,303	\$ 224,972	\$ 396,897	\$ 4,365,071					
Allowance for loans/leases collectively evaluated for impairment	5,915,231	7,875,185	2,521,936	1,163,913	811,934	18,288,199					
	\$ 6,647,658	\$ 10,587,657	\$ 2,820,239	\$ 1,388,885	\$ 1,208,831	\$ 22,653,270					
Loans/leases individually evaluated for impairment	\$ 1,400,758	\$ 12,076,304	\$ 1,320,642	\$ 1,843,608	\$ 1,230,235	\$ 17,871,547					
Loans/leases collectively evaluated for impairment	440,949,717	667,151,901	138,673,417	147,106,609	75,579,305	1,469,460,949					
	\$ 442,350,475	\$ 679,228,205	\$ 139,994,059	\$ 148,950,217	\$ 76,809,540	\$ 1,487,332,496					
Allowance as a percentage of loans/leases individually evaluated for impairment	52.29	% 22.46	% 22.59	% 12.20	% 32.26	% 24.42					
Allowance as a percentage of loans/leases	1.34	% 1.18	% 1.82	% 0.79	% 1.07	% 1.24					

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collectively
evaluated for
impairment

1.50 % 1.56 % 2.01 % 0.93 % 1.57 % 1.52 %

As of December 31, 2013

Commercial
and

Industrial

Commercial

Real Estate

Direct
Financing

Leases

Residential
Real

Estate

Installment and

Other
Consumer

Total

Allowance
for
loans/leases
individually
evaluated for
impairment

\$927,453

\$3,174,704

\$192,847

\$246,266

\$467,552

\$5,008,822

Allowance
for
loans/leases
collectively
evaluated for
impairment

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

Loans/leases
individually
evaluated for
impairment

\$1,761,850

\$12,956,915

\$894,458

\$2,116,747

\$1,350,450

\$19,080,420

Loans/leases
collectively
evaluated for
impairment

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
loans/leases
individually
evaluated for
impairment

52.64

%

24.50

%

21.56

%

11.63

%

34.62

%

26.25

%

Allowance
as a
percentage
of
loans/leases
collectively
evaluated for

1.10

%

1.14

%

1.82

%

0.79

%

0.95

%

1.14

%

impairment

1.31	%	1.59	%	1.95	%	0.95	%	1.55	%	1.47	%
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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, 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	\$441,945	\$517,833	\$-	\$482,151	\$ 1,888	\$ 1,888
Commercial Real Estate						
Owner-Occupied Commercial Real Estate	389,876	389,876	-	436,412	-	-
Commercial Construction, Land Development, and Other Land	2,124,350	2,247,550	-	2,127,392	-	-
Other Non Owner-Occupied Commercial Real Estate	1,983,846	1,983,846	-	2,376,752	13,283	13,283
Direct Financing Leases	619,800	619,800	-	586,567	-	-
Residential Real Estate	977,436	977,436	-	1,222,955	1,455	1,455
Installment and Other Consumer	833,338	833,338	-	897,665	890	890
	\$7,370,591	\$7,569,679	\$-	\$8,129,894	\$ 17,516	\$ 17,516

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Impaired Loans/Leases with
Specific Allowance Recorded:

Commercial and Industrial	\$958,813	\$1,449,488	\$732,427	\$910,410	\$ -	\$ -
Commercial Real Estate						
Owner-Occupied Commercial Real Estate	224,892	224,892	117,555	112,438	-	-
Commercial Construction, Land Development, and Other Land	685,292	796,492	477,293	685,834	-	-
Other Non Owner-Occupied Commercial Real Estate	6,668,048	7,373,330	2,117,624	6,682,038	-	-
Direct Financing Leases	700,842	700,842	298,303	467,524	-	-
Residential Real Estate	866,172	866,172	224,972	793,141	774	774
Installment and Other Consumer	396,897	396,897	396,897	397,897	-	-
	\$10,500,956	\$11,808,113	\$4,365,071	\$10,049,282	\$ 774	\$ 774

Total Impaired Loans/Leases:

Commercial and Industrial	\$1,400,758	\$1,967,321	\$732,427	\$1,392,561	\$ 1,888	\$ 1,888
Commercial Real Estate						
Owner-Occupied Commercial Real Estate	614,768	614,768	117,555	548,850	-	-
Commercial Construction, Land Development, and Other Land	2,809,642	3,044,042	477,293	2,813,226	-	-
Other Non Owner-Occupied Commercial Real Estate	8,651,894	9,357,176	2,117,624	9,058,790	13,283	13,283
Direct Financing Leases	1,320,642	1,320,642	298,303	1,054,091	-	-
Residential Real Estate	1,843,608	1,843,608	224,972	2,016,096	2,229	2,229
Installment and Other Consumer	1,230,235	1,230,235	396,897	1,295,562	890	890
	\$17,871,547	\$19,377,792	\$4,365,071	\$18,179,176	\$ 18,290	\$ 18,290

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, 2013 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 Commercial Real Estate	\$402,621	\$775,004	\$-	\$767,929	\$ 1,924	\$ 1,924
Owner-Occupied Commercial Real Estate	498,946	498,946	-	507,451	-	-
Commercial Construction, Land Development, and Other Land	-	-	-	-	-	-
Other Non Owner-Occupied Commercial Real Estate	47,958	47,958	-	3,198,617	40,116	40,116
Direct Financing Leases	789,346	789,346	-	831,677	-	-
Residential Real Estate	630,324	630,324	-	810,583	-	-
Installment and Other Consumer	196,615	196,615	-	187,590	2,093	2,093
	\$2,565,810	\$2,938,193	\$-	\$6,303,847	\$ 44,133	\$ 44,133
Impaired Loans/Leases with Specific Allowance Recorded:						
Commercial and Industrial Commercial Real Estate	\$211,400	\$264,334	\$498,260	\$216,133	\$ -	\$ -
Owner-Occupied Commercial Real Estate	-	-	-	-	-	-
	3,929,839	3,929,839	1,154,155	3,933,530	2,703	2,703

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Commercial Construction, Land Development, and Other Land Other Non Owner-Occupied Commercial Real Estate	9,983,944	10,236,903	2,353,684	10,046,487	4,501	4,501
Direct Financing Leases	421,590	421,590	325,294	273,192	-	-
Residential Real Estate	305,612	305,612	95,232	308,841	-	-
Installment and Other Consumer	927,467	927,467	117,131	629,810	333	333
	\$15,779,852	\$16,085,745	\$4,543,756	\$15,407,993	\$7,537	\$7,537
Total Impaired Loans/Leases:						
Commercial and Industrial Commercial Real Estate	\$614,021	\$1,039,338	\$498,260	\$984,062	\$1,924	\$1,924
Owner-Occupied Commercial Real Estate	498,946	498,946	-	507,451	-	-
Commercial Construction, Land Development, and Other Land Other Non Owner-Occupied Commercial Real Estate	3,929,839	3,929,839	1,154,155	3,933,530	2,703	2,703
Direct Financing Leases	10,031,902	10,284,861	2,353,684	13,245,104	44,617	44,617
Residential Real Estate	1,210,936	1,210,936	325,294	1,104,869	-	-
Installment and Other Consumer	935,936	935,936	95,232	1,119,424	-	-
	1,124,082	1,124,082	117,131	817,400	2,426	2,426
	\$18,345,662	\$19,023,938	\$4,543,756	\$21,711,840	\$51,670	\$51,670

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 December 31, 2013 are presented as follows:

Classes of Loans/Leases	Recorded Investment	Unpaid Principal Balance	Related Allowance
Impaired Loans/Leases with No Specific Allowance Recorded:			
Commercial and Industrial Commercial Real Estate	\$492,622	\$568,951	\$-
Owner-Occupied Commercial Real Estate	392,542	392,542	-
Commercial Construction, Land Development, and Other Land	1,943,168	2,054,368	-
Other Non Owner-Occupied Commercial Real Estate	1,790,279	1,902,279	-
Direct Financing Leases	557,469	557,469	-
Residential Real Estate	1,071,927	1,071,927	-
Installment and Other Consumer	509,667	509,667	-
	\$6,757,674	\$7,057,203	\$-
Impaired Loans/Leases with Specific Allowance Recorded:			
Commercial and Industrial Commercial Real Estate	\$1,269,228	\$1,956,755	\$927,453
Owner-Occupied Commercial Real Estate	159,247	159,247	67,498
Commercial Construction, Land Development, and Other Land	888,547	1,011,747	503,825
Other Non Owner-Occupied Commercial Real Estate	7,783,132	8,488,414	2,603,381
Direct Financing Leases	336,989	336,989	192,847
Residential Real Estate	1,044,820	1,044,820	246,266
Installment and Other Consumer	840,783	840,783	467,552
	\$12,322,746	\$13,838,755	\$5,008,822
Total Impaired Loans/Leases:			
Commercial and Industrial Commercial Real Estate	\$1,761,850	\$2,525,706	\$927,453
Owner-Occupied Commercial Real Estate	551,789	551,789	67,498
Commercial Construction, Land Development, and Other Land	2,831,715	3,066,115	503,825

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Other Non Owner-Occupied Commercial Real Estate	9,573,411	10,390,693	2,603,381
Direct Financing Leases	894,458	894,458	192,847
Residential Real Estate	2,116,747	2,116,747	246,266
Installment and Other Consumer	1,350,450	1,350,450	467,552
	\$ 19,080,420	\$ 20,895,958	\$ 5,008,822

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

For commercial and industrial and commercial real estate loans, the Company's credit quality indicator is internally assigned risk ratings. Each commercial loan is assigned a risk rating upon origination. The risk rating is reviewed every 15 months, at a minimum, and on an as needed basis depending on the specific circumstances of the loan.

For direct financing leases, residential real estate loans, and installment and other consumer loans, the Company's credit quality indicator is performance determined by delinquency status. Delinquency status is updated daily by the Company's loan system.

For each class of financing receivable, the following presents the recorded investment by credit quality indicator as of March 31, 2014 and December 31, 2013:

	As of March 31, 2014				
	Commercial and Industrial		Commercial Real Estate		Total
			Owner-Occupied Commercial Real Estate	Non Owner-Occupied Commercial	
			Construction, Land Development, and Other Land		
Internally Assigned Risk Rating					
Pass (Ratings 1 through 5)	\$419,982,030	\$250,623,915	\$50,250,005	\$327,819,856	\$1,048,675,806
Special Mention (Rating 6)	12,464,206	10,356,128	-	1,765,205	24,585,539
Substandard (Rating 7)	9,904,239	8,503,481	4,944,020	24,965,595	48,317,335
Doubtful (Rating 8)	-	-	-	-	-
	\$442,350,475	\$269,483,524	\$55,194,025	\$354,550,656	\$1,121,578,680

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As of March 31, 2014

Delinquency Status *	Direct Financing	Residential Real	Installment and	Total
	Leases	Estate	Other Consumer	
Performing	\$ 138,672,682	\$ 147,106,609	\$ 75,579,303	\$ 361,358,594
Nonperforming	1,321,377	1,843,608	1,230,237	4,395,222
	\$ 139,994,059	\$ 148,950,217	\$ 76,809,540	\$ 365,753,816

As of December 31, 2013

Internally Assigned Risk Rating	Commercial Real Estate					Total
	Non Owner-Occupied Commercial					
	Commercial and Industrial	Owner-Occupied	Construction, Land Development, and Other Land	Other Commercial Real Estate		
		Commercial Real Estate				
Pass (Ratings 1 through 5)	\$407,294,743	\$250,028,731	\$51,868,919	\$326,168,882	\$1,035,361,275	
Special Mention (Rating 6)	11,355,713	8,318,232	1,588,086	3,310,017	24,572,048	
Substandard (Rating 7)	13,037,673	2,868,949	4,387,897	23,213,216	43,507,735	
Doubtful (Rating 8)	-	-	-	-	-	
	\$431,688,129	\$261,215,912	\$57,844,902	\$352,692,115	\$1,103,441,058	

As of December 31, 2013

Delinquency Status *	Direct Financing	Residential Real	Installment and	Total
	Leases	Estate	Other Consumer	
Performing	\$ 128,006,984	\$ 145,345,719	\$ 74,688,039	\$ 348,040,742
Nonperforming	894,458	2,010,604	1,345,771	4,250,833
	\$ 128,901,442	\$ 147,356,323	\$ 76,033,810	\$ 352,291,575

*Performing = loans/leases accruing and less than 90 days past due. Nonperforming = loans/leases on nonaccrual, accruing loans/leases that are greater than or equal to 90 days past due, and accruing troubled debt restructurings.

Part I

Item 1

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)-continued

As of March 31, 2014 and December 31, 2013, troubled debt restructurings totaled \$11,640,416 and \$13,413,366, respectively.

For each class of financing receivable, the following presents the number and recorded investment of troubled debt restructurings, by type of concession, that were restructured during the three months ended March 31, 2014 and 2013. The difference between the pre-modification recorded investment and the post-modification recorded investment would be any partial charge-offs at the time of the restructuring.

Classes of Loans/Leases	For the three months ended March 31, 2014				For the three months ended March 31, 2013			
	Number of		Post-Modification		Number of		Post-Modification	
	Loans		Specific		Loans		Specific	
	/	Recorded	Recorded	Allowance	/	Recorded	Recorded	Allowance
	Leases	Investment	Investment		Leases	Investment	Investment	
CONCESSION - Significant payment delay								
Owner-Occupied Commercial Real Estate	-	\$ -	\$ -	\$ -	1	\$ 47,958	\$ 47,958	\$ -
Direct Financing Leases	1	\$ 89,443	\$ 89,443	\$ -	-	\$ -	\$ -	\$ -
	1	\$ 89,443	\$ 89,443	\$ -	1	\$ 47,958	\$ 47,958	\$ -
CONCESSION - Extension of maturity								
Commercial and Industrial	-	\$ -	\$ -	\$ -	3	\$ 809,494	\$ 809,494	\$ 188,700
Direct Financing Leases	1	\$ 70,144	\$ 70,144					