Zacks Small-Cap Research

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QCR Holdings, Inc.

(QCRH-NASDAQ)

QCRH: Second Quarter Beat Our EPS Estimate by a Penny; Raising 2014 and 2015 Estimates

Current Recommendation	**Outperform**
Prior Recommendation	Neutral
Date of Last Change	08/26/2013
Current Price (08/14/14)	$17.34
Twelve- Month Target Price	**$20.50**

OUTLOOK

Compared to the year-ago quarter, second quarter net earnings after preferred stock dividends rose 12% to $3.6 million from $3.2 million. Results are better than they first appear as last year's second quarter included one-time items adding $1.4 million to earnings. These consisted of a $1.8 million bargain purchase gain on the CNB acquisition, partly offset by $0.4 million in acquisition and data conversion costs. On a diluted per share basis, EPS decreased $0.09, or 14%, to $0.45 from $0.59, reflecting a 46% increase in average diluted shares due to the CNB acquisition in last year's second quarter and the conversion of the Series E preferred stock in the fourth quarter, which added almost 100 basis points to the tangible common equity ratio and eliminated $1.75 million in annual preferred dividends. QCRH's 2014 second quarter diluted EPS of $0.45 was a penny better than our $0.44 estimate. There were a number of positives in the quarter that beat our expectations, including a higher net interest margin, stronger loan growth, a lower loan loss provision, and more restrained growth in compensation costs. On the other side of the ledger, asset quality weakened a bit, noncompensation expenses were greater than we had anticipated, and the effective tax rate was higher. Also noteworthy was the redemption of the remaining $14.9 million of Series F preferred stock on the last day of the quarter, about two quarters before the yearend date we had been expecting. As a result, QCRH eliminated all remaining future preferred stock dividend payments, which will add about $0.7 million, or $0.08 per diluted share, to the Company's bottom line in 2014. We are raising our 2014 EPS estimate by $0.13 to $1.83 from $1.70 and increasing our 2015 EPS estimate by $0.08 to $1.93 from $1.85.

SUMMARY DATA

52-Week High	**$18.10**
52-Week Low	**$15.62**
One-Year Return (%)	**8.84**
Beta	**0.23**
Average Daily Volume (sh)	**9,137**
Shares Outstanding (mil)	**8**
Market Capitalization ($mil)	**$137**
Short Interest Ratio (days)	**0.60**
Institutional Ownership (%)	**16**
Insider Ownership (%)	**13**
Annual Cash Dividend	**$0.08**
Dividend Yield (%)	**0.46**
5-Yr. Historical Growth Rates	
Net Revenue (%)	**8.6**
Earnings Per Share (%)	**20.5**
Dividend (%)	**0.0**
P/E using TTM EPS	**9.3**
P/E using 2014 Estimate	**9.5**
P/E using 2015 Estimate	**9.0**
Zacks Rank	**1**

Risk Level	**Average**
Type of Stock	**Small-Value**
Industry	**Banks-Midwest**
Zacks Rank in Industry	**1 of 36**

ZACKS ESTIMATES

Net Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2012	18.2 A	18.6 A	18.7 A	18.8 A	74.3 A
2013	19.4 A	22.7 A	23.2 A	24.6 A	89.9 A
2014	21.6 A	22.3 A	22.5 E	22.5 E	88.9 E
2015					91.9 E

Earnings per Share
(EPS is operating earnings before nonrecurring items)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2012	0.48 A	0.44 A	0.44 A	0.49 A	1.85 A
2013	0.49 A	0.59 A	0.51 A	0.50 E	2.08 A
2014	0.40 A	0.45 A	0.49 E	0.49 E	1.83 E
2015					1.93 E

Quarterly EPS may not add to total due to changes in shares outstanding.

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SECOND QUARTER RESULTS

Compared to the year-ago quarter, second quarter net earnings after preferred stock dividends rose 12% to $3.6 million from $3.2 million. Results are better than they first appear as last year's second quarter included one-time items adding $1.4 million to earnings. These consisted of a $1.8 million bargain purchase gain on the CNB acquisition, partly offset by $0.4 million in acquisition and data conversion costs.

On a diluted per share basis, EPS decreased $0.09, or 14%, to $0.45 from $0.59, reflecting a 46% increase in average diluted shares due to the CNB acquisition in last year's second quarter and the conversion of the Series E preferred stock in the fourth quarter, which added almost 100 basis points to the tangible common equity ratio and eliminated $1.75 million in annual preferred dividends.

QCRH's 2014 second quarter diluted EPS of $0.45 was a penny better than our $0.44 estimate.

There were a number of positives in the quarter that beat our expectations, including a higher net interest margin, stronger loan growth, a lower loan loss provision, and more restrained growth in compensation costs.

On the other side of the ledger, asset quality weakened a bit, noncompensation expenses were greater than we had anticipated, and the effective tax rate was higher than we had projected.

Also noteworthy was the redemption of the remaining $14.9 million of Series F preferred stock on the last day of the quarter, about two quarters before the yearend date we had been expecting. As a result, QCRH eliminated all remaining future preferred stock dividend payments, which will add about $0.7 million, or $0.08 per diluted share, to the Company's bottom line in 2014.

This affects our 2014 EPS estimate, which we are raising by $0.13 to $1.83 per diluted share from $1.70. In addition, we are increasing our 2015 EPS estimate by $0.08 to $1.93 from $1.85.

Other factors that are contributing to our increased estimates include the following: (1) upping our estimates for the net interest margin by 3 basis points in each year, to 3.12% in 2014 and 3.08% in 2015; (2) reducing our loan loss provision estimates by $0.1 million in each year, to $4.4 million in 2014 and $4.6 million in 2015; (3) boosting noninterest income growth by $0.3 million in each year, to $20.7 million in 2014 and $21.6 million in 2015; and (4) lowering our estimate for compensation costs in each year by $0.4 million, to $40.0 million in 2014 and $42.0 million in 2015. This will be partly offset by higher tax rates as we are raising our estimate of the effective tax rate to 20.5% from 19.5% in 2014 and to 22.0% from 20.0% in 2015.

Below, we discuss second quarter results more fully. Details of our projections are shown at the back of the report.

Net Interest Income

Net interest income rose $1.3 million, or 8%, year over year to $17.0 million, as a 5% gain in average interest-earning assets combined with a 15 basis-point rise in the net interest margin to 3.14% to produce this result.

The NIM gain reflected a 6 basis-point increase in the yield on average interest-earnings assets to 3.86% plus a 5 basis-point drop in average deposit costs to 0.40% and an 8 basis-point fall in borrowing costs to 2.12%.

The yield on the loan and lease receivables portfolio fell 16 basis points year over year to 4.51%, primarily due to competitive pricing pressures. The shift by local banks into commercial and industrial

(C&I) lending away from commercial real estate lending combined with a rush to finance top-quality borrowers has resulted in margin compression.

We note that the yield on the securities portfolio advanced 45 basis points to 2.72%, as QCRH continues to shift the portfolio into higher yield municipal securities, away from lower yield US Agencies and residential mortgage-backed securities, enhancing diversification of the securities portfolio at the same time.

Net interest income was the same as our $17.0 million estimate, as the 3.14% NIM that was 6 basis points higher than our 3.08% estimate was offset by average interest-earning assets that were $33 million, or 1%, below our estimate due to a reduction in the securities portfolio.

We expect that expansion into higher margin lending lines and securities will offset future competitive pricing pressures. Moreover, this will be enhanced by the shift in QCRH's balance sheet into higher yield loans, away from lower yield securities. Thus, we are increasing our NIM estimate to 3.12% for full-year 2014 (up from 3.09% previously) and to 3.08% for 2015 (from 3.05%).

Noninterest Income

Results were hurt by a $1.6 million, or 23% year-over-year decline in noninterest income to $5.3 million (the same as our estimate), though performance was better than it first appears. Last year's quarter included a $1.8 million bargain purchase gain on the CNB acquisition. Excluding this item, noninterest income was up 5%, largely due to strong growth in trust department fees and a $0.5 million gain in other miscellaneous income that was partly offset by a $0.4 million drop in gains on government-guaranteed loan sales.

For 2014 and 2015, we are increasing our estimates of noninterest income by $0.3 million, to $20.7 million and $21.6 million, respectively, as we have raised our expectations for growth in trust department fees and other income.

Loan Loss Provision

The loan loss provision fell $0.5 million, or 34%, to $1.0 million in the second quarter, and was below our $1.15 million estimate.

Going forward, our estimates for the loan loss provision for 2014 and 2015 have been decreased by $0.1 million each year, to $4.4 million and $4.6 million, respectively. This compares to $5.9 million in 2013. We expect a very low level of loss provisions at CNB in 2014 since the loan portfolio was written down to realizable value prior to acquisition, pursuant to purchase accounting rules. For 2015, we expect the loss provision to grow in line with the loan portfolio.

Noninterest Expense

Noninterest expense rose $0.9 million, or 6%, year over year to $16.1 million, the same as our estimate. That said, compensation costs were $0.2 million lower than our estimate, while noncompensation costs were $0.2 million higher. Consequently, we have lowered our estimates for compensation costs by $0.4 million each in 2014 and 2015, to $40.0 million and $42.0 million, respectively.

Relative to 2013's second quarter, most line items increased year over year due to the CNB acquisition. The major exception was other expense, which dropped $0.4 million. However, we note that last year's quarter by $0.4 million in acquisition and data conversion costs; excluding this item, other expense also would have increased by $27,000, or 5%.

The Company's efficiency ratio deteriorated, rising 490 basis points to 72.2% compared to a well-below trend 67.3% in 2013's second quarter.

We expect the operating efficiency ratio to come in at 72.7% in full-year 2014 and 73.1% for 2015, which compares to 72.0% actually reported in 2013.

Income Taxes
The Company's effective tax rate was 22.9% in the second quarter, compared to 31.5% in the year-ago quarter and our 22.0% estimate. We have raised our estimate of the effective tax rate to 23.0% from 22.0% for the third and fourth quarters, to 20.3% from 19.5% for 2014, and to 22.0% from 20.0% for 2015. This compares to a 23.6% tax rate that was actually posted in 2013.

Net Income
QCRH posted second quarter net earnings attributable to common shareholders of $3.61 million, or $0.45 per diluted share, up 12% from $3.2 million ($0.59 diluted EPS) reported in the year-ago quarter. This compares to our $3.57 million net income estimate ($0.44 diluted EPS).

Profitability
QCRH posted an 11.3% ROE and 0.66% ROA for the second quarter of 2014, compared to an 11.0% ROE and 0.70% ROA for the second quarter of 2013.

Loans and Asset Quality
Loans jumped $57 million, or 3.8%, sequentially to $1,549 million during the second quarter, with solid growth in all lines of lending, except consumer, which fell $5.4 million, or 7%. Leading the charge was direct finance leasing, which rose $15 million, 11%, to $155 million, followed by commercial and industrial, which grew $38 million, or 8 ½%, to $480 million, residential real estate, which rose by $4 million, or 3%, to $153 million, and commercial real estate, which edged up by $4 million, or 1%, to $683 million.

Following the strong second quarter, we are raising our estimate of loan growth in 2014 to 9.3% from 7.4%, with our initial estimate at a 5% gain for 2015. This compares to year-over-year growth of 13% in 2012 including CNB.

Nonperforming loans rose by $1.3 million, or 7%, to $19.9 million during the second quarter, while foreclosed assets, which includes $10.9 million of OREO, increased 13% to $11.2 million, attributable to two large credits that deteriorated during the quarter. As a percentage of total loans and OREO, total nonperforming assets worsened, rising by 10 basis points sequentially to 2.00% from 1.90% at the end of the first quarter, but declining 22 basis points year over year from 2.22%.

Despite the second quarter blip, we expect asset quality to show improvement as the Company works though problem assets, with the estimated NPA ratio falling from 2.08% at yearend 2013 to 1.82% by the end of 2014 and 1.49% by the end of 2015.

The loan loss allowance as a percent of nonperforming assets decreased sequentially to 74% at the end of the quarter from 79% at March 31, 2014, but increased from 62% a year ago. This was the result of a loan loss allowance that increased to $23.1 million, or 1.49%, of gross loans, from $22.7 million, or 1.52% of gross loans and $21.2 million, or 1.38% of gross loans at June 30, 2013, plus a higher level of problem loans.

The CNB acquisition distorted loan loss reserve ratios as there was no allowance associated with CNB's loans at acquisition since CNB's loans were recorded at market value. As a result, the Company's allowance to total loans/leases fell to 1.49% at June 30, 2014 from 1.61% at March 31, 2013.

Liquidity and Funding
During the second quarter, QCRH increased cash and short-investments by $2 million to $113 million, while the securities portfolio decreased $25 million, or 4%, to $682 million.

Within the securities portfolio, there were shifts from the previous quarter. Sequentially, US Agency securities declined 7% to $326 million, or 48% of the total securities portfolio (down from 50% at the end of the first quarter) and residential mortgage-backed securities fell 3% to $154 million, or 23% of total

securities (22% at the end of the first quarter), while municipal securities rose 2% to $200 million, or 29% of the securities portfolio (up from 28% at the end of the first quarter).

QCRH intends to reduce its reliance on more expensive wholesale funds, including Federal Home Loan Bank (FHLB) advances, wholesale structured repurchase agreements, and brokered time deposits, replacing these with less expensive core deposits, especially noninterest-bearing demand deposits related to QCBT's correspondent banking business. At June 30, 2014, noninterest-bearing demand deposits represented 31% of total deposits of $1.7 billion (down from 34% at March 31, 2014), while interest-bearing demand deposits were 46% (up from 43%), and time deposits and brokered deposits were flat at 18% and 5%, respectively.

Capital Adequacy and Dividends

The Company's capital adequacy ratios fell during the quarter, primarily reflecting the redemption of $14.9 million of SBLF preferred stock on the last day of the quarter. The Tier 1 capital ratio slid 89 basis points to 9.83% at the end of 2014's second quarter from 10.61% at March 31, 2014, and the Total capital ratio tumbled 80 basis points to 11.23% from 12.03%.

The tangible common equity to tangible assets ratio jumped 25 basis points, rising to to 5.27% at June 30, 2014, largely due to growth in retained earnings and a large $0.8 million positive swing in other comprehensive income.

Tangible book value per share increased during the second quarter by $1.01 per share, rising to $16.35 from $15.34.

On May 15, 2014, QCRH announced its regular semi-annual cash dividend of $0.04 per share paid on July 8, 2014 to stockholders of record on June 20, 2014. We do not expect any increase in the common dividend for the foreseeable future as the Company expects to retain excess earnings to grow tangible common equity.

On December 23, 2013, QCRH completed the previously announced conversion of all 25,000 outstanding shares of the Company's Series E Non-Cumulative Convertible Perpetual Preferred Stock into shares of the Company's common stock. As a result, approximately 2.1 million shares of common stock were issued. This transaction increased tangible common equity by approximately 100 basis points and eliminated $1.75 million in annual preferred stock dividends.

Consequently, the tangible common equity rose to 4.71% of tangible assets at the end of 2013 from 3.49% at September 30, 2013. We expect further improvement to 5.50% at yearend 2014 and 5.92% by the end of 2015, due to growth in retained earnings.

The total tangible equity ratio dropped to 5.96% of total tangible assets at yearend 2013 from 6.56% at the end of 2012, reflecting negative changes in accumulated other comprehensive income due to mark-to-market declines in the bond portfolio. In 2014, the total tangible equity ratio is estimated to decline about 46 basis points to 5.50% of total tangible assets at yearend 2014 from 5.96% at the end of 2013, following the full $30 million redemption of the SBLF preferred stock in 2014's first half. This redemption is also expected to have a negative impact on the double leverage ratio at the holding company, which is estimated to deteriorate, by rising to the 140-145% level in 2014-15 from 128% at yearend 2013.

In May 2013, shareholders approved The Amended Rights Agreement, the primary purpose of which is to extend the term of the Original Rights Agreement for an additional three years to May 1, 2016, increase the trigger from 15% to 20% or more of the outstanding common stock, add additional stockholder protections, and amend certain provisions that limit the authority of the board. The Amended Rights Agreement is designed to deter the use of coercive or abusive takeover tactics by parties interested in acquiring the Company without offering fair value to all stockholders. The Rights should not interfere with any merger or other business combination that is in the best interests of the Company and its stockholders because the board may, at its option, subject to certain restrictions, redeem all of the

then outstanding Rights at the Redemption Price. In addition, if the board declines a Qualifying Offer for a merger or business combination, such offer may be presented to the stockholders at a special meeting.

Basel III

The Company feels comfortable with the recent regulatory proposals for Basel III, and believes that its long-term stratgegy of increasing tangible common equity to 6% of tangible assets through conversion of Series E preferred stock into common equity and the long period of implementation will help it meet Basel III proposals. QCRH does not intend to issue any dilutive common equity, except in pursuit of an acquisition, as it did with the CNB acquisition in 2013.

In this regard, QCRH filed a universal shelf registration statement on June 30, 2014 for the issuance of various types of securities, including common stock, preferred stock, debt securities and/or warrants, from time to time up to an aggregate amount of $75 million. According to QCRH, the purpose of the shelf registration is to be able to raise capital more quickly. It is the Company's intention to issue new securities only in the form of common stock and only for an acquistion.

OVERVIEW

QCR Holdings, Inc. (QCRH or the Company) is a multibank holding company, which was founded in 1993 and is headquartered in Moline, Illinois, with $2.5 billion in total assets at June 30, 2014 and 14 offices. QCRH provides a broad range of business and retail lending products and investment services through four wholly owned, full-service banking subsidiaries that are located in Illinois and Iowa. These subsidiaries include Quad City Bank and Trust Company (QCBT), based in Bettendorf, Iowa; Cedar Rapids Bank and Trust Company (CRBT), based in Cedar Rapids, Iowa; Rockford Bank and Trust Company (RB&T), based in Rockford, Illinois; and Community National Bank (CNB), based in Waterloo, Iowa following the May 2013 acquisition of Parent Community National Bancorporation by QCRH.

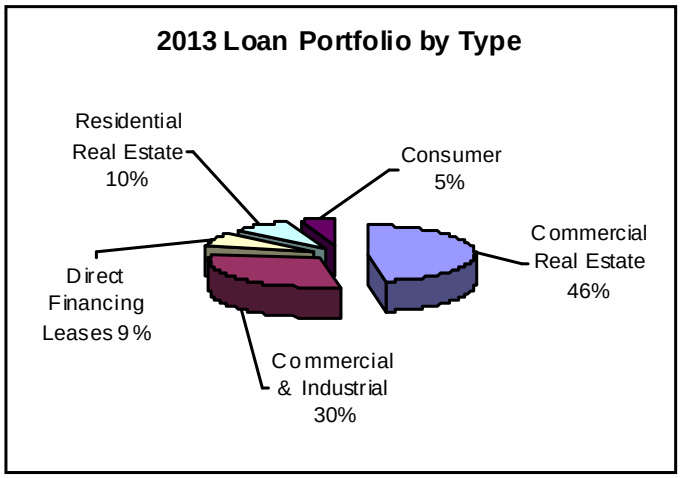
By far the largest of these subsidiaries is QCBT, which accounts for $1.25 billion, or approximately 52%, of QCRH's total assets, and is also the oldest of its subsidiaries, having begun operations in January 1994. Its five offices are located in Bettendorf and Davenport, Iowa and Moline, Illinois. CRBT, begun in June 2001, is the next largest with $804 million of total assets, or about 34% of consolidated assets, and six offices total, with two offices each in Cedar Rapids, Waterloo, and Cedar Falls. On October 26, 2013, CNB was merged into CRBT and CNB's offices were rebranded Community Bank and Trust. RB&T began operations in September 2004. RB&T has $339 million in total assets, or roughly 14% of QCRH's total assets, and operates through two offices located in Rockford, Illinois. CNB is the final banking subsidiary, having begun operations in 1997.

In addition, the Company has two non-bank subsidiaries that help manage other aspects of its business. These include: (1) a 100% equity interest in m2 Lease Funds, LLC (m2), which is owned by QCBT and was acquired in August 2005. m2, which is based in Brookfield, Wisconsin and operates through one office, is engaged in the business of leasing machinery and equipment to commercial and industrial clients through full-payout direct financing leases. Accounting for $110 million, or approximately 5%, of total consolidated assets, m2 is a niche player and specializes in the key areas of marine equipment, printing, office technology, machinery/machine tools, and telecom and (2) a 100% interest in Quad City Investment Advisors, LLC, an investment management business that was acquired in January 2008 and was formerly known as CMG Investment Advisors, LLC.

QCRH has a smaller ownership interest in Nobel Real Estate Investors, LLC (20%), though this does not contribute meaningfully to assets or net income. The Cedar Rapids Mortgage Company, LLC in which QCRH had a 50% interest, was closed in 2013's second quarter.

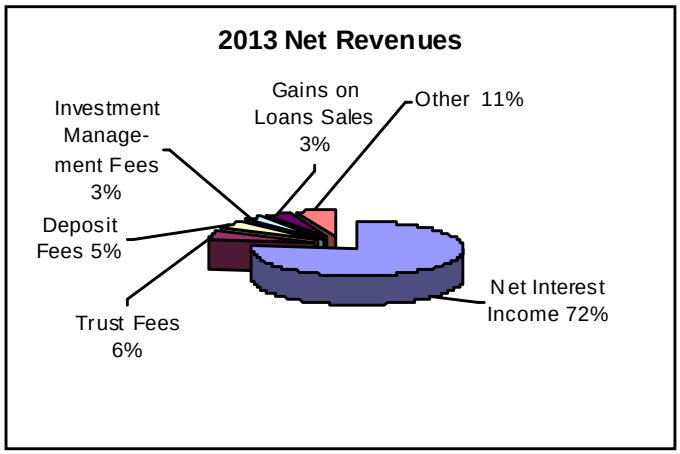
QCRH has disposed of several operating subsidiaries over the past few years as they did not contribute significantly to earnings and no longer fit into the Company's long-term strategic plans. These include: (1)

the sale of the merchant credit card processing business and the liquidation of Quad City Bancard, Inc., a subsidiary that issued credit cards to consumers and businesses, in the third quarter of 2008, for which the Company recorded a $3.0 million aftertax gain; (2) the sale of First Wisconsin Bank and Trust Company, QCRH's Milwaukee, Wisconsin banking subsidiary, for which the Company posted a $0.5 million aftertax gain on December 31, 2008; and (3) the sale of the $10 million credit card portfolio of QCBT, which was sold at an $0.8 million pretax gain in 2013.



The $1.5 billion loan portfolio has a concentration in commercial real estate, accounting for 46% of total loans at December 31, 2013, of which about 56% is nonowner-occupied, 37% is owner-occupied, and 7% is construction and land development. The rest of the lending book consists of commercial and industrial (accounting for 30% of total gross loans), direct financing leases (9%), residential real estate (10%), and consumer (5%). Most loans are secured, usually by real estate, inventory, accounts receivable, equipment, machinery, or corporate assets.

The liquidity portfolio, consisting of cash, short-term investments, and US agency/residential mortgage-backed securities (RMBS) obligations, represents 26% of total assets, while gross loans and leases account for 61%. Noninterest-bearing demand deposits accounted for 33% of total deposits of $1.6 billion at December 31, 2013, with interest-bearing demand and savings deposits at 43%, time deposits at 20%, and brokered time deposits at 4%.



In 2013, net interest income contributed 72% of net revenue. Other significant revenue sources include trust department fees (6%), deposit service fees (5% of net revenues), gains on loan sales (3%), investment management and advisory fees (3%), and other (11%).

QCRH also managed $1.55 billion in trust accounts and $593 million in brokerage accounts at September 30, 2013.

The Company 's financial goals over the next few years include: (1) growing tangible common equity to 6% of tangible assets from about 4.7% at the end of 2013 through growth in retained earnings; (2) increasing profitability as measured by the return on average assets (ROA) to the around the 70 basis-point level over the near term and to 100 basis points over the longer term from 64 basis points in 2013, by driving down the efficiency ratio to the 60%-plus area from 72% in 2013; (3) maintaining or improving the net interest margin; (4) continuing expansion of the loan portfolio; (5) boosting SBA/USDA gains on loan sales; (7) growing wealth management income; and (9) improving liquidity in its common stock.

Importantly, QCRH is committed to not diluting existing shareholder interests by issuing common shares at below book value, but would consider a capital raise for accretive acquisitions, as occurred with the recent $19 million stock and cash purchase of Community National Bancorporation.

VALUATION

QCRH stock has risen 1.8% year to date, though this is short of the industry's median price increase of 5.0% and the S&P 500's 5.8% gain, as shown in the following table. The stock was up 28.8% in 2013 and 45.3% in 2012, which compares with the S&P 500's 29.6% and 13.3%, respectively.

At its current price, QCRH is trading at a 21% discount to the industry median P/E, based upon our diluted EPS estimate for 2015. This is about 300 basis points worse than the five-year average historical discount of 18%. Applying an 18% discount to our latest 2015 diluted EPS estimate results in a target price of $18.00.

Turning to Price/Tangible Book Value, QCRH is valued at 1.16X versus the industry median of 1.27X. While this is 8% below the industry median, it is also 5 points better than QCRH's historical average. However, we believe a higher valuation is justified as the Company's earnings and profitability prospects are much improved and QCRH has taken a number of steps over the last few years to strengthen its balance sheet. Moreover, the CNB acquisition will provide additional growth opportunities in the future. Applying the 1.27X ratio to estimated book value for QCRH twelve months out results in a price of approximately $23.00.

Taking the midpoint of these two valuation measures results in a price of $20.50, compared to the current stock price of $17.34. When price appreciation of more than 18% is combined with the dividend yield, this represents a total return of almost 19%, above our expectations for gains in the broader market index over the next year.

Accordingly, we are maintaining our Buy recommendation on QCRH.

Industry Comparables- Small-Cap Banks

		Price / Earnings Ratios					Return on Equity		Return on Assets		
	Pr Chg YTD	TTM* EPS	2014E	2015E	5-Yr Avg	Price/ Book	TTM*	5-Yr Avg	TTM*	5-Yr Avg	Div Yld
QCR Holdings	**1.8**	**9.3**	**9.5**	**9.0**	**12.0**	**1.16**	**10.9**	**7.4**	**0.64**	**0.46**	**0.5**
S&P 500	5.8	18.0	16.7	15.6	16.3	4.4	22.9	-----	8.6	-----	2.0
Median	**5.0**	**13.1**	**13.5**	**11.4**	**14.7**	**1.27**	**8.4**	**5.6**	**0.85**	**0.46**	**1.6**
Average	7.3	14.2	15.8	13.6	14.8	1.1	7.8	3.2	0.8	0.4	1.5
High	53.0	33.0	47.1	46.9	25.7	2.0	16.8	13.6	1.6	1.9	4.3
Low	(14.1)	6.9	9.3	8.4	6.5	0.5	(11.4)	(69.6)	(1.2)	(1.4)	-----

*Trailing twelve months

QCR Holdings, Inc.

Income Statement and Balance Sheet

(Dollars in millions, except per share data)

Summary Financial Data	12/09	12/10	12/11	12/12	12/13	12/14 E	12/15 E
Net interest income	50.4	49.9	54.1	57.6	64.1	68.2	70.3
Non-interest income	15.6	15.4	17.5	16.7	25.8	20.7	21.6
Total net revenue	66.0	65.3	71.6	74.3	89.9	88.9	91.9
Loan loss provision	17.0	7.5	6.6	4.4	5.9	4.4	4.6
Non-interest expense	46.7	48.5	51.0	52.3	64.4	64.6	67.2
Income taxes & other	4.4	6.8	8.4	8.5	7.8	5.1	4.4
Zacks adjusted income before NRI	(2.1)	2.5	5.6	9.1	11.8	14.8	15.7
GAAP net income	(2.1)	2.5	4.4	9.1	11.8	14.8	15.7
Diluted EPS before NRI	(0.46)	0.53	1.17	1.85	2.08	1.83	1.93
Reported EPS	(0.46)	0.53	0.92	1.85	2.08	1.83	1.93
Dividends per share	0.08	0.08	0.08	0.08	0.08	0.08	0.08
Liquid assets	417.3	546.0	638.5	612.7	629.3	581.3	558.4
Loans & leases, gross	1,244.3	1,172.5	1,200.7	1,287.4	1,460.3	1,596.2	1,677.5
Total assets	1,779.6	1,836.6	1,966.6	2,093.7	2,395.0	2,502.0	2,577.9
Core deposits	761.5	844.2	960.9	1,129.5	1,341.7	1,406.6	1,478.2
Purchased funds	340.9	307.1	263.6	266.2	415.8	415.0	405.0
Long-term debt	378.8	388.5	358.1	355.0	303.6	310.0	325.0
Shareholders' equity	123.9	130.9	142.4	140.4	147.6	142.3	157.3
Profitability							
Return on avg assets	0.10%	0.36%	0.51%	0.62%	0.64%	0.64%	0.62%
Return on avg equity	1.43%	5.03%	7.09%	8.90%	10.24%	11.12%	10.46%
Net interest margin	3.15%	2.92%	3.08%	3.10%	3.03%	3.12%	3.08%
Loan loss provision % avg assets	0.98%	0.41%	0.35%	0.22%	0.25%	0.18%	0.18%
Noninterest income % avg assets	0.91%	0.84%	0.92%	0.82%	1.11%	0.84%	0.85%
Noninterest expense % avg assets	2.71%	2.64%	2.67%	2.58%	2.76%	2.63%	2.65%
Preprovision pretax income % avg assets	1.12%	0.91%	1.08%	1.09%	1.09%	0.99%	0.97%
Tangible efficiency ratio	72%	74%	73%	70%	72%	73%	73%
Payout ratio	(18)%	15%	9%	4%	4%	4%	4%
Asset Quality							
Net charge-offs % avg loans	1.00%	0.79%	0.70%	0.27%	0.31%	0.15%	0.21%
Allowance % loans	1.81%	1.74%	1.56%	1.55%	1.47%	1.47%	1.47%
NPAs % loans & related assets	3.22%	4.24%	3.35%	2.29%	2.08%	1.82%	1.49%
Allowance % NPAs	56%	41%	46%	67%	70%	80%	98%
Liquidity & Funding							
Liquid assets % purchased funds	122%	178%	242%	230%	151%	140%	138%
Core deposits % loans	61%	72%	80%	88%	92%	88%	88%
Liquid assets % assets	23%	30%	32%	29%	26%	23%	22%
Loans % assets	70%	64%	61%	61%	61%	64%	65%
Capital Adequacy							
Total equity % assets	6.96%	7.13%	7.24%	6.71%	6.16%	5.69%	6.10%
Tangible equity % assets	6.79%	6.97%	7.09%	6.56%	5.96%	5.50%	5.92%
Tier 1 capital ratio	11.14%	12.12%	12.24%	11.27%	11.45%		
Total capital ratio	12.52%	13.70%	13.84%	12.71%	12.87%		
Parent Company Statistics							
Interest coverage	1.4X	0.7X	2.8X	5.5X	3.9X	3.5X	3.5X
Interest & dividend coverage	0.5X	0.3X	0.8X	1.4X	1.2X	1.9X	2.6X
Short-term debt coverage	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total debt coverage	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Double leverage	133.4%	132.5%	128.9%	130.8%	127.9%	143.1%	139.4%

QCR Holdings, Inc.

Income Statement and Balance Sheet

(Dollars in millions, except per share data)

	2013				2014			
Summary Financial Data	**Q1 A**	**Q2 A**	**Q3 A**	**Q4 A**	**Q1 A**	**Q2 A**	**Q3 E**	**Q4 E**
Net interest income	14.2	15.7	17.3	16.9	16.9	17.0	17.1	17.3
Non-interest income	5.2	7.0	5.9	7.7	4.7	5.3	5.4	5.2
Total net revenue	19.4	22.7	23.2	24.6	21.6	22.3	22.5	22.5
Loan loss provision	1.1	1.5	1.4	2.0	1.1	1.0	1.2	1.2
Non-interest expense	14.0	15.2	17.0	18.2	16.1	16.1	16.2	16.2
Income taxes & other	1.8	2.8	1.8	1.3	1.2	1.6	1.1	1.1
Zacks adjusted income before NRI	2.5	3.2	3.0	3.1	3.2	3.6	4.0	4.0
GAAP net income	2.5	3.2	3.0	3.1	3.2	3.6	4.0	4.0
Diluted EPS before NRI	0.49	0.59	0.51	0.50	0.40	0.45	0.49	0.49
Reported EPS	0.49	0.59	0.51	0.50	0.40	0.45	0.49	0.49
Dividends per share	-----	0.04	-----	0.04	-----	0.04	-----	0.04
Liquid assets	645.7	655.0	656.8	629.3	619.9	593.1	587.2	581.3
Loans & leases, gross	1,291.8	1,530.7	1,539.4	1,460.3	1,492.6	1,549.4	1,580.4	1,596.2
Total assets	2,144.0	2,446.8	2,485.7	2,395.0	2,426.3	2,464.8	2,483.3	2,502.0
Core deposits	1,175.9	1,467.1	1,492.2	1,341.7	1,366.6	1,372.0	1,389.2	1,406.6
Purchased funds	266.2	293.8	268.2	415.8	415.8	415.8	415.0	415.0
Long-term debt	358.0	348.7	369.8	303.6	307.8	304.2	310.0	310.0
Shareholders' equity	142.2	145.4	148.0	147.6	141.4	134.6	138.6	142.3
Profitability								
Return on avg assets*	0.62%	0.70%	0.62%	0.63%	0.64%	0.66%	0.64%	0.64%
Return on avg equity *	9.25%	11.03	10.44%	10.19%	10.37%	11.25%	11.65%	11.29%
Net interest margin	3.02%	2.99%	3.07%	3.04%	3.11%	3.14%	3.11%	3.11%
Loan loss provision % avg assets*	0.20%	0.26%	0.22%	0.33%	0.18%	0.17%	0.19%	0.18%
Noninterest income % avg assets*	0.99%	1.20%	0.97%	1.27%	0.78%	0.88%	0.87%	0.83%
Noninterest expense % avg assets*	2.65%	2.55%	2.77%	2.99%	2.65%	2.66%	2.62%	2.60%
Preprovision pretax inc.% avg assets*	1.03%	1.35%	1.01%	1.05%	0.90%	1.02%	1.02%	1.01%
Tangible efficiency ratio	72%	65%	75%	74%	75%	72%	72%	72%
Payout ratio	-----	7%	-----	8%	-----	9%	-----	8%
Asset Quality								
Net charge-offs % avg loans*	0.07%	0.32%	0.12%	0.71%	(0.03)%	0.15%	0.26%	0.23%
Allowance % loans	1.61%	1.38%	1.43%	1.47%	1.52%	1.49%	1.47%	1.47%
NPAs % loans & related assets	1.83%	2.22%	2.18%	2.08%	1.90%	2.00%	1.90%	1.82%
Allowance % NPAs	88%	62%	66%	70%	79%	74%	77%	80%
Liquidity & Funding								
Liquid assets % purchased funds	243%	223%	245%	151%	149%	143%	141%	140%
Core deposits % loans	91%	96%	97%	92%	92%	89%	88%	88%
Liquid assets % assets	30%	27%	26%	26%	26%	24%	24%	23%
Loans % assets	60%	63%	62%	61%	62%	63%	64%	64%
Capital Adequacy								
Total equity % assets	6.63%	5.94%	5.95%	6.16%	5.83%	5.46%	5.58%	5.69%
Tangible equity % assets	6.49%	5.69%	5.70%	5.96%	5.63%	5.27%	5.39%	5.50%
Tier 1 capital ratio	11.60%	10.82%	10.84%	11.45%	10.61%	9.67%		
Total capital ratio	13.04%	12.20%	12.25%	12.87%	12.03%	11.09%		

*Annualized.

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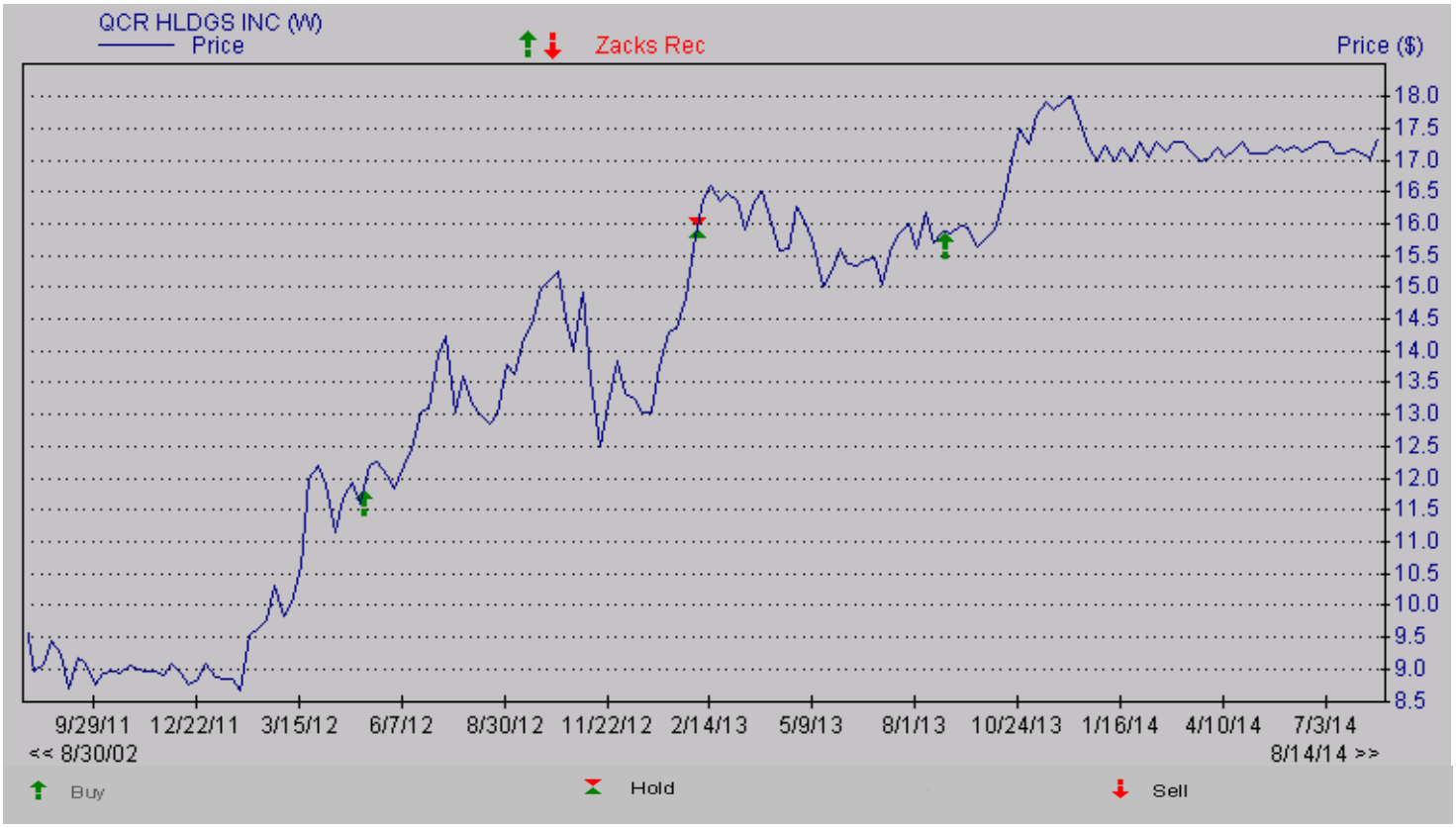

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