Zacks Small-Cap Research

February 23, 2015
Ann H. Heffron, CFA, CPA
312-265-9428
aheffron@zacks.com

scr.zacks.com
10 South Riverside Plaza ● Chicago, IL 60606

QCR Holdings, Inc.

(QCRH-NASDAQ)

QCRH: Very Good Fourth Quarter Despite Outsized Loss Provision

Current Recommendation	**Outperform**
Prior Recommendation	Neutral
Date of Last Change	08/26/2013
Current Price (02/20/15)	$17.73
Twelve- Month Target Price	**$22.00**

OUTLOOK

Compared to the year-ago quarter, QCRH fourth quarter net earnings fell 3% to $3.0 million from $3.1 million after preferred stock dividends. On a diluted per share basis, EPS decreased $0.13, or 26%, to $0.37 from $0.50, reflecting a 31% 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 fourth quarter diluted EPS of $0.37 was well below our $0.49 estimate, primarily reflecting a much larger than expected loss provision as the Company took the opportunity to clean up some credit quality issues that had led to a higher level of nonperforming assets earlier in the year, which QCRH hopes to reduce to less than 1.00% of total assets over the next couple of years. Despite this, there were a number of positives in the quarter that beat our expectations, including a higher net interest margin, greater gains on the sale of government-guaranteed loans, stronger loan expansion, more restrained growth in compensation costs, and a lower effective tax rate. We are maintaining our 2015 diluted EPS estimate at $2.10, a 22% gain over 2014's $1.72. Primary factors supporting this expansion include: (1) a 3.20% NIM as QCRH boosts the level loans to 70% of assets from 63% currently; (2) 10% loan growth; (3) a 60% surge in gains on loan sales; and (4) a reduction in the loan loss provision to $6.0 million from $6.8 million in 2014.

SUMMARY DATA

52-Week High	**$18.20**
52-Week Low	**$17.00**
One-Year Return (%)	**3.83**
Beta	**0.50**
Average Daily Volume (sh)	**6,247**
Shares Outstanding (mil)	**8**
Market Capitalization ($mil)	**$141**
Short Interest Ratio (days)	**1.35**
Institutional Ownership (%)	**18**
Insider Ownership (%)	**13**
Annual Cash Dividend	**$0.08**
Dividend Yield (%)	**0.45**
5-Yr. Historical Growth Rates	
Net Revenue (%)	**8.4**
Earnings Per Share (%)	**34.1**
Dividend (%)	**0.0**
P/E using TTM EPS	**9.6**
P/E using 2015 Estimate	**8.4**
P/E using 2016 Estimate	**N/A**
Zacks Rank	**1**

Risk Level	**Average**
Type of Stock	**Small-Value**
Industry	**Banks-Midwest**
Zacks Rank in Industry	**1 of 35**

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	22.6 A	23.6 A	90.1 A
2015					96.0 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	0.50 A	0.37 A	1.72 A
2015					2.10 E

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

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FOURTH QUARTER RESULTS

Compared to the year-ago quarter, fourth quarter net earnings fell 3% to $3.0 million from $3.1 million after preferred stock dividends. On a diluted per share basis, EPS decreased $0.13, or 26%, to $0.37 from $0.50, reflecting a 31% 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 fourth quarter diluted EPS of $0.37 was well below our $0.49 estimate, primarily reflecting a much larger than expected loss provision as the Company took the opportunity to clean up some credit quality issues that had led to a higher level of nonperforming assets earlier in the year, which QCRH hopes to reduce to less than 1.00% of total assets over the next couple of years.

Despite this, there were a number of positives in the quarter that beat our expectations, including a higher net interest margin, greater gains on the sale of government-guaranteed loans, stronger loan expansion, more restrained growth in compensation costs, and a lower effective tax rate.

For the year, QCRH boasted an 18% climb in net earnings to $13.9 million in 2014 from $11.8 million in 2013 (after preferred stock dividends). Diluted EPS fell $0.36 to $1.72 in 2014 from $2.08 in 2013, reflecting a 43% 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.

We are maintaining our 2015 diluted EPS estimate at $2.10, a 22% gain over 2014's $1.72. Primary factors supporting this expansion include: (1) a 5 basis-point rise in the net interest margin to 3.20% from 3.15% in 2014 as QCRH boosts the level loans to 70% of assets from 63% currently; (2) 10% loan growth; (3) a $1.5 million, or 60%, surge in gains on loan sales to $4.0 million as QCRH ramps up its small business lending program to make this a more consistent and larger source of revenue for the Company; and (4) a reduction in the loan loss provision to $6.0 million from $6.8 million in 2014. This will be partly offset by a higher effective tax rate of 21.0% versus 16.9% in 2014 and a $1.8 million, or 4%, increase in compensation costs to $42.1 million from $40.3 million in 2014.

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

Net Interest Income

Net interest income rose $0.9 million, or 5%, year over year to $17.8 million, as a 2% gain in average interest-earning assets combined with a16 basis-point rise in the net interest margin to 3.20% to produce this result.

The NIM gain reflected a 14 basis-point increase in the yield on average interest-earnings assets to 3.92% and a 24 basis-point fall in borrowing costs to 2.20%, partially offset a 6 basis-point rise in average deposit costs to 0.39%.

The yield on the loan and lease receivables portfolio fell 21 basis points year over year to 4.54%, 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 37 basis points to 2.79%.

Net interest income was $0.2 million higher than our $17.6 million estimate, largely due to a net interest margin of 3.20% that was 4 basis points above our 3.16% estimate.

We expect that expansion into higher margin lending lines, particularly high-rate leases (the highest yielding asset for the Company), 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 (targeted at 70% of total assets versus 63% currently), away from lower yield securities. In addition, with sales of securities partially funding loan growth, the Company is reducing its reliance on more expensive wholesale funding, which will also help the net interest margin. Thus, we are increasing our NIM estimate to 3.20% for full-year 2015 (up from 3.19% previously). This compares to an actual NIM of 3.15% in 2014.

Noninterest Income

Results were hurt by a $1.9 million, or 24% year-over-year decline in noninterest income to $5.8 million in 2014's fourth quarter (though $0.7 million above our estimate due to higher-than-expected gains on government-guaranteed loan sales), largely reflecting $2.9 million in one-time gains in the prior year. Excluding these gains, noninterest income actually jumped $1.0 million, or 21%, to $5.8 million, primarily the result of a $1.0 million surge in gains on loan sales to $1.3 million from $0.3 million in the prior year.

For 2015, we are maintaining our estimate on total gains on loan sales at $4.0 million, compared to $2.5 million actual in 2014. QCRH has ramped up its small business lending program. Steps taken to enhance this business include the hiring of a former USDA loan officer and more precise targeting of USDA lending opportunities by correspondent bankers. For 2015, QCRH intends to hire an SBA specialist in the Quad Cities market. QCRH intends to grow revenues from this business to a steady $0.75-1.0 million per quarter from more volatile contributions of $0.3 million to $1.0 million per quarter over the last several years. Positively, this will contribute to more consistency in reported results in the future.

Loan Loss Provision

The loan loss provision rose $1.7 million, or 84%, to $3.6 million in the fourth quarter, and was well above our $1.15 million estimate, as the Company took the opportunity to clean up some credit quality issues that had led to a higher level of nonperforming assets earlier in the year. QCRH hopes to reduce nonperforming assets to less than 1.00% of total assets over the next couple of years, by tying incentive plans to specific asset quality metrics.

For 2015, we are raising our estimate of the loan loss provision to $6.0 million from $5.0 million previously. This compares to a $6.8 million actual loss provision in 2014.

Noninterest Expense

Noninterest expense fell $1.6 million, or 9%, year over year to $16.6 million, $0.1 million above our estimate. That said, compensation costs were $0.3 million lower than our estimate, while noncompensation costs were $0.4 million higher, largely due to greater-than-expected professional and data processing fees. Consequently, we have increased our estimate for noncompensation costs by $0.2 million in 2015.

Relative to 2013's fourth quarter, about half of line items decreased year over year, as last year's fourth quarter was inflated by costs related to the CNB acquisition. The sharpest declines occurred in other (down $1.5 million, or 71%, due to one-time charges stemming from the CNB purchase in the prior year), professional and data processing fees (down $0.3 million, or 14%), and loan and lease expense (down $0.2 million, or 36%).

The Company's efficiency ratio improved, falling 340 basis points to 70.6% compared to 74.0% in 2013's fourth quarter.

We expect the operating efficiency ratio to come in at 71.2% in full-year 2015, which compares to 72.5% actually reported in 2014.

Income Taxes

The Company's effective tax rate was 10.3% in the fourth quarter, compared to 13.7% in the year-ago quarter and our 22.0% estimate.

For 2015, our new estimate for the effective tax rate is 21.0% compared to 23.0% previously, as QCRH derives less income from taxable sources. This compares to a 16.9% tax rate that was actually posted in 2014.

Net Income
QCRH posted fourth quarter net earnings attributable to common shareholders of $3.0 million, or $0.37 per diluted share, down 3% from $3.1 million ($0.50 diluted EPS) reported in the year-ago quarter.

Profitability
QCRH posted an 8.4% ROE and 0.48% ROA for the fourth quarter of 2014, compared to an 10.2% ROE and 0.63% ROA for the fourth quarter of 2013.

Loans and Asset Quality
Loans jumped $57 million, or 3.6%, sequentially to $1,623 million during the fourth quarter, with solid growth in all lines of lending. Leading the charge was commercial and industrial, which increased $43 million, or 9%, to $524 million followed by direct finance leasing, which rose $4 million, or 2%, to $166 million, residential real estate, which rose by $4 million, or 2%, to $159 million, consumer, which grew $1 million, or 1%, to $73 million, and commercial real estate, which edged up by $4 million, or less than 1%, to $702 million.

We are maintaining our estimate of loan growth at 10% in 2015. This compares with a 12% increase in 2014. There are three major reasons for our optimism regarding 2015: (1) QCRH continues to gain market share from competitors, having a strong loan pipeline at all bank charters; (2) the economy is getting more vibrant; and (3) QCRH's continued focus on enhancing growth at the leasing subsidiary and in SBA loans.

Nonperforming loans fell by $8.4 million, or 30%, to $20.1 million during the fourth quarter, in part due to a high level of charge-offs in the quarter. The Company charged off $3.2 million in the fourth quarter, including $2.0 million that was from a single credit relationship, but was spread among all the subsidiary banks.

Foreclosed assets, which includes $12.9 million of OREO, increased $2.0 million, or 19% to $12.9 million. As a percentage of total loans and OREO, total nonperforming assets improved, falling by 48 basis points sequentially to 2.01% from 2.49% at the end of the third quarter and by 7 basis points year over year from 2.08%.

We expect asset quality to show improvement as the Company works though problem assets, with the estimated NPA ratio decreasing from 2.01% at the end of the fourth quarter to 1.60% by the end of 2015.

The loan loss allowance as a percent of nonperforming assets increased sequentially to 70% at the end of the quarter from 58% at September 30, 2014, but was flat compared to a year ago. This was the result of a lower level of problem loans, as well as a loan loss allowance that increased to $23.1 million, or 1.42%, of gross loans, from $22.8 million, or 1.45%, of gross loans at September 30, 2014 loans, and from $21.4 million, or 1.47% of gross loans at December 31, 2013.

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 1.42% at December 31, 2014 from 1.61% at March 31, 2013.

Liquidity and Funding
During the fourth quarter, QCRH decreased cash and short-investments by $14 million to $120 million, while the securities portfolio decreased $1 million, or less than 1%, to $652 million.

Within the securities portfolio, there were shifts from the previous quarter. Sequentially, US Agency securities increased 1% to $308 million, or 47% of the total securities portfolio (flat with 47% at the end of

the third quarter) and municipal securities rose 1% to $229 million, or 35% of total securities (up from 33% at the end of the third quarter), while residential mortgage-backed securities fell 13% to $111 million, or 17% of the securities portfolio (down from 20% at the end of the third 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 December 31, 2014, noninterest-bearing demand deposits represented 31% of total deposits of $1.7 billion (flat with 31% at September 30, 2014), while interest-bearing demand deposits were 47% (up from 44%), time deposits were 18% (down from 19%), and brokered deposits were 4% (down from 6%).

Capital Adequacy and Dividends

The Company's capital adequacy ratios fell during the quarter. The Tier 1 capital ratio decreased 16 basis points to 9.53% at the end of 2014's fourth quarter from 9.69% at September 30, 2014, and the Total capital ratio declined 19 basis points to 10.91% from 11.10%.

The tangible common equity to tangible assets ratio inched up 7 basis points, rising to 5.52% at December 31, 2014, largely due to growth in retained earnings and a large $2.8 million positive swing in other comprehensive income, partly offset by a $76 million increase in tangible assets.

Tangible book value per share increased during the fourth quarter by $0.71 per share, rising to $17.50 from $16.79.

On November 13, 2014, QCRH announced its regular semi-annual cash dividend of $0.04 per share paid on January 7, 2015 to stockholders of record on December 19, 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 5.52% of tangible assets at the end of 2014 from 3.49% at September 30, 2013. We expect further improvement to 5.99% 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 declined an additional 44 basis points to 5.52% 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. In 2015, we expect the total tangible equity ratio to rise about 47 basis points to 5.99%. The SBLF preferred stock 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 6.5% 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

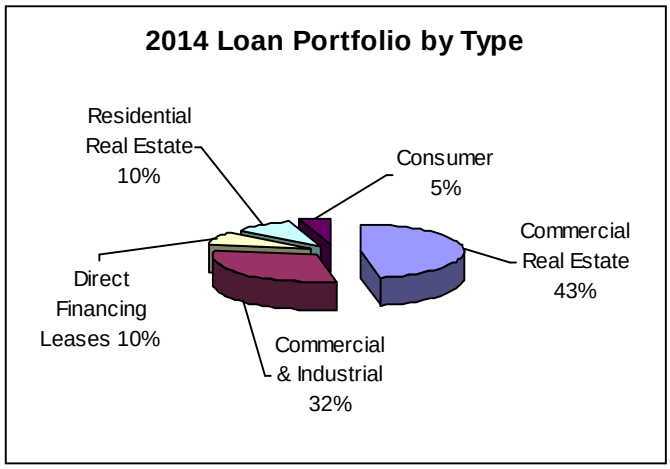
QCR Holdings, Inc. (QCRH or the Company) is a multibank holding company, which was founded in 1993 and is headquartered in Moline, Illinois, with $2.5 billion in total assets at December 31, 2014 and 14 offices. QCRH provides a broad range of business and retail lending products and investment services 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 $1.32 billion at yearend 2014, 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 $8840 million of total assets, or about 33% 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 $353 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.

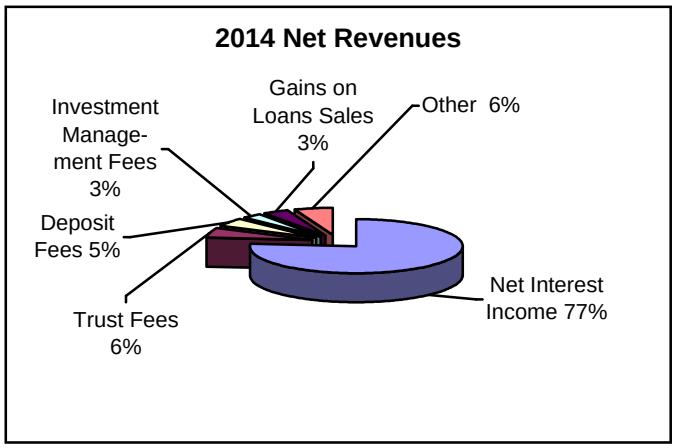
QCRH has disposed of several operating subsidiaries over the past few years as they did not contribute significantly to earnings and no longer fit into the Company's long-term strategic plans. These include: (1) the sale of the merchant credit card processing business and the liquidation of Quad City 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 $1.6 billion loan portfolio has a concentration in commercial real estate, accounting for 43% of total loans at December 31, 2014, of which about 47% is nonowner-occupied, 40% is owner-occupied, and 13% is construction and land development. The rest of the lending book consists of commercial and industrial (accounting for 32% of total gross loans), direct financing leases (10%), 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 21% of total assets, while gross loans and leases account for 65%. Noninterest-bearing demand deposits accounted for 31% of total deposits of $1.7 billion at December 31, 2014, with interest-bearing demand and savings deposits at 47%, time deposits at 18%, and brokered time deposits at 4%.

In 2014, net interest income contributed 77% of net revenue. Other significant revenue sources include trust department fees (6% of net revenues), deposit service fees (5%), gains on loan sales (3%), investment management and advisory fees (3%), and other (6%).



QCRH also managed $1.55 billion in trust accounts and $593 million in brokerage accounts at September 30, 2014.

The Company 's financial goals over the next few years include: (1) growing tangible common equity to 6.5% of tangible assets from about 5.5% at the end of 2014 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 61 basis points in 2014, by driving down the efficiency ratio to the 60%-plus area from 72% in 2014; (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 fallen 0.7% year to date, matching the price decline of the small-cap bank industry, but below the S&P 500's 2.5% gain, as shown in the following table.

At its current price, QCRH is trading at a 15% discount to the industry median P/E, based upon our diluted EPS estimate for 2015. This is about 500 basis points worse than the five-year average historical discount of 10%. Applying a 10% discount to our latest 2015 diluted EPS estimate results in a target price of $19.00.

Turning to Price/Tangible Book Value, QCRH is valued at 1.08X versus the industry median of 1.27X. While this is 15% below the industry median, about the same as 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 $25.00.

Taking the midpoint of these two valuation measures results in a price of $22.00, compared to the current stock price of $17.73. When price appreciation of 24% is combined with the dividend yield, this represents a total return of over 24 ½%, 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	2015E	2016E	5-Yr Avg	Price/ Book	TTM*	5-Yr Avg	TTM*	5-Yr Avg	Div Yld
QCR Holdings	**(0.7)**	**9.6**	**8.4**	**N/A**	**11.7**	**1.08**	**10.8**	**8.4**	**0.61**	**0.52**	**0.5**
S&P 500	2.5	19.4	16.8	15.7	15.8	6.0	25.2	-----	9.2	-----	2.0
Median	**(0.7)**	**14.5**	**9.9**	**8.0**	**13.0**	**1.27**	**8.5**	**6.0**	**0.82**	**0.52**	**1.7**
Average	(0.2)	17.0	8.0	6.6	12.8	1.2	8.1	4.4	0.8	0.5	1.7
High	13.2	80.0	44.4	28.4	29.6	2.1	21.4	14.5	2.1	1.8	4.8
Low	(14.2)	-----	-----	-----	-----	0.6	(1.4)	(57.8)	(0.1)	(1.0)	-----

*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 P	12/15 E
Net interest income	50.4	49.9	54.1	57.6	64.1	69.1	73.8
Non-interest income	15.6	15.4	17.5	16.7	25.8	21.0	22.2
Total net revenue	66.0	65.3	71.6	74.3	89.9	90.1	96.0
Loan loss provision	17.0	7.5	6.6	4.4	5.9	6.8	6.0
Non-interest expense	46.7	48.5	51.0	52.3	64.4	65.3	68.4
Income taxes & other	4.4	6.8	8.4	8.5	7.8	4.1	4.5
Zacks adjusted income before NRI	(2.1)	2.5	5.6	9.1	11.8	13.9	17.1
GAAP net income	(2.1)	2.5	4.4	9.1	11.8	13.9	17.1
Diluted EPS before NRI	(0.46)	0.53	1.17	1.85	2.08	1.72	2.10
Reported EPS	(0.46)	0.53	0.92	1.85	2.08	1.72	2.10
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	539.6	487.7
Loans & leases, gross	1,244.3	1,172.5	1,200.7	1,287.4	1,460.3	1,630.0	1,799.2
Total assets	1,779.6	1,836.6	1,966.6	2,093.7	2,395.0	2,525.0	2,601.6
Core deposits	761.5	844.2	960.9	1,129.5	1,341.7	1,374.3	1,444.4
Purchased funds	340.9	307.1	263.6	266.2	415.8	684.2	650.0
Long-term debt	378.8	388.5	358.1	355.0	303.6	283.7	290.0
Shareholders' equity	123.9	130.9	142.4	140.4	147.6	144.1	160.5
Profitability							
Return on avg assets	0.10%	0.36%	0.51%	0.62%	0.64%	0.61%	0.67%
Return on avg equity	1.43%	5.03%	7.09%	8.90%	10.24%	10.48%	11.21%
Net interest margin	3.15%	2.92%	3.08%	3.10%	3.03%	3.15%	3.20%
Loan loss provision % avg assets	0.98%	0.41%	0.35%	0.22%	0.25%	0.28%	0.23%
Noninterest income % avg assets	0.91%	0.84%	0.92%	0.82%	1.11%	0.86%	0.86%
Noninterest expense % avg assets	2.71%	2.64%	2.67%	2.58%	2.76%	2.66%	2.67%
Preprovision pretax income % avg assets	1.12%	0.91%	1.08%	1.09%	1.09%	1.01%	1.08%
Tangible efficiency ratio	72%	74%	73%	70%	72%	72%	71%
Payout ratio	(18)%	15%	9%	4%	4%	5%	4%
Asset Quality							
Net charge-offs % avg loans	1.00%	0.79%	0.70%	0.27%	0.31%	0.33%	0.20%
Allowance % loans	1.81%	1.74%	1.56%	1.55%	1.47%	1.42%	1.43%
NPAs % loans & related assets	3.22%	4.24%	3.35%	2.29%	2.08%	2.01%	1.60%
Allowance % NPAs	56%	41%	46%	67%	70%	70%	88%
Liquidity & Funding							
Liquid assets % purchased funds	85%	122%	130%	133%	111%	79%	75%
Core deposits % loans	61%	72%	80%	87%	92%	84%	80%
Liquid assets % assets	23%	30%	32%	29%	26%	21%	19%
Loans % assets	70%	64%	61%	61%	61%	65%	69%
Capital Adequacy							
Total equity % assets	6.96%	7.13%	7.24%	6.71%	6.16%	5.71%	6.17%
Tangible equity % assets	6.79%	6.97%	7.09%	6.56%	5.96%	5.52%	5.99%
Tier 1 capital ratio	11.14%	12.12%	12.24%	11.27%	11.45%	9.53%	
Total capital ratio	12.52%	13.70%	13.84%	12.71%	12.87%	10.91%	
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	1.6X	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%	143.6%	139.5%

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 A**	**Q4 P**
Net interest income	14.2	15.7	17.3	16.9	16.9	17.0	17.5	17.8
Non-interest income	5.2	7.0	5.9	7.7	4.7	5.3	5.0	5.8
Total net revenue	19.4	22.7	23.2	24.6	21.6	22.3	22.5	23.6
Loan loss provision	1.1	1.5	1.4	2.0	1.1	1.0	1.1	3.6
Non-interest expense	14.0	15.2	17.0	18.2	16.1	16.1	16.4	16.6
Income taxes & other	1.8	2.8	1.8	1.3	1.2	1.6	0.9	0.4
Zacks adjusted income before NRI	2.5	3.2	3.0	3.1	3.2	3.6	4.1	3.0
GAAP net income	2.5	3.2	3.0	3.1	3.2	3.6	4.1	3.0
Diluted EPS before NRI	0.49	0.59	0.51	0.50	0.40	0.45	0.50	0.37
Reported EPS	0.49	0.59	0.51	0.50	0.40	0.45	0.50	0.37
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	540.5	539.6
Loans & leases, gross	1,291.8	1,530.7	1,539.4	1,460.3	1,492.6	1,549.4	1,572.9	1,630.0
Total assets	2,144.0	2,446.8	2,485.7	2,395.0	2,426.3	2,464.8	2,450.6	2,525.0
Core deposits	1,175.9	1,467.1	1,492.2	1,341.7	1,366.6	1,372.0	1,408.5	1,374.3
Purchased funds	266.2	293.8	268.2	415.8	415.8	415.8	415.8	684.2
Long-term debt	358.0	348.7	369.8	303.6	307.8	304.2	277.8	283.7
Shareholders' equity	142.2	145.4	148.0	147.6	141.4	134.6	138.2	144.1
Profitability								
Return on avg assets*	0.62%	0.70%	0.62%	0.63%	0.64%	0.66%	0.66%	0.48%
Return on avg equity *	9.25%	11.03	10.44%	10.19%	10.37%	11.25%	11.91%	8.43%
Net interest margin	3.02%	2.99%	3.07%	3.04%	3.11%	3.14%	3.15%	3.20%
Loan loss provision % avg assets*	0.20%	0.26%	0.22%	0.33%	0.18%	0.17%	0.17%	0.59%
Noninterest income % avg assets*	0.99%	1.20%	0.97%	1.27%	0.78%	0.88%	0.82%	0.94%
Noninterest expense % avg assets*	2.65%	2.55%	2.77%	2.99%	2.65%	2.66%	2.66%	2.67%
Preprovision pretax inc.% avg assets*	1.03%	1.35%	1.01%	1.05%	0.90%	1.02%	1.00%	1.12%
Tangible efficiency ratio	72%	65%	75%	74%	75%	72%	73%	71%
Payout ratio	-----	7%	-----	8%	-----	9%	-----	11%
Asset Quality								
Net charge-offs % avg loans*	0.07%	0.32%	0.12%	0.71%	(0.03)%	0.15%	0.35%	0.80%
Allowance % loans	1.61%	1.38%	1.43%	1.47%	1.52%	1.49%	1.45%	1.42%
NPAs % loans & related assets	1.83%	2.22%	2.18%	2.08%	1.90%	2.00%	2.49%	2.01%
Allowance % NPAs	88%	62%	66%	70%	79%	74%	58%	70%
Liquidity & Funding								
Liquid assets % purchased funds	141%	145%	150%	111%	107%	96%	94%	79%
Core deposits % loans	91%	96%	97%	92%	92%	89%	90%	84%
Liquid assets % assets	30%	27%	26%	26%	26%	24%	22%	21%
Loans % assets	60%	63%	62%	61%	62%	63%	64%	65%
Capital Adequacy								
Total equity % assets	6.63%	5.94%	5.95%	6.16%	5.83%	5.46%	5.64%	5.71%
Tangible equity % assets	6.49%	5.69%	5.70%	5.96%	5.63%	5.27%	5.45%	5.52%
Tier 1 capital ratio	11.60%	10.82%	10.84%	11.45%	10.61%	9.67%	9.69%	9.53%
Total capital ratio	13.04%	12.20%	12.25%	12.87%	12.03%	11.09%	11.10%	10.91%

*Annualized.

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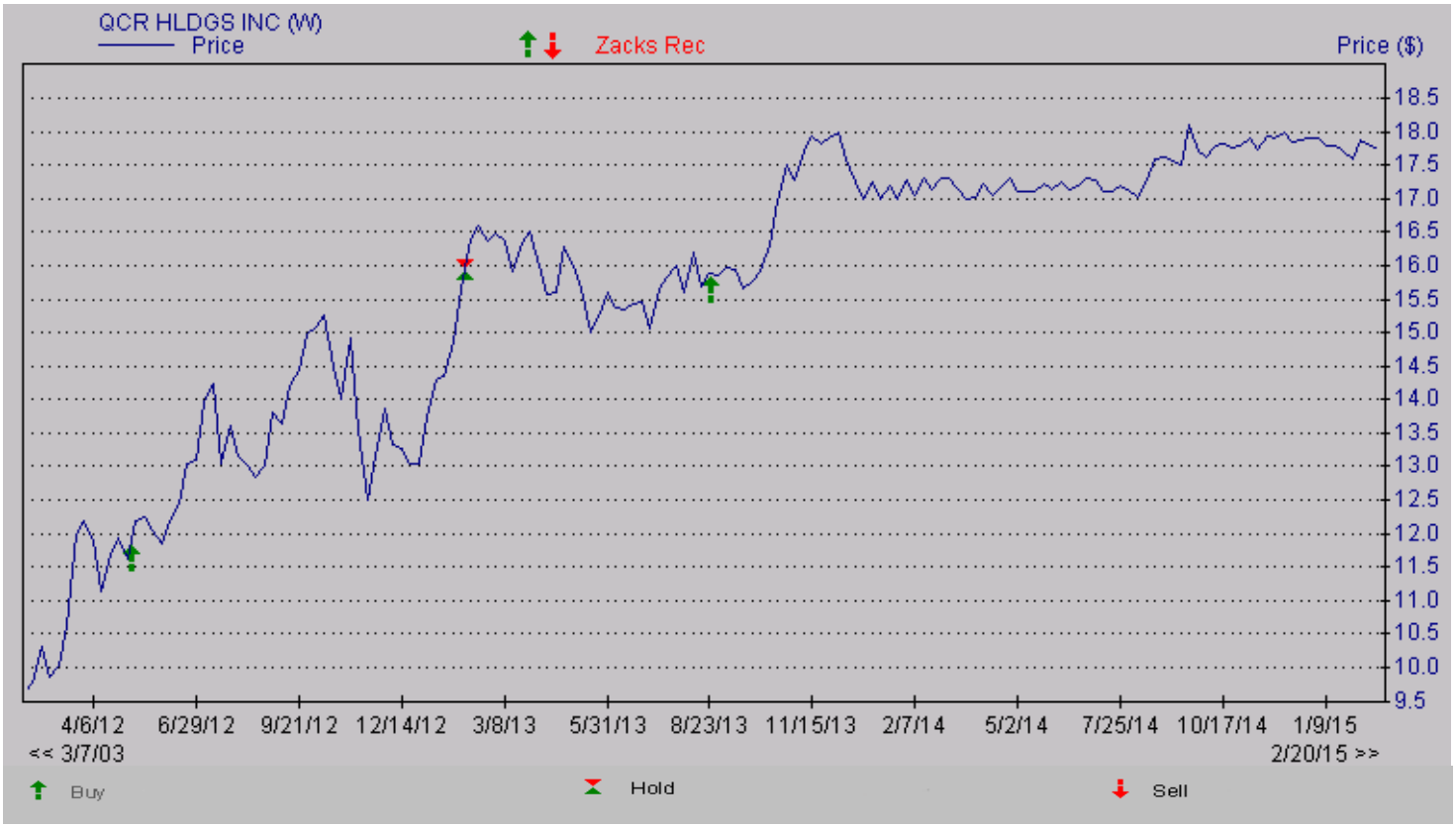

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