Zacks Small-Cap Research

February 6, 2013
Ann H. Heffron, CFA, CPA
312-265-9428
aheffron@zacks.com
scr.zacks.com
111 North Canal Street • Chicago, IL 60606

QCR Holdings, Inc.

(QCRH-NASDAQ)

QCRH: Fourth Quarter EPS Up 40% and Above Our Estimate

Current Recommendation	**Neutral**
Prior Recommendation	Outperform
Date of Last Change	02/05/2013
Current Price (02/05/13)	$16.44
Twelve- Month Target Price	**$17.50**

OUTLOOK

QCR Holdings, Inc. (QCRH) posted fourth quarter diluted EPS of $0.49, up 40% from the $0.35 EPS reported last year. Compared to the year-ago quarter, fourth quarter results were boosted by a gain in noninterest income on the back of strong 20%-plus increases in trust department fees and investment management & advisory fees, a one-fourth reduction in the loan loss provision, an almost 4-point drop in the effective tax rate to 24.4%, and preferred dividends that were down $0.2 million, or 21%, from a year ago, reflecting changes in QCRH's capital structure. Diluted EPS came in $0.02 above our $0.47 per share estimate, principally the result of an effective tax rate of 24.4% that was lower than our 25.0% estimate and a reduction in average diluted shares outstanding compared to our expectation of a slight increase. For the year, QCRH earned $9.1 million, or $1.85 per diluted share, up 63% from the $5.6 million, or $1.17 per diluted share in 2011, which excludes a one-time discount accretion on the redemption of the Series D preferred stock. Nonperforming loans rose modestly during the quarter by $1.5 million, or 6%, to $25.4 million as a few problem loans were restructured, while foreclosed assets dropped $0.9 million, or 19%, to $4.2 million, due to the sale of several properties. As a percentage of total loans and OREO, total nonperforming assets fell 4 basis points sequentially to 2.29% from 2.33% at the end of the third quarter and 106 basis points year over year from 3.35%. For 2013, we are maintaining our diluted EPS estimate at $2.05, up 11% over 2012. We are reducing our recommendation to Neutral from Outperform, due solely to valuation, and raising our twelve-month price target to $17.50.

SUMMARY DATA

52-Week High	**$16.44**
52-Week Low	**$9.30**
One-Year Return (%)	**68.41**
Beta	**0.39**
Average Daily Volume (sh)	**2,386**
Shares Outstanding (mil)	**5**
Market Capitalization ($mil)	**$80**
Short Interest Ratio (days)	**0.69**
Institutional Ownership (%)	**13**
Insider Ownership (%)	**18**
Annual Cash Dividend	**$0.08**
Dividend Yield (%)	**0.49**
5-Yr. Historical Growth Rates	
Net Revenue (%)	**8.0**
Earnings Per Share (%)	**12.6**
Dividend (%)	**0.0**
P/E using TTM EPS	**8.9**
P/E using 2012	**8.9**
P/E using 2013 Estimate	**8.0**
Zacks Rank	**3**

Risk Level	**Average**
Type of Stock	**Small-Value**
Industry	**Banks-Midwest**
Zacks Rank in Industry	**13 of 39**

ZACKS ESTIMATES

Net Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2010	15.7 A	16.1 A	16.5 A	17.0 A	65.3 A
2011	17.3 A	18.1 A	18.1 A	18.1 A	71.6 A
2012	18.2 A	18.6 A	18.7 A	18.8 A	74.3 A
2013					77.3 E

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

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2010	0.06 A	0.15 A	0.21 A	0.11 A	0.53 A
2011	0.23 A	0.34 A	0.24 A	0.35 A	1.17 A
2012	0.48 A	0.44 A	0.44 A	0.49 A	1.85 A
2013					2.05 E

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

© Copyright 2013, Zacks Investment Research. All Rights Reserved.

FOURTH QUARTER RESULTS

QCRH posted fourth quarter diluted EPS of $0.49, up 40% from the $0.35 EPS reported last year. Compared to the year-ago quarter, fourth quarter results were boosted by a gain in noninterest income on the back of strong 20%-plus increases in trust department fees and investment management & advisory fees, a one-fourth reduction in the loan loss provision, an almost 4-point drop in the effective tax rate to 24.4%, and preferred dividends that were down $0.2 million, or 21%, from a year ago, reflecting changes in QCRH's capital structure.

Diluted EPS came in $0.02 above our $0.47 per share estimate, principally the result of an effective tax rate of 24.4% that was lower than our 25.0% estimate and a reduction in average diluted shares outstanding compared to our expectation of a slight increase.

For the year, QCRH earned $9.1 million, or $1.85 per diluted share, up 63% from the $5.6 million, or $1.17 per diluted share in 2011, which excludes a one-time discount accretion on the redemption of the Series D preferred stock. Primary contributors to this growth were a 6 ½% gain in net interest income on a 7% increase in average interest-earning assets combined with a 2 basis-point rise in the net interest margin to 3.10%, a one-third reduction in the loan loss provision, strong control over operating expenses, a 2-point decline in the effective tax rate to 25.7%, and a $0.6 million, or 14%, fall in preferred dividends, partly offset by a 5% slide in noninterest income.

Nonperforming loans rose modestly during the quarter by $1.5 million, or 6%, to $25.4 million as a few problem loans were restructured, while foreclosed assets dropped $0.9 million, or 19%, to $4.2 million, due to the sale of several properties. As a percentage of total loans and OREO, total nonperforming assets fell 4 basis points sequentially to 2.29% from 2.33% at the end of the third quarter and 106 basis points year over year from 3.35%.

For 2013, we are maintaining our 2013 diluted EPS estimate at $2.05, though details supporting this growth have changed. Our diluted EPS estimate for 2013 of $2.05 corresponds to an 11% gain over 2012.

Specifically, we have reduced our net interest margin estimate for the year by 10 basis points to 3.00%, which results in a $1 million decline in our estimate for net interest income, increased our estimate for growth in noninterest income, largely reflecting an $0.8 million gain on the recently-announced sale of the credit card business (this is comparable to the $0.6 million gain on the sale of an interest in a data processing provider in 2012), and lowered our estimate for professional & data processing fees and occupancy expense by a combined $1.4 million stemming from the sale of the credit card business. We have also revised our expectations up 4% for total compensation costs.

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

Net Interest Income

Net interest income increased 1% year over year to $14.3 million, due to a 6% gain in average interest-earning assets that was partly offset by a 16 basis-point decline in the net interest margin to 3.02%. A 38 basis-point decline in the yield on average-interest-earnings assets to 3.98% was only partly offset by a 28 basis-point drop in average deposit costs to 0.61% and a 9 basis-point drop in borrowing costs to 2.50%.

The yield on the loan and lease receivables portfolio fell 42 basis points year over year to 5.00%, as QCRH shifted its focus to loan growth, rather than maximizing yield. Competitive pricing pressures caused by the shift of 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. In addition, QCRH limited the decline in yield on the securities portfolio yield to 5 basis points (2.31% for

the quarter ending December 31, 2012), by increasing the allocation to higher yield residential mortgage-backed and municipal securities, away from lower yield US Agencies, enhancing diversification of the securities portfolio at the same time.

Net interest income of $14.3 was about $0.5 million lower than our estimate, as QCRH's 3.02% net interest margin was 8 basis points below our 3.10% estimate.

We expect that competitive pricing pressures will reduce the net interest margin in 2013, and that this will offset the benefit from the shift in QCRH's balance sheet into higher yield loans, away from lower yield securities. We are using a 3.00% estimate for all of 2013 (down 10 basis points from 3.10% previously). This compares to the 3.10% that was actually posted in 2012.

Noninterest Income

Noninterest income rose 15% year over year to $4.5 million (and was $0.7 million higher than our estimate). Strong growth in trust department fees and investment management & advisory fees (up 29% and 22%, respectively, due to the addition of new clients and the higher stock market and activity levels) and a $0.3 million reduction in losses on sales of OREO to $9 thousand were partially offset by a 23% drop in gains on loan sales, the result of reduced SBA loan sale volumes.

For 2013, we raising our estimate for growth in noninterest income, largely reflecting an $0.8 million gain on the recently-announced sale of the credit card business (this is comparable to the $0.6 million gain on the sale of an interest in a data processing provider in 2012) and higher earnings on the cash surrender value of life insurance, partly offset by reductions in our estimates for gains on loan sales and credit cards fees, due to the recently-announced sale of the credit card portfolio.

Loan Loss Provision

The loan loss provision slid 22% year over year to $1.1 million, but was $0.1 million higher than the $1.0 million we had projected.

Going forward, we have increased our estimate for the loan loss provision for 2013 by $0.2 million to $4.6 million, which is up 4% from 2012's $4.4 million, primarily reflecting expected 4% year-over-year growth in the loan portfolio in 2013.

Noninterest Expense

Noninterest expense rose 6% year over year to $13.4 million, matching our estimate.

Though most line items decreased year over year, certain expense categories edged up: compensation expense climbed 10% to $8.7 million; occupancy and equipment expense rose by 14% to $1.5 million; and bank service charges jumped 22% to $0.24 million, stemming from increased volumes of correspondent banking business.

The Company's efficiency ratio deteriorated modestly, increasing 110 basis points to 71.2% compared to 70.1% in 2012's fourth quarter.

We expect operating efficiency to worsen slightly in 2013, and have estimated an efficiency ratio of 71.1% in full-year 2013, which compares to 70.5% actually reported in 2012.

Income Taxes

The Company's effective tax rate was 24.4% in the fourth quarter, compared to 28.2% in the year-ago quarter and our 25.0% estimate. We are maintaining our estimated effective tax rate for 2013 at 25%, down 70 basis points from 25.7% reported in 2012, as a higher proportion of income derives from tax-favored municipal obligations.

Noncontrolling Interests
In August, the remaining 20% of m2 Lease Funds, LLC, the Company's leasing subsidiary, was purchased, providing for 100% equity ownership. The transaction was structured in two payments, with the first payment recorded in August 2012, and the final payment scheduled three years later in August 2015. This purchase eliminates about $2.4 million of noncontrolling interests from QCRH's balance sheet and also a $0.2 million quarterly deduction from net income. However, compensation costs will increase by an amount equivalent to the noncontrolling interest deduction. This means that there will be no impact on net income and earnings per share.

Net Income
QCRH posted fourth quarter net earnings attributable to common shareholders of $2.44 million, or $0.49 per diluted share, up 44% from $1.7 million ($0.35 diluted EPS) reported in the year-ago quarter. This compares to our $2.37 million net income estimate ($0.47 diluted EPS).

Profitability
QCRH posted a 9.3% ROE and 0.63% ROA for the fourth quarter of 2012, compared to a 7.9% ROE and 0.56% ROA for the fourth quarter of 2011, as the Company reported significantly higher net earnings.

Loans and Asset Quality
Loans advanced $43 million, or 3.5%, sequentially to $1,284 million during the fourth quarter. This represents the seventh consecutive quarter of loan growth. Sequentially, total commercial and industrial loans rose $39 million (by a strong 11%) to $394 million as the Company sacrificed some yield to propel loan growth. Residential real estate increased $3 million, or 3%, to $115 million, while direct financing leases edged up by $2 million, or 2%, to $104 million. Commercial real estate and consumer loans were flat at $594 and $77 million, respectively.

We are lowering our estimate of loan growth in 2013 to 4% from 5%, as we now expect slower growth in the first quarter (we believe that some of the fourth quarter's gains came at the expense of growth in 2013's first quarter). This compares to year-over-year growth of 7% in 2012.

Nonperforming loans rose modestly during the quarter by $1.5 million, or 6%, to $25.4 million as a few problem loans were restructured, while foreclosed assets dropped $0.9 million, or 19%, to $4.2 million, due to the sale of several properties. As a percentage of total loans and OREO, total nonperforming assets fell 4 basis points sequentially to 2.29% from 2.33% at the end of the third quarter and 106 basis points year over year from 3.35%.

We expect asset quality to show improvement throughout 2013 as the Company works though problem assets, with the estimated NPA ratio falling to 2.00% by the end of 2013 from 2.29% at yearend 2012.

The loan loss allowance as a percent of nonperforming assets was flat sequentially at 67% at the end of the quarter. This was the result of a higher loan loss allowance that increased to $19.9 million, or 1.55% of gross loans, from $19.4 million, or 1.56% of gross loans, partly offset a higher level of problem loans.

Liquidity and Funding
During the fourth quarter, QCRH increased cash and short-investments by $15 million and the securities portfolio by $11 million.

Within the securities porttfolio, QCRH shifted the securities mix to municipal securities and residential mortgage-backed, away from US government-sponsored agency securities. Sequentially, US Agency securities fell 1% to $338 million, or 57% of the total securities portfolio, while municipal securities rose 8% to $98 million, or 16% of the securities portfolio, and residential mortgage-backed securities inched up 5% to $164 million, or 27% of total securities.

QCRH intends to reduce its reliance on more expensive wholesale funds, including Federal Home Loan Bank (FHLB) advances, wholesale structured repurchase agreements, and brokered and retail time

deposits, replacing these with less expensive core deposits, especially noninterest-bearing demand deposits related to QCBT's correspondent banking business. At December 31, 2012, noninterest-bearing demand deposits represented 33% of total deposits of $1.3 billion (up from 31% at September 30, 2012), while interest-bearing demand deposits were 43% (42% before), time deposits were 21% (23% previously), and brokered deposits were 3% (versus 4% at the September quarterend).

Capital Adequacy and Dividends

The Company's capital adequacy ratios deteriorated during the quarter, as growth in loans outpaced the increase in common equity. The Tier 1 capital ratio tumbled 36 basis points to 11.16% at the end of 2012's fourth quarter from 11.52% at September 30, 2012, and the Total capital ratio dropped 32 basis point to 12.66% from 12.98%. In addition, tangible common equity to tangible assets shed 6 basis points, falling to 3.94% at December 31, 2012

Tangible book value per share increased during the fourth quarter, by $0.11 per share, rising to $16.74 from $16.63.

On November 8, 2012, QCRH announced its regular semi-annual cash dividend of $0.04 per share paid on January 7, 2013 to stockholders of record on December 22, 2012. 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 and redeem the balance of the SBLF preferred stock ($10 million in 2013, $10 million in 2014, and $10 million in 2015). This accounts for the reduction in total tangible equity ratios (including the SBLF preferred stock) in 2012 and 2013. However, we expect tangible common equity ratios to continue to rise—by 20 basis points to 4.14% at yearend 2013 following a 17 bais-point gain in 2012 to 3.94%.

We note that the Company's Series E Preferred Stock is perpetually convertible into shares of common stock at a per share conversion price of $12.15, subject to antidilution adjustments. In addition, QCRH can exercise a conversion option on or after the third anniversary of the issue date (i.e., June 30, 2013) at the same $12.15 conversion price if the Company's common stock price equals or exceeds $17.22 (compared to the current stock price of $15.90) for at least 20 trading days in a period of 30 consecutive trading days. Moreover, QCRH has the right, at any time after the fifth anniversary of the issuance date, to redeem all, but not less than all, of the shares of Series E Preferred Stock, for an amount per share equal to $1,000 plus any declared but unpaid dividends for the then-current dividend period. Assuming conversion of the Series E Preferred, QCRH's tangible common equity would increase to 5.25% of total tangible assets on a pro forma basis.

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.

OVERVIEW

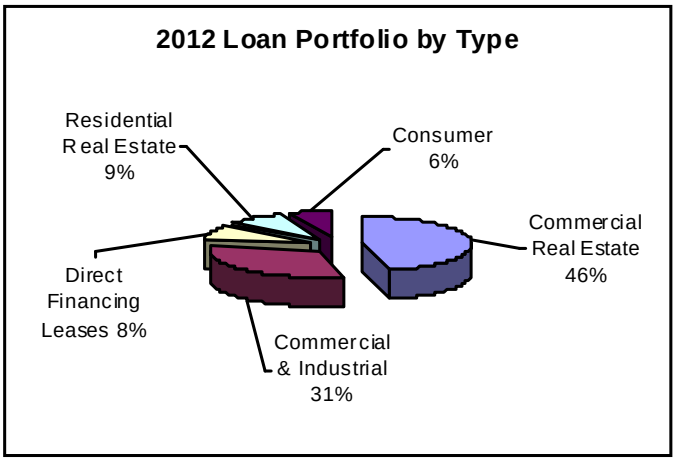
QCR Holdings, Inc. (QCRH or the Company) is a multibank holding company, which was founded in 1993 and is headquartered in Moline, Illinois, with $2.1 billion in total assets at December 31, 2012 and 10 offices. QCRH provides a broad range of business and retail lending products and investment services through three 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; and Rockford Bank and Trust Company (RB&T), based in Rockford, Illinois.

By far the largest of these subsidiaries is QCBT, which accounts for $1.2 billion, or approximately 56%, 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 $626 million of total assets, or about 29% of consolidated assets, and two offices in Cedar Rapids. RB&T is the final banking subsidiary, having begun operations in September 2004. RB&T has $314 million in total assets, or roughly 15% of QCRH's total assets, and operates through two offices located in Rockford, Illinois.

In addition, the Company has three 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; (2) a 91% ownership interest in Velie Plantation Holding Company, LLC (VPHC), acquired through a series of transactions beginning in 1998. VPHC manages the real estate property known as Velie Plantation Mansion in Moline, Illinois, which serves as the headquarters and Moline branch for QCRH; and (3) 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 smaller ownership interests in Nobel Real Estate Investors, LLC (20%) and Cedar Rapids Mortgage Company, LLC (50%), though these do not contribute meaningfully to assets or net income.

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. In 2008, these were reported as discontinued operations in the Company's financial statements (we have not adjusted prior-year financial data for these changes).

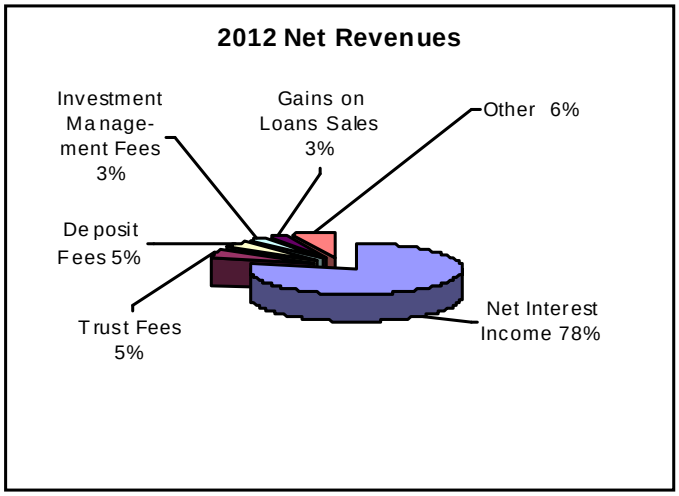


The $1.3 billion loan portfolio has a concentration in commercial real estate, accounting for 46% of total loans at December 31, 2012, of which about 60% is nonowner-occupied, 30% is owner-occupied, and 10% is construction and land development. The rest of the lending book consists of commercial and industrial (accounting for 31% of total gross loans), direct financing leases (8%), residential real estate (9%), and consumer (6%). 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 29% of total assets, while gross loans and leases account for 61%. Noninterest-bearing demand deposits accounted for 33% of total deposits of $1.4 billion at December 31, 2012, with interest-bearing demand and savings deposits at 43%, time deposits at 21%, and brokered time deposits at 3%.

In 2012, net interest income contributed 78% of net revenue. Other significant revenue sources include deposit service fees (5% of net revenues), trust department fees (5%), gains on loan sales (3%), investment management and advisory fees (3%), and other (6%).

QCRH also managed $1.1 billion in trust accounts and $479 million in brokerage accounts at December 31, 2011.



The Company 's financial goals over the next thee-five years include: (1) growing tangible common equity to 6% of tangible assets from about 3.9% at the end of 2012 through growth in retained earnings and conversion of the Series E preferred to common equity; (2) funding the redemption of the remaining $30 million in SBLF preferred stock through growth in retained earnings; (3) 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 62 basis points in 2012, by driving down the efficiency ratio to the 60%-plus area from 70% in 2012; (4) continuing to improve asset quality; and (5) continuing to shift the deposit mix toward noninterest-bearing deposits from more expensive retail and wholesale borrowings, thereby expanding the net interest margin.

Importantly, QCRH is committed to not diluting existing shareholder interests by issuing common shares at below book value.

VALUATION

QCRH stock has risen 24.4% year to date and has outperformed the S&P 500's 6.0% advance by a wide margin, and it has also beaten the industry's median price increase of 6.5%, as shown in the following table. The stock was up 45.3% in 2012 and is up 39.9% since we initiated coverage on QCRH with an outperform rating last May.

At its current price, QCRH is trading at a discount to the industry median P/E of 32% in 2013 (compared to 43% at the time of our last report on November 1, 2012), based upon our diluted EPS estimate for 2013.

Turning to Price/Tangible Book Value, QCRH is valued at 0.96X versus the industry median of 0.99X. This represents a 3% discount to the median, or about 13 points better than QCRH's average historical discount of 16% since the end of 2005. 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.

Applying the 3% discount to our estimated book value for QCRH twelve months out results in a price of approximately $17.50. When combined with the dividend yield, this represents a total return of 7%, in line with our expectations for gains in the broader market index over the next year.

Thus, we are reducing our recommendation to Neutral from Outperform, due solely to valuation, and raising our twelve-month price target to $17.50.

Industry Comparables- Small-Cap Banks

	Pr Chg YTD	Price / Earnings Ratios TTM* EPS	2013E	2014E	Price/ Book	Return on Equity TTM*	5-Yr Avg	Return on Assets TTM*	5-Yr Avg	Div Yld
QCR Holdings	**24.4**	**8.9**	**8.5**	**8.5**	**0.96**	**8.9**	**5.9**	**0.56**	**0.34**	**0.5**
S&P 500	6.0	15.4	13.9	12.9	-----	52.3	-----	9.3	-----	2.4
Median	**6.5**	**13.2**	**11.7**	**12.9**	**0.99**	**7.6**	**3.9**	**0.73**	**0.32**	**0.4**
Average	12.7	15.7	13.8	12.9	1.0	6.9	1.7	0.7	0.3	1.1
High	86.5	47.6	45.4	19.2	2.3	19.0	14.3	1.7	2.1	4.9
Low	(6.7)	5.0	5.3	5.6	0.5	(16.9)	(78.0)	(1.6)	(2.4)	-----

*Trailing twelve months

QCR Holdings, Inc.

Income Statement and Balance Sheet

(Dollars in millions, except per share data)

Summary Financial Data	12/07	12/08	12/09	12/10	12/11	12/12P	12/13E
Net interest income	36.4	45.0	50.4	49.9	54.1	57.6	59.3
Non-interest income	14.1	13.6	15.6	15.4	17.5	16.7	18.0
Total net revenue	50.5	58.6	66.0	65.3	71.6	74.3	77.3
Loan loss provision	2.9	9.2	17.0	7.5	6.6	4.4	4.6
Non-interest expense	39.0	42.3	46.7	48.5	51.0	52.3	55.0
Income taxes & other	3.9	3.9	4.4	6.8	8.4	8.5	7.3
Zacks adjusted income before NRI	4.7	3.2	(2.1)	2.5	5.6	9.1	10.4
GAAP net income	4.7	4.9	(2.1)	2.5	4.4	9.1	10.4
Diluted EPS before NRI	1.02	0.69	(0.46)	0.53	1.17	1.85	2.05
Reported EPS	1.02	1.06	(0.46)	0.53	0.92	1.85	2.05
Dividends per share	0.08	0.08	0.08	0.08	0.08	0.08	0.08
Liquid assets	259.6	287.8	417.3	546.0	638.5	612.7	618.8
Loans & leases, gross	1,106.9	1,214.7	1,244.3	1,172.5	1,200.7	1,287.4	1,343.0
Total assets	1,476.6	1,605.6	1,779.6	1,836.6	1,966.6	2,093.7	2,155.1
Core deposits	684.6	711.3	761.5	844.2	960.9	1,129.5	1,178.3
Purchased funds	267.6	367.6	340.9	307.1	263.6	266.2	265.0
Long-term debt	229.8	310.4	378.8	388.5	358.1	355.0	350.0
Shareholders' equity	86.1	90.6	123.9	130.9	142.4	140.4	137.0
Profitability							
Return on avg assets	0.43%	0.32%	0.10%	0.36%	0.51%	0.62%	0.63%
Return on avg equity	7.70%	5.66%	1.43%	5.03%	7.09%	8.90%	9.71%
Net interest margin	2.97%	3.32%	3.15%	2.92%	3.08%	3.10%	3.00%
Loan loss provision % avg assets	0.21%	0.59%	0.98%	0.41%	0.35%	0.22%	0.21%
Noninterest income % avg assets	1.04%	0.88%	0.91%	0.84%	0.92%	0.82%	0.85%
Noninterest expense % avg assets	2.89%	2.73%	2.71%	2.64%	2.67%	2.58%	2.59%
Preprovision pretax income % avg assets	0.85%	1.04%	1.12%	0.91%	1.08%	1.09%	1.05%
Tangible efficiency ratio	77%	73%	72%	74%	73%	70%	71%
Payout ratio	8%	8%	(18)%	15%	9%	4%	4%
Asset Quality							
Net charge-offs % avg loans	0.14%	0.24%	1.00%	0.79%	0.70%	0.27%	0.29%
Allowance % loans	1.09%	1.47%	1.81%	1.74%	1.56%	1.55%	1.54%
NPAs % loans & related assets	0.68%	2.08%	3.22%	4.24%	3.35%	2.29%	2.00%
Allowance % NPAs	161%	70%	56%	41%	46%	67%	77%
Liquidity & Funding							
Liquid assets % purchased funds	97%	78%	122%	178%	242%	230%	234%
Core deposits % loans	62%	59%	61%	72%	80%	88%	88%
Liquid assets % assets	18%	18%	23%	30%	32%	29%	29%
Loans % assets	75%	76%	70%	64%	61%	61%	62%
Capital Adequacy							
Total equity % assets	5.83%	5.64%	6.96%	7.13%	7.24%	6.71%	6.36%
Tangible equity % assets	5.62%	5.46%	6.79%	6.97%	7.09%	6.56%	6.22%
Tier 1 capital ratio	8.65%	8.36%	11.14%	12.12%	12.24%	11.16%	
Total capital ratio	10.48%	10.39%	12.52%	13.70%	13.84%	12.66%	
Parent Company Statistics							
Interest coverage	2.8X	3.1X	1.4X	0.7X	2.8X		2.0X
Interest & dividend coverage	2.0X	1.8X	0.5X	0.3X	0.8X		0.9X
Short-term debt coverage	0.7X	2.0X	N/A	N/A	N/A		N/A
Total debt coverage	0.1X	0.2X	N/A	N/A	N/A		N/A
Double leverage	144.2%	146.1%	133.4%	132.5%	128.9%		148.2%

QCR Holdings, Inc.

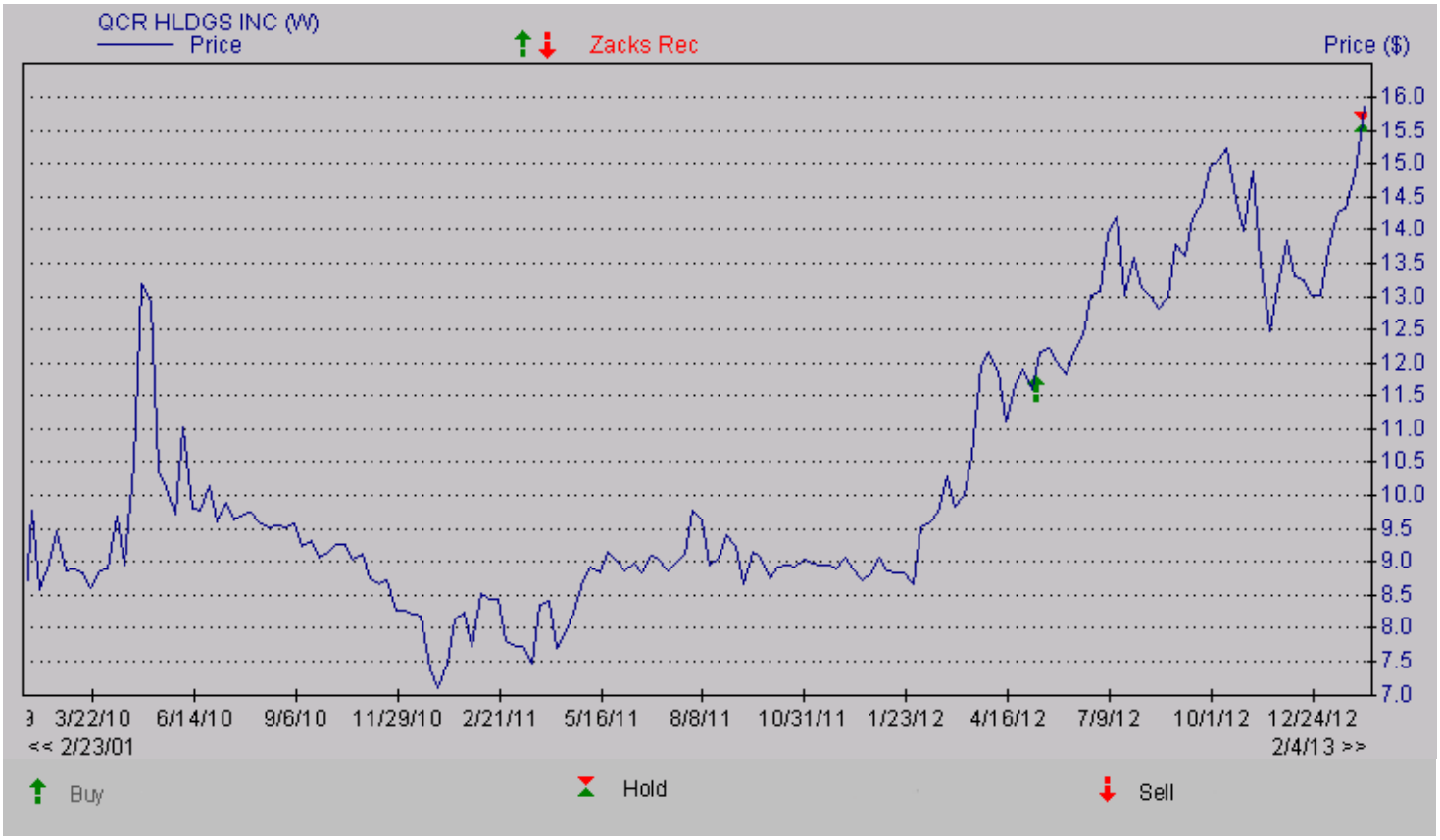
Income Statement and Balance Sheet

(Dollars in millions, except per share data)

	2011				2012			
Summary Financial Data	**Q1 A**	**Q2 A**	**Q3 A**	**Q4 A**	**Q1 A**	**Q2 A**	**Q3 A**	**Q4 P**
Net interest income	12.2	14.0	13.8	14.2	14.2	14.5	14.6	14.3
Non-interest income	5.1	4.1	4.3	3.9	4.0	4.1	4.1	4.5
Total net revenue	17.3	18.1	18.1	18.1	18.2	18.6	18.7	18.8
Loan loss provision	1.1	1.7	2.5	1.4	0.8	1.0	1.5	1.1
Non-interest expense	13.0	12.6	12.7	12.7	12.7	13.1	13.0	13.4
Income taxes & other	2.1	2.2	1.7	2.3	2.4	2.4	2.0	1.9
Zacks adjusted income before NRI	1.1	1.6	1.2	1.7	2.3	2.1	2.2	2.4
GAAP net income	1.1	1.6	(0.0)	1.7	2.3	2.1	2.2	2.4
Diluted EPS before NRI	0.23	0.34	0.24	0.35	0.48	0.44	0.44	0.49
Reported EPS	0.23	0.34	(0.01)	0.35	0.48	0.44	0.44	0.49
Dividends per share	-----	0.04	-----	0.04	-----	0.04	-----	0.04
Liquid assets	610.4	581.6	589.4	638.5	625.4	639.1	594.7	612.7
Loans & leases, gross	1,155.8	1,183.9	1,197.6	1,200.7	1,211.7	1,213.3	1,244.3	1,287.4
Total assets	1,873.7	1,878.5	1,899.0	1,966.6	1,993.0	2,043.4	2,023.9	2,093.7
Core deposits	924.2	943.7	936.8	960.9	1,052.2	1,070.9	1,098.7	1,129.5
Purchased funds	292.2	284.0	297.6	263.6	266.2	265.2	266.2	266.2
Long-term debt	368.5	368.5	354.1	358.1	354.4	357.5	349.0	355.0
Shareholders' equity	131.2	135.5	141.2	142.4	143.5	136.9	139.0	140.4
Profitability								
Return on avg assets*	0.45%	0.57%	0.45%	0.56%	0.65%	0.61%	0.60%	0.63%
Return on avg equity *	6.47%	7.95%	6.10%	7.85%	9.00%	8.54%	8.78%	9.28%
Net interest margin	2.78%	3.21%	3.16%	3.18%	3.09%	3.16%	3.16%	3.02%
Loan loss provision % avg assets*	0.23%	0.36%	0.52%	0.29%	0.16%	0.21%	0.29%	0.22%
Noninterest income % avg assets*	1.07%	0.89%	0.91%	0.80%	0.79%	0.81%	0.81%	0.87%
Noninterest expense % avg assets*	2.75%	2.67%	2.68%	2.60%	2.54%	2.61%	2.57%	2.60%
Preprovision pretax inc.% avg assets*	0.90%	1.18%	1.13%	1.11%	1.08%	1.09%	1.13%	1.05%
Tangible efficiency ratio	79%	70%	72%	70%	70%	71%	70%	71%
Payout ratio	-----	12%	-----	11%	-----	9%	-----	8%
Asset Quality								
Net charge-offs % avg loans*	0.24%	0.89%	0.90%	0.74%	0.19%	0.44%	0.26%	0.17%
Allowance % loans	1.79%	1.67%	1.63%	1.56%	1.57%	1.54%	1.56%	1.55%
NPAs % loans & related assets	3.80%	3.17%	3.35%	3.35%	3.19%	2.98%	2.33%	2.29%
Allowance % NPAs	47%	52%	48%	46%	49%	51%	67%	67%
Liquidity & Funding								
Liquid assets % purchased funds	209%	205%	198%	242%	235%	241%	223%	230%
Core deposits % loans	80%	80%	78%	80%	87%	88%	88%	88%
Liquid assets % assets	33%	31%	31%	32%	31%	31%	29%	29%
Loans % assets	62%	63%	63%	61%	61%	59%	61%	61%
Capital Adequacy								
Total equity % assets	7.00%	7.21%	7.44%	7.24%	7.20%	6.70%	6.87%	6.71%
Tangible equity % assets	6.84%	7.05%	7.28%	7.09%	7.05%	6.55%	6.72%	6.56%
Tier 1 capital ratio	12.33%	12.28%	12.42%	12.24%	12.27%	11.52%	11.52%	11.16%
Total capital ratio	13.92%	13.87%	14.01%	13.84%	13.87%	13.14%	12.98%	12.66%

*Annualized.

HISTORICAL ZACKS RECOMMENDATIONS



DISCLOSURES

The following disclosures relate to relationships between Zacks Investment Research ("ZIR") and Zacks Small-Cap Research ("Zacks SCR") and the issuers covered by the Zacks SCR analysts in the Small-Cap Universe.

ZIR or Zacks SCR Analysts do not hold or trade securities in the issuers which they cover. Each analyst has full discretion on the rating and price target based on their own due diligence. Analysts are paid in part based on the overall profitability of Zacks SCR. Such profitability is derived from a variety of sources and includes payments received from issuers of securities covered by Zacks SCR for non-investment banking services. No part of analyst compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in any report or blog.

ZIR and Zacks SCR do not make a market in any security nor do they act as dealers in securities. Zacks SCR has never received compensation for investment banking services on the small-cap universe. Zacks SCR does not expect received compensation for investment banking services on the small-cap universe. Zacks SCR has received compensation for non-investment banking services on the small-cap universe, and expects to receive additional compensation for non-investment banking services on the small-cap universe, paid by issuers of securities covered by Zacks SCR. Non-investment banking services include investor relations services and software, financial database analysis, advertising services, brokerage services, advisory services, investment research, and investment management.

Additional information is available upon request. Zacks SCR reports are based on data obtained from sources we believe to be reliable, but is not guaranteed as to accuracy and does not purport to be complete. Because of individual objectives, the report should not be construed as advice designed to meet the particular investment needs of any investor. Any opinions expressed by Zacks SCR Analysts are subject to change. Reports are not to be construed as an offer or the solicitation of an offer to buy or sell the securities herein mentioned. Zacks SCR uses the following rating system for the securities it covers. Buy/Outperform: The analyst expects that the subject company will outperform the broader U.S. equity market over the next one to two quarters. Hold/Neutral: The analyst expects that the company will perform in line with the broader U.S. equity market over the next one to two quarters. Sell/Underperform: The analyst expects the company will underperform the broader U.S. Equity market over the next one to two quarters.

The current distribution of Zacks Ratings is as follows on the 1011 companies covered: Buy/Outperform- 14.4%, Hold/Neutral- 78.0%, Sell/Underperform – 7.0%. Data is as of midnight on the business day immediately prior to this publication.