Zacks Small-Cap Research

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QCR Holdings, Inc.

(QCRH-NASDAQ)

QCRH: Initiating Coverage - Outperform

Current Recommendation	**Outperform**
Prior Recommendation	N/A
Date of Last Change	05/08/2012
Current Price (05/08/12)	$11.75
Twelve- Month Target Price	**$13.75**

OUTLOOK

We are initiating coverage on QCR Holdings, Inc. (QCRH) with an outperform recommendation and a twelve-month target price of $13.75. This is supported by an expected upturn in earnings over the next couple of years and a strengthened balance sheet. Our diluted EPS estimates are $1.95 for 2012 and $2.10 for 2013, representing increases of 67% and 8%, respectively. A number of factors are contributing to this solid earnings growth, including: (1) good gains in net interest income stemming from growth in the interest-earning asset base, as well as a higher net interest margin in 2013; (2) continued strong cost control, with a corresponding drop in the efficiency ratio; and (3) a significant decline in the provision for loan losses in 2012, followed by a moderate increase in 2013, stemming from growth in the loan portfolio. It appears that problem loans have peaked, and we expect asset quality metrics to continue to improve in the years ahead. QCRH has also taken steps to strengthen its balance sheet, including increasing the core deposit base, reducing reliance on more expensive retail and wholesale borrowings, and enhancing liquidity. Tangible common equity remains weak, but QCRH plans to increase this through growth in retained earnings and conversion of the Series E preferred stock in time. Importantly, QCRH has no plans to issue dilutive common stock. We believe that the $0.08 annual dividend is safe, but expect no increase over the medium term as QCRH retains excess earnings to grow tangible common equity and redeem the SBLF preferred stock.

SUMMARY DATA

52-Week High	**$12.20**
52-Week Low	**$8.52**
One-Year Return (%)	**31.53**
Beta	**0.34**
Average Daily Volume (sh)	**3,009**
Shares Outstanding (mil)	**5**
Market Capitalization ($mil)	**$57**
Short Interest Ratio (days)	**0.53**
Institutional Ownership (%)	**12**
Insider Ownership (%)	**18**
Annual Cash Dividend	**$0.08**
Dividend Yield (%)	**0.68**
5-Yr. Historical Growth Rates	
Net Revenue (%)	**11.3**
Earnings Per Share (%)	**15.6**
Dividend (%)	**0.0**
P/E using TTM EPS	**8.3**
P/E using 2012 Estimate	**6.0**
P/E using 2013 Estimate	**5.6**
Zacks Rank	**3**

Risk Level	**Average**
Type of Stock	**Small-Value**
Industry	**Banks-Midwest**
Zacks Rank in Industry	**26 of 35**

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	18.9 E	19.0 E	19.1 E	75.2 E
2013					79.2 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	0.49 E	0.49 E	0.49 E	1.95 E
2013					2.10 E

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

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OVERVIEW

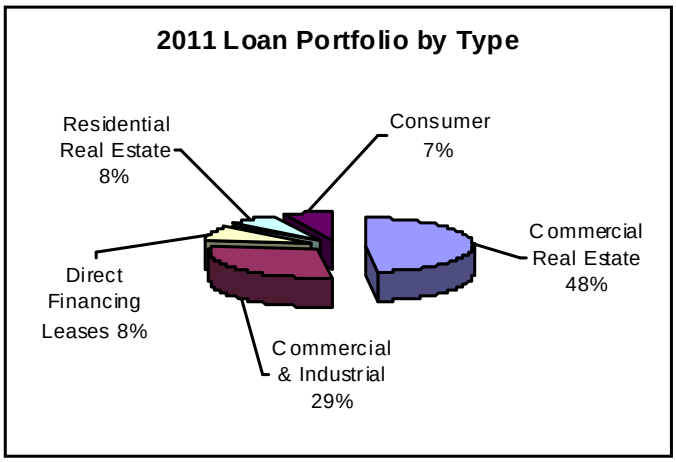
QCR Holdings, Inc. (QCRH or the Company) is a multibank holding company, which was founded in 1993 and is headquartered in Moline, Illinois, with $2.0 billion in total assets at March 31, 2012 and 10 offices. QCRH provides a broad range of business and retail lending products and investment services 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 $1.1 billion, or approximately 55%, 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 $560 million of total assets, or about 28% 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 $294 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) an 80% 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 $99 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.

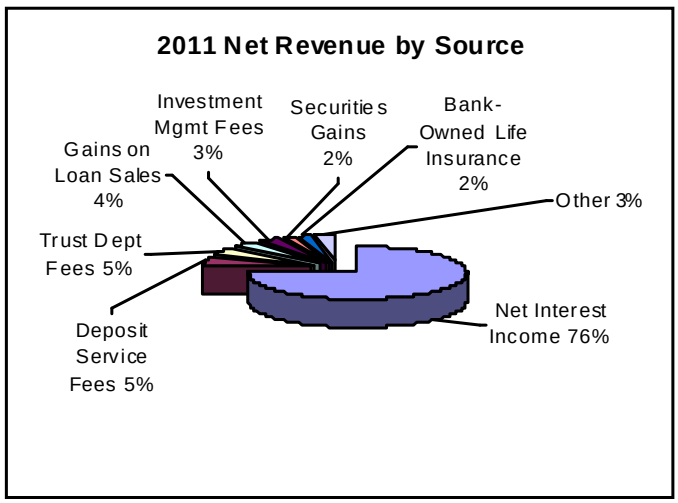
QCRH has disposed of several operating subsidiaries over the past few years as they did not contribute significantly to earnings and no longer fit into the Company's long-term strategic plans. These include: (1) the sale of the merchant credit card processing business in the third quarter of 2008, for 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 liquidation of Quad City Bancard, Inc., a subsidiary that issued credit cards to consumers and businesses, with operations transferred to a separate department of QCBT. These were reported as discontinued operations in the Company's financial statements in 2008 (we have not adjusted prior-year financial data for these changes).



The $1.2 billion loan portfolio has a concentration in commercial real estate, accounting for 48% of total loans at December 31, 2011, of which 61% is nonowner-occupied, 29% is owner-occupied, and 10% is construction and land development. The rest of the lending book consists of commercial and industrial (accounting for 29% of total gross loans),

direct financing leases (8%), residential real estate (8%), and consumer (7%). 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 32% of total assets, while gross loans and leases account for 61%. Noninterest-bearing demand deposits accounted for 30% of total deposits of $1.2 billion at December 31, 2011, with interest-bearing demand and savings deposits at 42%, time deposits at 24%, and brokered time deposits at 4%.



In 2011, net interest income contributed 76% of net revenue. Other significant revenue sources include deposit service fees (5% of net revenues), trust department fees (5%), gains on loan sales (4%), investment management and advisory fees (3%), securities gains (2%), bank owned life insurance (2%), and other (3%).

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

STRATEGY AND FINANCIAL GOALS

There are three pillars to QCRH's business strategy that have allowed it to experience better-than-average asset growth since inception. First, the Company is highly focused on relationship banking, primarily for small-mid-sized commercial customers, with QCRH serving multiple needs for each customer, such as lending, deposits, treasury management, and wealth management services. Since it has no branch structure and each location is a full-service bank, most customer needs can easily be accommodated at a single office.

Second, each of QCRH's three subsidiary banks has a separate charter and is run as an independent entity, with a great deal of autonomy so that the bank can respond nimbly to its customers. This means that any activity that has a direct impact on the customer will be undertaken locally, while those that don't are handled in a centralized location at the holding company. For example, each subsidiary bank has a separate Board of Directors, regulatory department, and compliance function. While there is some duplication of effort using this structure and operating costs may be a bit higher, the Company values the flexibility this structure offers.

Third, each bank is a community bank, with employees from the President on down creating strong ties with the businesses and citizens of the communities it serves. This involvement fosters a sense of closeness with members of those communities, and offers a competitive advantage, as customers prefer to do business with the "home-town bank," rather than with a regional or national competitor, such as Wells Fargo and US Bank at QCBT and CRBT and JP Morgan Chase and BMO Harris Bank at RB&T.

Going forward, the Company has special niches that it intends to capitalize on as it pursues its growth objectives, including correspondent banking, wealth management, m2 leasing, and SBA/USDA lending.

In correspondent banking, QCRH has benefitted as key competitors, including LaSalle Bank and Bankers Bank of Illinois, have left the market. Moreover, the depth of the Company's product offerings, which include on-line cash management, loan participations, safekeeping and credit card services, fed funds

lines, and trust and investment services, combined with its crew of experienced correspondent bankers provide a solid, broad-based platform upon which to build its correspondent banking business. We note that the Company has almost doubled the number of its correspondent banking relationships at QCBT to 135 from 68 at 2008 yearend, increasing related total noninterest bearing deposits to $149 million in the process, and is now a significant factor in this market. We expect the Company to take advantage of competitor withdrawals and to exploit market opportunities in Illinois, Iowa, and Wisconsin.

In wealth management, prospects also seem bright as larger regional and national banks go up market, leaving small-mid-sized clients to local banks, including QCRH in western Illinois and eastern Iowa. With $1.1 billion in trust accounts and an additional $479 million in brokerage accounts, the Company hopes to expand it presence in wealth management by emphasizing its expertise in such areas as financial planning, trust services, brokerage, asset management, estate planning, and insurance.

At m2 Lease Funds, LLC, the Company is poised to enter a new market, health care equipment, to take advantage of the favorable growth dynamics of this industry due to the graying of America and increased usage of health care. Combined with its existing footprint in machine tools, and office, telecom and printing equipment, we expect significant growth from m2's $99 million asset base at the end of 2011, and note that m2 assets have expanded at a compound annual rate of 17% since its 2005 acquisition.

QCRH also expects to expand on its already dominant presence in Small Business Administration (SBA) and United States Department of Agriculture (USDA) lending. In 2011, CRBT ranked first in Iowa and QCBT ranked fourth in Iowa, based upon dollar volume among all Iowa banks, while RB&T ranked tenth in Illinois. As to USDA lending, CRBT ranks first in Iowa and twelfth nationally. Clearly, the Company has a solid base from which it can grow lending volumes at a minimal cost.

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 2011 through growth in retained earnings and conversion of the Series E preferred to common equity; (2) funding the redemption of the $40 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 51 basis points in 2011, by driving down the efficiency ratio to the 60%-plus area from 73% in 2011; (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.

As to acquisitions, the Company would only be interested in pursuing an acquisition if it were immediately accretive to earnings. Moreover, QCRH would only consider a merger of equals with a competitor if QCRH were the surviving entity.

LOANS AND ASSET QUALITY

QCRH's loan portfolio has a major concentration in commercial real estate, accounting for 48% of gross loans at March 31, 2012, as shown in the table below. Of this amount, approximately 61% is nonowner-occupied, 29% is owner-occupied, and 10% is construction and land development. The rest of the lending book consists of commercial and industrial (accounting for 29% 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.

	Amount (Dollars in Millions)				% of Total Gross Loans			
Type of Loan	**2009**	**2010**	**2011**	**1Q'12**	**2009**	**2010**	**2011**	**1Q'12**
Commercial and industrial	$441.5	$365.6	$350.8	$352.8	36%	31%	29%	29%
Commercial real estate	556.0	553.7	577.8	581.0	45	47	48	48
Direct financing leases	90.1	83.0	93.2	96.3	7	7	8	8
Residential real estate	70.6	82.2	98.1	103.5	6	7	8	9
Consumer	84.3	86.3	78.2	75.5	6	8	7	6
Total gross loans	$1,242.5	$1,170.8	$1,198.1	$1,209.1	100%	100%	100%	100%

As shown in the table above, total loans have declined $33 million, or about 3%, since the end of 2009 as increased lending in most other areas was insufficient to offset the $89 million, or 20%, decrease in the commercial and industrial (C&I) lending book, which fell to 29% of total loans from 36% at yearend 2009. There were two reasons that this occurred: (1) weak economic conditions led to slower C&I demand and (2) the sale of the guaranteed portion of certain SBA and USDA loans, typically 70-90% of the outstanding balance, for $58 million in 2010-2011.

In addition to SBA and USDA lending in which 50-85% of the qualifying loan amount is guaranteed by the U.S. government, QCRH is active in making C&I loans to small-mid-sized businesses engaged in wholesaling, manufacturing, building, banking, retailing, and business services. C&I term loans generally have terms running for three to five years and a maximum term of seven years, while C&I credit lines have a maximum term of 365 days. C&I loans are primarily made on the basis of cash flow of the borrower and to a lesser extent on collateral provided by the borrower. This collateral usually includes inventory, accounts receivable, equipment, machinery, and real estate. Maximum advances against collateral range from 75-100% for financial instruments, such as stocks and mutual funds (75% of market value), US government or agency securities (90% of market value), and savings deposits (100% of current value) and 50-80% for business assets, such as 50% of the value for inventory and existing fixed assets and 80% of eligible accounts receivable and new fixed assets. Moreover, C&I loans typically contain a personal guarantee from the owner of the borrowing business. QCRH finds the commercial loan business attractive due to improved cross-selling opportunities for other nonloan business, such as treasury management and deposit taking.

Commercial real estate (CRE) loans have steadily grown from 45% of the loan portfolio at yearend 2009 to 48% at the end of the first quarter in 2012 as the Company has continued to lend to this sector due to the lack of high-quality lending opportunities in other areas stemming from general economic weakness and as competitor banks have cut back lending to this sector. CRE loans, which generally have terms from 365 days up to seven years, are secured by lower risk owner-occupied properties (29% of the CRE loan book) and higher risk investment real estate (61%) and construction and land development properties (10%). Maximum advance rates on CRE loans range from a low of 65% of appraised value for raw land to 80% of appraised value for improved property and commercial construction loans. The largest industries represented in the CRE portfolio include lessors of nonresidential buildings (31% of total CRE loans at yearend 2011), lessors of nonresidential buildings (9%), land subdivision (6%), and hotels (4%), with the remaining portfolio spread through a number of other industries, each representing 3% or less of total CRE loans.

CRE and C&I loans are typically larger than other types of loans and consequently single-risk exposures to credit losses are also higher. That said, QCRH's policies limit nonowner-occupied CRE loans to 300% of total risk-based capital and construction and land development loans to 100% of total risk-based capital as higher limits would induce heightened regulatory scrutiny. The Company is currently in compliance with these guidelines.

Direct financing leases, which represent about 7-8% of total loans, are underwritten by m2 Lease Funds according to specific guidelines established by QCRH. There are two sources of losses for financing leases: borrower default and losses stemming from changes in estimated residual values realized upon the termination of the lease. Inflated assumptions and/or other specific changes, such as obsolesce, can lead to losses at lease termination, as occurred in 2010 when the Company posted a $0.6 million pretax residual loss. More typically, residual gains are realized at the end of the lease. Furthermore, the Company has reduced the risk of loss by not writing leases for items that are not marketable, are consumer-oriented (e.g., vehicles, household goods, boats, and recreational vehicles), represented by used equipment, and have a repayment term of more than seven years. Typical business sector assets that represent acceptable collateral include office equipment, heavy equipment, aircraft, and more recently, medical equipment.

Residential real estate loans, accounting for about 8-9% of the loan book, generally conform to the underwriting requirements of Freddie Mac and Fannie Mae so that QCRH can sell these loans into the secondary market. Over the past three years, QCRH has sold 71-90% of residential real estate loans into the secondary market, and it does not retain servicing rights for sold loans. Certain nonconforming adjustable-rate mortgage loans with maturities of 1-5 years, as well as a limited amount of 15-year fixed rate residential real estate loans are retained by the Company. Importantly, QCRH has never originated any subprime, Alt-A, no documentation, or stated income residential real estate loans.

The consumer lending portfolio, which usually contributes 6-7% to total loans, includes loans for motor vehicles, home improvement, home equity, as well as other small personal and signature loans. For both home equity loans and lines of credit, the maximum advance rate is 90% of value with a minimum credit bureau score of 720, and the maximum advance rate is 80% of value with a credit bureau score of 680 to 719. The maximum term on home equity loans is 10 years and maximum amortization is 15 years. The maximum term on home equity lines of credit is 5 years.

QCRH has established in-house lending limits that are much lower than regulatory lending limits to prevent excessive concentrations of credit exposure to any one borrower or group of related borrowers. The in-house lending limits are $7.5 million for QCBT, $5.0 million for CRBT, and $3.5 million for RB&T. On a consolidated basis, the in-house lending limit is $10.0 million, which is the maximum amount of credit that all affiliated banks when combined can extend to a single borrowing entity or group of related entities, subject to certain exceptions.

In addition, each subsidiary bank's total lending portfolio is limited to 85% of average assets and there are maximum limits for individual loan categories, too, as determined by the management teams at each bank. These range from a low of 5% of average gross loans for farmland to as high as 50% for nonfarm, nonresidential loans and 60% for commercial and industrial loans. Limits are typically set at the 10-20% level for most other types of loans. Each subsidiary bank is fully compliant with these lending limits.

QCRH employs a rigorous loan underwriting and approval process using eight internal risk ratings for C&I and CRE loans, as determined by the credit committee at each subsidiary bank. Since loan officers have relatively low lending authority limits, most loans must be approved by the credit committee. The credit committee, which includes the chief executive officer, the chief lender, and two other senior lenders, meets one time per week, providing quick turn-around for lending decisions. For loans that exceed in-house lending limits, of which there are few, credit decisions are made by a senior credit committee composed of the chief executive officers and chief credit officers at the holding company and all subsidiary banks. The credit committee process ensures improved lending decisions and also provides feedback to clients regarding loan approval.

C&I and CRE loans with an aggregate exposure of greater than $1 million are reviewed by QCRH's Internal Audit Department at least every 15 months and more frequently for those loans that have weaker internal risk ratings. In addition to an internal review, QCRH has hired a third party to conduct independent evaluations of C&I and CRE loans to ensure the validity of the loan's internal risk rating.

Conflicts between evaluations conducted by the Internal Audit Department and the third party reviewer are generally resolved in favor of the independent third party reviewer.

	Amount (Dollars in Millions)				Nonperforming Assets % Loans + OREO			
Nonperforming Assets by Category	**2009**	**2010**	**2011**	**1Q'12**	**2009**	**2010**	**2011**	**1Q'12**
Commercial and industrial	N/A	$11.9	$3.1	$2.7	N/A	3.24%	0.88%	0.77%
Commercial real estate	N/A	24.4	25.4	25.0	N/A	4.40	4.39	4.29
Direct financing leases	N/A	1.8	1.3	0.7	N/A	2.13	1.40	0.75
Residential real estate	N/A	1.4	1.1	1.1	N/A	1.72	1.16	1.10
Consumer	N/A	1.7	1.1	1.1	N/A	2.02	1.40	1.46
Total nonperforming loans	$30.0	41.2	32.0	30.6	2.41%	3.51%	2.67%	2.53%
OREO and repossessed assets	10.4	8.9	8.5	8.3				
Total nonperforming assets	$40.4	$50.1	$40.5	$38.9	3.22%	4.24%	3.35%	3.19%

Loans and leases are placed on nonaccrual status when (1) collection of contractual payments seems unlikely due to deterioration of the financial condition of the borrower or (2) principal or interest has been in default for a period of 90 days or more unless the obligation is both in the process of collection and is well secured.

Nonaccrual loans hurt the Company in a couple of ways. First, net interest income and the net interest margin are lower than they otherwise would be, as the Company can no longer accrue interest on these loans. Second, nonaccrual loans and leases are indicators of potential future losses in the loan portfolio. As nonaccrual loans rise, the Company must increase loan loss provisions charged against revenues in the income statement, thereby reducing net income and earnings per share.

As shown in the table above, the level of nonperforming assets, as measured in dollar amounts and as a percentage of nonperforming loans and repossessed assets, peaked in 2010 and are now improving. Thus, nonperforming loans, which include nonaccrual loans plus accruing troubled debt restructurings and accruing loans that are 90 days past due, have fallen to $30.6 million at the end of 2012's first quarter from $41.2 million at yearend 2010 and nonperforming assets, which in addition includes other real estate owned (OREO) and other repossessed assets, have dropped to $38.9 million from $50.1 million over the same period. As a percentage of related nonperforming assets, nonperforming loans have decreased 98 basis points to 2.53% at the end of 2012's first quarter from 3.51% at yearend 2010, while nonperforming assets declined 105 basis points to 3.19% from 4.24% over the same period.

Not surprisingly, the weakest loan category is commercial real estate, which shows a steady though elevated level of nonperforming loan ratio at about 4.29-4.40% over the last three years. Most loan categories have shown improvement since the end of 2010, attributable to a combination of better performance and charge-offs. Commercial and industrial loans witnessed the greatest improvement, with nonperforming loans dropping 247 basis points to 0.77% from 3.24%, while direct financing leases, residential real estate, and consumer now show nonperforming loan ratios of 1.46% or less.

Net charge-offs (gross charge-offs less recoveries) are another important indicator of asset quality. Loans are charged off when management determines that a loan balance is uncollectible. As shown in the table below, net charge-offs % average loans are typically less than 1.00% of average loans for most lending categories, with two exceptions—direct financing leases and consumer, which were 1.25% and 1.07% in 2011, respectively. While losses in these categories are higher than the rest of the loan portfolio, this is somewhat offset by the higher net interest margins earned on finance leases and consumer loans. On a consolidated basis, the net charge-off ratio has improved, falling to 0.70% of average loans in 2011 and 0.19% of average loans on an annualized basis during 2012's first quarter from 1.00% in 2009.

Net Charge-offs by Category	Amount (Dollars in Millions)				Net Charge-offs % Average Loans			
	2009	2010	2011	1Q'12	2009	2010	2011	1Q'12
Commercial and industrial	$6.0	$3.0	$2.9	$0.2	1.35%	0.74%	0.82%	0.23%
Commercial real estate	4.0	4.8	3.3	(0.0)	0.75	0.86	0.57	(0.00)
Direct financing leases	1.2	0.8	1.1	0.3	1.42	0.97	1.25	1.22
Residential real estate	0.2	0.0	0.0	0.0	0.22	0.05	0.04	0.02
Consumer	0.9	1.0	0.9	0.1	1.07	1.14	1.07	0.36
Total net charge-offs % avg loans	$12.3	$9.6	$8.2	$0.6	1.00%	0.79%	0.70%	0.19%

The loan loss allowance, which is a valuation account applied against the loan portfolio on the balance sheet, is established by the Company at a level that they deem sufficient to cover future losses in the loan book. The allowance for loan losses is increased by the provision for loan losses as charged against revenues in the income statement and decreased by net charge-offs (gross charge-offs less recoveries). Net charge-offs are cyclical in nature, usually rising in the second and third quarters and declining in the first and fourth quarters, as shown in the following table.

	2010				2011				2012
	Q1 A	Q2 A	Q3 A	Q4 A	Q1 A	Q2 A	Q3 A	Q4 A	Q1 A
Amount ($ in Millions)									
Beginning loan loss allowance	$22.5	$22.9	$21.6	$19.9	$20.3	$20.7	$19.8	$19.6	$18.8
Loan loss provision	1.6	1.4	1.4	3.0	1.1	1.7	2.5	1.4	0.8
Less: net charge-offs	1.2	2.7	3.1	2.6	0.7	2.6	2.7	2.2	0.6
Ending loan loss allowance	$22.9	$21.6	$19.9	$20.3	$20.7	$19.8	$19.6	$18.8	$19.0
Net charge-offs % avg loans (annualized)	0.40%	0.88%	1.04%	0.92%	0.24%	0.89%	0.90%	0.74%	0.19%
Loss provision % net charge-offs	131%	51%	46%	116%	152%	64%	92%	64%	139%

In general, QCRH uses a number of factors to establish the appropriate level of loan loss allowance, including historical experience, the nature and volume of the loan/lease portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and prevailing economic conditions.

For C&I and CRE loans and direct financing leases, the allowance for losses consists of specific and general components. The specific component relates to loans that are classified as impaired, meaning it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the agreement. Impairment is determined by comparing the book value of the loan or lease against its current value as determined by the present value of discounted future cash flows, the current market price, or the fair value of the collateral. QCRH performs this analysis for every loan over $100,000 that has a weaker internal risk rating (i.e., those rated 6 or below). The general component consists of both quantitative and qualitative factors and covers non-impaired loans. Quantitative factors are based upon historical charge-off experience and expected loss derived from the Company's internal risk rating process. Qualitative factors include national and local economic conditions, delinquencies, loan growth, loan concentrations, and input from the lending team.

Residential real estate loans and consumer loans are collectively evaluated for impairment, given the similar nature of these large groups of smaller balance loans. Therefore, QCRH employs historical

charge-off experience as the basis for determining the appropriate level of the loss allowance. In 2010, CRBT and RB&T tightened up reserving standards by changing the time period to the latest three years, a period that experienced higher losses, from the latest five years, when losses were lower.

The loan loss allowance over the last few years has been declining due to improving asset quality, as reflected in the lower level of nonperforming assets and net charge-offs. Thus, the Companywide loan loss allowance was 1.57% of total loans at the end of March 2012 compared to 1.81% at the end 2009, as shown in the table below. By loan category, the loan loss allowance at March 31, 2012 was greatest for consumer and CRE loans at 1.64% and 1.87%, respectively, versus 1.30% for C&I and 1.42% for financing leases. Residential real estate was the lowest at 0.93%, reflecting its high quality as demonstrated by having the lowest level of net charge-offs of all QCRH's lending portfolios and among the lowest for nonperforming loans.

The loan loss allowance as measured against nonperforming assets has displayed a different pattern. It reached a trough in 2010 at 41% and has since recovered to 49% at March 31, 2012. We would expect continued improvement in this ratio as the Company works down the level of nonperforming assets.

	Amount (Dollars in Millions)				Loss Allowance % Loans			
Loss Allowance by Category	**2009**	**2010**	**2011**	**1Q'12**	**2009**	**2010**	**2011**	**1Q'12**
Commercial and industrial	$5.4	$7.6	$4.9	$4.6	1.23%	2.06%	1.39%	1.30%
Commercial real estate	12.7	9.1	10.6	10.8	2.28	1.64	1.83	1.87
Direct financing leases	1.7	1.5	1.3	1.4	1.87	1.84	1.44	1.42
Residential real estate	0.7	0.7	0.7	1.0	0.97	0.91	0.72	0.93
Consumer	2.0	1.5	1.3	1.2	2.43	1.68	1.62	1.64
Total loss allowance	$22.5	$20.4	$18.8	$19.0	1.81%	1.74%	1.56%	1.57%
Allowance % Nonperforming Assets	56%	41%	46%	49%				

LIQUIDITY AND FUNDING

QCRH currently maintains a very liquid balance sheet, with liquid assets (consisting of cash, federal funds sold, bank deposits, and US agency/RMBS securities) at $625 million at March 31, 2012, representing about 31% of total assets, as shown in the table below. The Company significantly boosted its liquidity beginning in 2009 in response to financial markets turmoil, primarily by increasing its exposure to US agency and US agency/RMBS by over $300 million since the end of 2008. Thus, liquid assets to total assets jumped 13 points to its current level of 31% from 18% at yearend 2008.

However, the safety and security provided by the increased level of QCRH's high-quality liquidity portfolio has had a negative impact on the net interest margin. So, the Company has been taking steps to improve the margin, while at the same time minimizing credit and interest-rate risk, key considerations for QCRH. Within the US agency/RMBS portfolio, QCRH has increased its exposure to higher yield US agency RMBS by $128 million and municipal securities by $33 million since the end of 2010. Moreover, as loan demand begins to improve, we would expect to see the liquidity portfolio decline to about 20-25% of total assets from its current level of 31% as excess liquidity is used to fund loan growth, raising the percentage of loans to total assets to the 70% area from 61% at March 31, 2012. This shift in asset mix should also benefit the net interest margin.

Type of Security	Amount (Dollars in Millions) 2009	2010	2011	1Q'12	% of Total Securities Portfolio 2009	2010	2011	1Q'12
US agency securities	$345.0	$402.2	$429.0	$432.2	93%	95%	76%	70%
US agency RMBS securities	0.5	0.1	108.9	128.5	0	0	19	21
Municipal securities	22.9	20.6	25.7	53.8	6	5	5	9
Other securities	2.1	1.9	1.6	1.9	1	0	0	0
Total securities portfolio	$370.5	$424.8	$565.2	$616.4	100%	100%	100%	100%
Liquid assets % assets	23%	30%	32%	31%				
Liquid assets % purchased funds	122%	178%	242%	237%				

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. These steps should increase the net interest margin over time. In regard to its deposit mix, QCRH has already been quite successful, as shown in the table below. Noninterest-bearing demand deposits now represent 30% of total deposits of $1.3 billion at March 31, 2012, double the 15% level at the end of 2008, while brokered deposits have declined to 4% from 12% and time deposits have dropped to 23% from 36% over this same period. As a result, core deposit funding has been strengthened and core deposits now fund 87% of loans, up 28 points from 59% at yearend 2008.

Deposit Base	Amount (Dollars in Millions) 2009	2010	2011	1Q'12	% of Total Deposit Base 2009	2010	2011	1Q'12
Noninterest-bearing demand deposits	$207.8	$276.8	$357.2	$385.8	19%	25%	30%	30%
Interest-bearing demand deposits	393.7	424.8	470.8	519.7	36	38	39	40
Savings deposits	34.6	35.8	40.0	41.3	3	3	3	3
Time deposits	382.4	312.0	292.6	297.7	35	28	24	23
Brokered time deposits	70.8	65.4	44.9	52.2	7	6	4	4
Total deposit base	$1,089.3	$1,114.8	$1,205.5	$1,296.7	100%	100%	100%	100%
Core deposits % loans	61%	72%	80%	87%				

As core deposit funding has risen, QCRH has reduced its reliance on confidence-sensitive purchased funds, including large certificates of deposit, fed funds purchased, overnight repurchase agreements, and other short-term borrowings. Purchased funds fell by over $104 million, or 28%, to $264 million at March 31, 2012 from $368 million at the end of 2008. As measured against liquid assets, purchased funds are now covered by liquid assets at a strong 237%, up from a below-average 78% at yearend 2008.

In addition to core deposit and purchased funds financing, the Company has $358 million of long-term debt. This primarily consists of $205 million of FHLB advances, $130 million of wholesale repurchase agreements, and $36 million of junior subordinated debentures.

FHLB advances are employed for loan matching as a hedge against the possibility of rising interest rates or when they cost less than customer deposits. Rates paid on FHLB advances range from a low of 2.35% to a high of 3.95%, with a weighted average rate of 3.67% and varying maturities that extend through 2019. At yearend 2011, FHLB advances were collateralized with $14 million of securities and $414 million of loans.

In the first quarter of 2011, QCBT prepaid $15.0 million of FHLB advances with a weighted average interest rate of 4.87% and a weighted average maturity of May 2012, with fees for prepayment totalling $0.8 million. In addition, QCBT modified $20.4 million of fixed rate FHLB advances with a weighted average interest rate of 4.33% and a weighted average maturity of October 2013 into new fixed rate advances with a weighted average interest rate of 3.35% and a weighted average maturity of February 2014. During the fourth quarter of 2011, RB&T modified $13.0 million of fixed rate FHLB advances with a weighted average interest rate of 3.37% and a weighted average maturity of March 2013 into new fixed rate FHLB advances with a weighted average interest rate of 2.29% and a weighted average maturity of February 2016. As a result of these actions, interest expense was reduced, the net interest margin was increased, and duration was extended, reducing exposure to rising interest rates.

Wholesale repurchase agreements have interest rates ranging from 3.11% to 3.82%, with a weighted average rate of 3.54% and have maturities running from 2015 through 2019. These agreements contain one-time put options that may be exercised by the holder prior to their stated maturity dates. Of the total $130 million in wholesale repurchase agreements outstanding, $35 million is puttable in 2013, three years prior to its 2016 maturity, and $30 million is puttable in 2016, also three years prior to its 2019 maturity.

The $36 million of junior subordinated notes were issued with proceeds from the sale of a similar amount of four series of trust preferred securities (Trusts II-V), which count as Tier 1 capital. These securities carry floating interest rates, ranging from 1.55% to 2.85% over 3-month LIBOR, and mature in 2034-2036.

QCRH and its subsidiary banks have access to additional liquidity through credit lines. QCRH has a $20 million 364-day revolving line of credit that carries an interest rate of one-month LIBOR plus 3.00% and contains covenants pertaining to the issuance of additional debt and also requires minimum capital and operating ratios. Approximately $3.6 million was outstanding at December 31, 2011. The subsidiary banks had 22 lines of credit totalling $225 million at December 31, 2011, of which $73 million was secured and $152 million was unsecured. At yearend 2011, $159 million was available as $66 million was temporarily utilized by several correspondent banking customers. It should be noted that in the event of a funding crisis, only the $73 million in secured lines would be available for use as the other credit lines would likely be withdrawn from QCRH and its subsidiary banks.

The five-year debt maturity schedule is heavily weighted toward the early years, with debt maturities of $233 million in 2012, $15 million in 2013, $28 million in 2014, $61 million in 2015, and $93 million in 2016 and time deposit maturities of $245 million in 2012 and $93 million after that.

Asset/liability management is determined separately at the subsidiary banks, with each bank having its own asset/liability management committee that meets weekly. In addition, QCRH has hired a national consulting firm, Darling Consulting Group, to help monitor and control the Company's interest-rate risk. At yearend 2011, on a gap basis, QCRH was asset sensitive, meaning that interest-earning assets mature or reprice more quickly than interest-bearing liabilities, generating more net interest income in a rising interest-rate environment.

However, many of QCRH's C&I loans have floors that are about 75-100 basis points higher than current market interest rates, which changes the Company's actual interest rate position into a slightly liability-sensitive mode. Given current low interest rates and expectations for this to persist over the next couple of years, this is having the continuing effect of boosting net interest income and margins. However, any rapid rise in interest rates would have the opposite effect, squeezing net interest income and margins. In

fact, the Company estimates that a 200 basis-point upward shift in interest rates would decrease net interest income by 3.1%, according to the latest 10-K.

Importantly, QCRH does not employ derivatives to manage its interest-rate risk and does not make interest-rate bets, preferring to match fund assets and liabilities in order to minimize interest-rate risk.

CAPITAL ADEQUACY AND DIVIDENDS

QCRH and its subsidiary banks are considered well capitalized, the highest rating possible under the FDIC's four-risk category rating system, as shown in the following table. Under the FDIC's risk-based capital guidelines, different categories of assets (including certain off-balance sheet items) are assigned different risk weights, based on the credit risk of the asset. These risk-weighted assets are added together to derive the risk weight of the entire asset base and then measured against Tier 1 and Total capital to determine capital adequacy. Total capital is the sum of Tier 1 and Tier 2 capital, with Tier 2 capital being limited to 100% of Tier 1 capital. Tier 1 capital, with some restrictions, includes common stockholders' equity, any perpetual preferred stock, qualifying trust preferred securities, and minority interests in any unconsolidated subsidiaries. Tier 2 capital, with certain restrictions, includes any perpetual preferred stock not included in Tier 1 capital, subordinated debt, any trust preferred securities not qualifying as Tier 1 capital, specific maturing capital instruments, and the allowance for loan and lease losses (limited to 1.25% of risk-weighted assets).

At March 31, 2012	QCRH	QCBT	CRBT	RB&T	FDIC- Well Capitalized
Total capital ratio	13.87%	13.27%	14.62%	15.14%	≥10%
Tier 1 capital ratio	12.27%	12.20%	13.37%	13.88%	≥6%
Tier 1 leverage ratio*	8.60%	8.25%	9.13%	11.01%	≥5%

*Tier 1 capital to average assets

Capital adequacy ratios improved over 200 basis points in February 2009 when QCRH issued $38 million of Series D Cumulative Perpetual Preferred Stock, which paid cumulative dividends at a rate of 5% per annum for the first five years and 9% per annum thereafter, to the US Treasury under the Troubled Asset Relief Program (TARP). In 2011's third quarter, QCRH exited TARP, replacing the Series D Perpetual Preferred Stock from this program with approximately $40 million in Series F Noncumulative Perpetual Preferred Stock from the Small Business Lending Fund (SBLF). Following this in November 2011, QCRH repurchased the common stock warrants associated with the TARP capital.

The Series F Preferred Stock qualifies as Tier 1 capital. Noncumulative dividends are payable quarterly on the Series F Preferred Stock, and the dividend rate is based on changes in the level of Qualified Small Business Lending (QSBL) by QCRH's bank subsidiaries. Based upon the change in the banks' level of QSBL over the baseline, defined as the average of QSBL for the last two quarters of 2009 and the first two quarters of 2010, the dividend rate for the initial dividend period, which was from the date of issuance through September 30, 2011, was set at 5%, and the dividend rate for the fourth quarter of 2011 has also been set at 5%. For the 2nd through 10th calendar quarters, the annual dividend rate may be adjusted to between 1% and 5%, to reflect the amount of change in the banks' level of QSBL. For the 11th calendar quarter through 4.5 years after issuance, the dividend rate will be fixed at between 1% and 5%, based upon the increase in QSBL from the baseline level to the level as of the end of the ninth dividend period (i.e., as of September 30, 2013), or will be fixed at 7% if there is no increase or there is a decrease in QSBL during such period. After 4.5 years, the dividend rate will increase to 9%. The Series F Preferred

Stock may be redeemed in 25% lots at any time at the option of the Company, subject to the approval of the Company's primary federal banking regulator. If the Company misses five or six dividend payments, whether or not consecutive, the holder of the Series F Preferred Stock will have the right to appoint one to two representatives to the Board of Directors.

On June 30, 2010, QCRH replaced $12.9 million of 8.00% Series B Preferred Stock, issued in the fourth quarter of 2006 to pay down the balance on the Company's line of credit, and $7.5 million of 9.50% Series C Preferred Stock, issued in the fourth quarter of 2007 to pay down the balance on the Company's line of credit, with $25 million of 7.00% Series E Noncumulative Convertible Perpetual Preferred Stock. The Series E Preferred Stock is intended to qualify as Tier 1 capital. The Series E Preferred Stock is perpetually convertible by the holder 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 $11.75) for at least 20 trading days in a period of 30 consecutive trading days. 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.

The Company's tangible common shareholders' equity of $79 million is on the low side, representing a below-average 3.95% of tangible assets at March 31, 2012, well below the 4.40-4.60% level of the 2006-2009 period. This decline was largely due to two factors: (1) a sharp decline in net income in 2009 due to an outsized loan loss provision taken to strengthen the loan loss reserve, with the tangible common equity ratio reaching a trough of 3.67% and (2) the continuing drag associated with paying dividends on the Company's preferred stock. Since the Company has replaced higher dividend Series B, C, and D Preferred Stock with lower dividend Series E and F Preferred stock, the preferred dividend burden will be reduced by about $0.3 million per year, though at $3.7 million ($0.77 per diluted share annually) it is still significant. In addition, retained earnings growth should accelerate as net earnings grow and, at some point, it is likely that the Series E Preferred stock will be converted into common equity, which could add roughly 120 basis points to the tangible common ratio when this occurs. Therefore, we would expect the tangible common equity ratio to continue to increase in the years ahead, and note that the Company's goal is to raise this ratio to 6%.

Looking at the Parent Company alone, the Parent employs an above-average amount of double leverage (defined as the Parent's investments in subsidiaries divided by total stockholders' equity), which is an important indicator of a Parent Company's debt burden and financial flexibility, measuring the degree to which subsidiary banks' equity capital is being financed with Parent Company debt. At QCRH, the double leverage ratio was 129% at December 31, 2011, compared to a more typical ratio of 105-120% for regional banks. Positively, double leverage has decreased by about 21 points from 150% in 2006, largely due to the sale of preferred shares.

Liquidity at the Parent Company is adequate as it held $5 million of cash and securities compared to short-term debt of $3.6 million at December 31, 2011. On an operating basis in 2011, dividends the Parent received from its subsidiaries ($10.0 million in 2011, up from $6.7 million in 2010) were sufficient to cover operating expenses of $7.6 million (including $1.6 million of interest expense, compensation expense of $4.1 million, and other noninterest expense of $2.0 million), resulting in an interest coverage ratio of 2.8X in 2011. However, including an additional $3.7 million of common and preferred dividends, QCRH fell $1.3 million short, resulting in an interest and dividend coverage ratio of 0.8X in 2011.

As demonstrated, QCRH is highly reliant on dividend payments from its subsidiaries to fund Parent Company operating expenses and common stock and preferred stock dividends. To the extent these payments continue, the Parent should be able to comfortably meet upcoming obligations. However, under adverse conditions, regulators can restrict bank dividend payments, which means that these funds might not be available to the Parent Company when they are likely to be needed most.

QCRH began paying dividends to its shareholders in 2003 at a $0.067 annual rate, which was increased to its current level of $0.08 per share, payable at $0.04 per share semiannually, at the beginning of 2004. We do not expect to see any dividend increase over the medium term as the Company will retain excess earnings to strengthen tangible common equity and to redeem the SBLF preferred shares when that becomes possible.

EARNING POWER AND PROFITABILITY

The Company's net revenue stream is dominated by net interest income, which typically accounts for about 76% of total net revenue, though this rose to 78% in 2012's first quarter. Net interest income is determined by multiplying the amount of average interest-earning assets on the balance sheet, including loans (typically about 70-80% of total interest-earning assets for QCRH, though this has slumped to about 60%), securities (usually about 20%, though this has jumped to the 30% area in the last few years), and short-term investments, and the net interest margin. The net interest margin measures the difference between interest the Company earns on its assets and the interest it must pay on its liabilities, which include deposits, purchased funds, and long-term debt, expressed as a percentage of average total assets.

Since the Company is primarily a business lender, its net interest margin is lower than for banks that have a large proportion of consumer loans in its loan mix. Business loans tend to have lower net interest margins than consumer loans, but this is somewhat mitigated by the lower level of net charge-offs associated with business lending.

Net interest income has been rising over the last few years, increasing at a compound annual growth rate (CAGR) of 12.6% since 2006, the result of gains in the interest-earning asset base (10.9% CAGR) and improvement in the net interest margin, which advanced to 3.09% in 2012's first quarter from 2.87% in 2006 (though this is down from a peak of 3.32% in 2008 and the 3.15-3.20% level in 2011's last three quarters). The higher net interest margin reflected improved loan pricing, a continued increase in the volume of loans with floor interest rates in excess of current market rates, and reduced interest costs stemming from the declining interest rate environment, as well as a shift in mix of deposits to noninterest-bearing demand deposits away from more expensive wholesale funding. The drop in the net interest margin from peak 2008 and the final three quarters of 2011 was the result of a shift in asset mix to lower yielding securities from higher yielding loans.

Other important sources of net revenue include trust department fees (generating about 5% of net revenue), deposit service fees (5%), investment management and advisory fees (3%), gains on loan sales (2-5%), earnings on the cash surrender value of life insurance policies (2%), and credit card processing fees, net (0.7%), as shown in the following table.

Trust department and investment management & advisory fee income are based upon the amount of assets under management, which are affected by the ability of QCRH to add additional clients to its client base and the general level of equity markets. Since equity markets have been somewhat volatile over the last few years, this has contributed to fluctuations in the level of fee income from these sources, a trend we expect to continue over the near future.

Deposit service fees have risen steadily over the last few years due to a shift in deposit mix to noninterest-bearing demand deposits, which has increased both the number of demand deposit accounts and the fees associated with these accounts. Since the Company is continuing this strategy, we expect to see growth persist in the years ahead. Importantly, QCRH is generally not affected by recent banking legislation that limits fees from overdraft and credit card services as these apply only to retail bank customers.

Gains on loan sales stem from two sources: residential mortgages and the government-guaranteed portion of SBA and USDA loans. In 2011, the gain on residential loan sales dropped by $0.7 million, or 40%, to $1.0 million, as there were fewer qualified borrowers to refinance homes and new home loan and origination activity remains depressed due to the sluggish housing market. We do not expect this to change over the near term.

As to sales of the government-guaranteed portion of SBA and USDA loan, these were fairly stable in 2010 and 2011 at the $1.5-1.6 million level. We expect this to continue an important part of the revenue picture, recognizing that these gains are lumpy and could vary significantly from quarter to quarter.

We expect earnings on the cash surrender value of bank-owned life insurance and credit card processing fees to continue to grow proportionately to their contribution to net revenue.

	Amount (Dollars in Millions)						Noninterest Income % of Net Revenues					
Noninterest Income	**2007**	**2008**	**2009**	**2010**	**2011**	**1Q'12**	**2007**	**2008**	**2009**	**2010**	**2011**	**1Q'12**
Trust department fees	$3.8	$3.3	$2.9	$3.3	$3.4	$0.9	7.4%	5.7%	4.4%	5.0%	4.7%	4.9%
Investment advisory & mgmt fees	1.6	2.0	1.5	1.8	2.1	0.5	3.1	3.4	2.3	2.8	2.9	2.9
Deposit service fees	2.7	3.1	3.3	3.5	3.5	0.8	5.4	5.4	5.0	5.3	4.9	4.5
Gains on sales of loans, net	1.2	1.1	1.7	3.2	2.6	0.4	2.4	1.8	2.5	4.9	3.6	2.2
Securities gains, net	-----	0.2	1.3	-----	1.5	-----	-----	0.3	1.9	-----	2.1	-----
Gains (losses) on sales of OREO	0.0	0.4	0.2	(0.8)	(0.4)	(0.2)	0.0	0.7	0.3	(1.3)	(0.5)	(1.1)
Earnings on bank-owned life ins	0.9	1.0	1.2	1.3	1.4	0.5	1.8	1.7	1.9	2.0	2.0	2.4
Credit card fees, net	1.7	1.0	0.9	0.3	0.5	0.1	3.4	1.7	1.4	0.4	0.7	0.7
Other	2.2	1.5	2.6	2.8	2.9	1.0	4.4	2.5	4.0	4.5	4.0	5.3
Total noninterest income	$14.1	$13.6	$15.6	$15.4	$17.5	$4.0	27.9%	23.2%	23.7%	23.6%	24.4%	21.8%

In total, noninterest income has grown at a 7.8% compound annual growth rate (CAGR) since 2006, and has contributed to an 11.3% CAGR for total net revenue. This was more than three percentage points greater than the 8.0% CAGR of noninterest expense as the Company has displayed strong cost control over its recurring expense base.

This is most clearly demonstrated when viewing compensation expense, the largest component of noninterest expense, which fell from 50.8% of net revenues in 2006 to 42.4% of net revenues in 2011, before rising to 44.7% in 2012's first quarter, due to increased bonus accruals and additional executives with RB&T's trust department. Most other expense categories have also witnessed improvement, when measured as a percentage of net revenue, as shown in the following table. This has contributed to an improving tangible efficiency ratio, which has declined 13 points to 70% in 2012's first quarter from 83% in 2006. We expect operating efficiency to continue to get better and note that a longer term goal for QCRH is to produce an efficiency ratio in the area of 60%.

While operating expense growth has been well managed, growth in the provision for loan losses with a 15.0% CAGR has risen faster than net interest income with a 12.6% CAGR, as the Company has dealt with lingering asset quality problems related to the recession. On a more positive note, the provision for loan losses has declined $10.4 million, or 61%, to $6.6 million in 2011 after reaching a cycle peak of $17.0 million in 2009. We expect the provision for loan losses to continue to decline, but at a more moderate pace than that of the last two years, as asset quality problems recede in the years ahead.

In total, these factors have contributed to rising net income attributable to QCRH common shareholders, which has increased at a 16.3% compound annual rate to $5.6 million in 2011 from $2.6 million in 2006.

Diluted earnings per share have climbed at a somewhat slower pace, at 15.6% compounded annually, to $1.17 in 2011 from $0.57 in 2006, reflecting an increase in average shares outstanding.

	Amount ($ in Millions)						Noninterest Expense% of Net Revenues					
Noninterest Expense	**2007**	**2008**	**2009**	**2010**	**2011**	**1Q'12**	**2007**	**2008**	**2009**	**2010**	**2011**	**1Q'12**
Salaries and employee benefits	$24.1	$26.1	$26.9	$27.8	$30.4	$8.1	47.7%	44.6%	40.7%	42.7%	42.4%	44.7%
Occupancy and equipment expense	5.0	5.1	5.4	5.5	5.3	1.4	9.9	8.7	8.1	8.4	7.4	7.4%
Professional & data processing fees	3.9	4.8	4.8	4.5	4.5	1.1	7.7	8.2	7.3	6.9	6.2	6.3%
FDIC and other insurance	1.0	1.3	3.6	3.5	2.7	0.6	2.0	2.2	5.5	5.4	3.8	3.2%
Loan/lease expense	-----	0.8	2.0	1.7	2.2	0.2	-----	1.3	3.0	2.5	3.0	1.2%
Advertising and marketing	1.4	1.3	1.0	1.1	1.3	0.3	2.7	2.2	1.5	1.6	1.8	1.5%
Postage and telephone	1.0	0.9	1.1	1.0	0.9	0.3	2.0	1.6	1.6	1.5	1.3	1.6%
Stationary and supplies	0.6	0.5	0.5	0.5	0.5	0.1	1.2	0.9	0.8	0.8	0.7	0.8%
Bank service charges	0.6	0.6	0.5	0.4	0.7	0.2	1.2	1.0	0.7	0.6	1.0	1.1%
Prepayment fees on FHLB advances	-----	-----	-----	-----	0.8	-----	-----	-----	-----	-----	1.2	-----
Other-than-temporary impairment securities losses	-----	-----	-----	0.1	0.1	-----	-----	-----	-----	0.2	0.2	-----
Losses on lease residual values	-----	-----	-----	0.6	-----	-----	-----	-----	-----	1.0	-----	-----
Other	1.4	0.9	0.9	1.8	1.6	0.4	3.0	1.6	1.6	2.8	2.2	2.3%
Total noninterest expense	$39.0	$42.3	$46.7	$48.5	$51.0	$12.7	77.4%	72.3%	70.8%	74.4%	71.2%	70.1%

As to profitability measures, both return on average total equity (ROE) and return on average assets (ROA) are on the low side, but have increased due to rising net income, primarily the result of higher net interest income on improved margins and an expanding interest-earning asset base and better control over operating expenses. Thus, ROA has risen to 0.65% in 2012's first quarter, just shy of QCRH's intermediate-term 0.70% goal, from 0.23% in 2006 and the ROE to 9.5% from 4.6% over this period. QCRH's longer tem goal is to raise the ROA to the 1.00% level.

RECENT NEWS

On April 23, 2012, QCRH reported 2012 first quarter net earnings attributable to common shareholders of $2.3 million, or $0.48 per diluted share, more than double net earnings of $1.1 million, or diluted EPS of $0.23, in the year-ago quarter. This was largely driven by increased net interest income and a lower loan loss provision, partly offset by higher compensation expense, which grew 9% to $8.1 million due to increased bonus accruals and additional executives with RB&T's trust department.

Net interest income increased 16% year over year, aided by a 31 basis point gain in the net interest margin to 3.09% from 2.78% and a 5 ½% rise in average interest-earning assets to $1,874 million, as both average loans and securities were higher than than levels a year ago. The net interest margin benefitted from funding costs that fell more than loan yields and a change in mix of the securities portfolio to higher margin RMBS and municipal securities.

The loan loss provision fell 27% year over year to $0.8 million from $1.1 million due to improved asset quality measures. Nonperforming assets dropped year over year to 3.19% of loans and repossessed assets from 3.80% at March 31, 2011 and 3.35% sequentially from yearend 2011, reflecting a $5.3 million, or 12%, year-over year decrease in nonperforming assets to $38.9 million at the 2012 quarterend. The loan loss allowance as a percent of nonperforming assets also inched up to 49% at the end of the

quarter from 47% at the end of March 2011. This was the result of lower nonperforming loans as the loan loss allowance actually decreased to $19.0 million, or 1.57% of gross loans, from $20.7 million, or 1.79% of loans. Net charge-offs fell to $0.6 million, or 0.19% of average loans from $0.7 million, or 0.24% of average loans, in the comparable 2011 quarter.

Total noninterest expense was held in check despite higher compensation, falling 2% year over year to $12.7 million, largely the due to the absence of a $0.8 million prepayment penalty paid in 2011's first quarter. Since net revenue increased by 5%, this led to a more than 9-point improvement in the tangible efficiency ratio, which decreased to 70% from 79% in the year-ago quarter.

The dividend rate on the SBLF preferred stock remained at 5%, the same as it was in the previous quarter. This reflected the fact that QCRH's qualified small business lending posted a net decline from the baseline of $69.5 million, or 15%, at March 31, 2012.

The Company's capital adequacy declined modestly from a year ago. The Tier 1 capital ratio decreased to 12.27% at the end of 2012's first quarter from 12.33% in the comparable period in 2011, while the Total capital ratio fell to 13.87% from 13.92%. This reflected growth in retained earnings as well as a slight increase in risk-weighted assets, due to the shift in the securities portfolio to US agency RMBS and municipal securities and also more loans.

QCRH posted a 9.0% ROE and 0.65% ROA for the first quarter of 2012, compared to 6.5% and 0.45%, respectively, in the prior-year quarter.

MANAGEMENT

Below is a list of top management of QCR Holdings, Inc.

Douglas M. Hultquist, CPA is President and Chief Executive Officer of QCR Holdings. Mr. Hultquist is certified public accountant and previously served as a tax partner with two major accounting firms. He began his career with KPMG Peat Marwick in 1977 and was named a partner in 1987. In 1991, the Quad Cities office of KPMG Peat Marwick merged with McGladrey & Pullen. Mr. Hultquist served as a tax partner in the Illinois Quad Cities office of McGladrey &Pullen from 1991 until co-founding QCR Holdings in 1993. During his public accounting career, Mr. Hultquist specialized in bank taxation, taxation of closely held businesses, and mergers and acquisitions. Mr. Hultquist served on the board of directors of the PGA TOUR John Deere Classic and was its Chairman for the July 2001 tournament. Mr. Hultquist serves on the board of United Fire Group, and is chair of its Risk Management Committee, is past chairman of the Augustana College board of trustees, a past president of the Quad City Estate Planning Council, past finance chairman of Butterworth Memorial Trust and previously served on the board of the Illinois Bankers Association. He is also a member of the American Institute of CPAs and the Iowa Society of CPAs, and was recently selected as the Iowa Society of CPAs' Outstanding CPA in Business and Industry for 2011. Mr. Hultquist is a member of the Quad Cities Chamber of Commerce board of directors, and is co-chair of the Genesis Health System Pro-Am Golf Challenge. He received his undergraduate degree from Augustana College in Accounting and Economics in 1977 and in 2009 received an Honorary Doctorate degree from the college. Along with co-founder Mr. Michael A. Bauer, Mr. Hultquist received the 1998 Ernst & Young "Entrepreneur of the Year" award for the Iowa and Nebraska region and was inducted into the Quad Cities Area Junior Achievement Business Hall of Fame in 2003.

Todd A. Gipple, CPA is Executive Vice President, Chief Operating Officer, and Chief Financial Officer of QCR Holdings. Mr. Gipple is a Certified Public Accountant and began his career with KPMG Peat Marwick in 1985. In 1991, McGladrey & Pullen acquired the Quad Cities practice of KPMG. Mr. Gipple was named Tax Partner with McGladrey & Pullen in 1994 and served as the Tax Partner-in-Charge of the firm's Mississippi Valley Practice and as one of five Regional Tax Coordinators for the national firm. He

specialized in Financial Institutions Taxation and Mergers and Acquisitions throughout his 14-year career in Public Accounting. He joined QCR Holdings in January of 2000, and currently serves as Executive Vice President, Chief Operating Officer, and Chief Financial Officer. He also serves as a Director of Quad City Bank and Trust, Cedar Rapids Bank and Trust, and Rockford Bank and Trust. Mr. Gipple previous served on the board of directors and the Executive Committee of the Davenport Chamber of Commerce, United Way of the Quad Cities and the Scott County Beautification Foundation, and was a member of the original Governing Body for the Quad City's "Success by 6" Initiative. Mr. Gipple currently serves on the Audit Committees for the United Way of the Quad Cities and for the Community Foundation of the Great River Bend. He is also Chairman of the board of directors of Skip-A-Long, and is a member of the American Institute of CPAs and the Iowa Society of CPAs.

John H. Anderson is President and Chief Executive Officer at Quad City Bank and Trust Company (QCBT). As President and CEO, Mr. Anderson is the driving force in the direction and continued growth of Quad City Bank & Trust. Mr. Anderson ensures the further success of Quad City Bank & Trust by utilizing his tremendous knowledge of the banking industry and personal service to focus on relationship banking, community involvement, and corporate culture. He began his career with Davenport Bank & Trust (now Wells Fargo) and later moved to Brenton Bank, where he served as Chairman, President, and CEO of the Davenport operation. Mr. Anderson is deeply committed to the Quad City area and serves on a number of community boards. He serves as Board Chairman of Rick's House of Hope, Director of St. Ambrose University, Director of Genesis Health System Foundation, and Board Member of the American Heart Association. Most recently, Mr. Anderson has served as past Chairman of the Ridgecrest Foundation, past Director of the Quad City Symphony, past Chairman of Exchange City / Junior Achievement, past Executive Board member of Junior Achievement of the Quad City Area, past Director and Treasurer of the Bettendorf Schools Foundation, past Chairman of the Humane Society of Scott County, and past Board Member of Garden Growers.

Thomas D. Budd is President and Chief Executive Officer at Rockford Bank and Trust Company (RB&T). Mr. Budd leads the execution of Rockford Bank & Trust's operations and strategic plan. Mr. Budd began his career in Asset Based Lending with Barclays Business Credit and CIT Group in Chicago. In 1991, he started his banking career with Bank One in Rockford, most recently serving as First Vice President and Manager of a Commercial Banking division that focused on mid-sized businesses in the Rockford metropolitan area. Mr. Budd is a graduate of Northern Illinois University earning a Bachelor's Degree with a double major in Accountancy and Finance and the Graduate School of Banking at the University of Wisconsin. In 1988, he earned his CPA designation. He is active in the community and serves on the Board of Rockford Health System and is the current Chairman of their Audit Committee. In addition, he also serves on the Board of Milestone, Inc. and their Finance Committee as well as on the Board of the RLDC (Rockford Local Development Corporation).

Jill A. DeKeyser is Senior Vice President and Director of Human Resources of QCR Holdings.

John R. Engelbrecht, MBA is President and Chief Executive Officer at m2 Lease Funds, LLC (m2).

Larry J. Helling is President and Chief Executive Officer of Cedar Rapids Bank & Trust (CBRT). Mr. Helling was previously the Executive Vice President and Regional Commercial Banking Manager of Firstar Bank in Cedar Rapids with a focus on the Cedar Rapids metropolitan area and the Eastern Iowa region. Prior to his six years with Firstar, Mr. Helling spent twelve years with Omaha National Bank. He is a graduate of Cedar Rapids' Leadership for Five Seasons program and currently serves on the board of directors of the United Way of East Central Iowa, the board of trustees of Big Brothers/Big Sisters, the board of directors of Downtown Rotary, and the board of trustees of Junior Achievement. In addition, he is actively involved in numerous school and church related activities and committees.

Victor J. Quinn is Executive Vice President and Director of Funds Management at QCR Holdings.

John A. Rodriguez, CCM is Executive Vice President of Deposit Operations and Informational Services at QCR Holdings.

William M. Tank Jr., MBA is Executive Vice President and Chief Credit Officer of QCRH Holdings'. Tank manages credit administration and establishes all lending policies and procedures for QCR Holdings. Mr. Tank has over 30 years of banking experience with a solid history of leadership in credit administration, commercial lending, residential lending, retail banking, and as a bank CEO. He received his MBA from Drake University in Des Moines and currently serves on the Board of Directors of the Center for Alcohol and Drug Services and Bethany For Children & Families. He previously served as a board member of New Ventures.

M. Randolph Westlund, CFA is Executive Vice President and Chief Investment Officer at QCR Holdings.

Cathie S. Whiteside, MBA is Executive Vice President of Corporate Strategy and Branding at QCR Holdings.

John R. McEvoy, Jr. is Executive Vice President, Chief Operations Officer, & Cashier at Quad City Bank and Trust Company (QCBT). Mr. McEvoy utilizes his 37 years of banking experience as he manages the funds and liquidity needs of Quad City Bank & Trust. He also deals with the day to day facility maintenance and bank operation needs. Previously, he served as Chief Financial Officer and Chief Operations Officer for THE National Bank. John holds a Bachelor's degree in Accounting and Business Administration from Augustana College and is active in the community as a Rock Island Evening Lions Club Member and Rock Island Girls Softball League Board Member.

OWNERSHIP AND INSIDER TRADING

Insiders own roughly 18% of the Company's total shares outstanding, and were net purchasers of about 4,400 shares during the prior six months, representing approximately 0.9% of total insider shares held.

Institutional holders own about 12% of outstanding shares, as shown in the following table, and about 15% of the float. In the prior quarter, institutional shareholders were sellers of 55,000 shares, or about 9% of total institutional shares held. Short interest is a low 0.5 day.

Top Institutional Holders

Holder	Shares	% Out	Reported
Banc Funds Company, L.L.C. (The)	347,151	7.20	Dec 31, 2011
United Fire Group, Inc.	83,181	1.72	Dec 31, 2011
M3F, Inc.	53,084	1.10	Dec 31, 2011
Pinnacle Holdings, LLC	19,776	0.41	Dec 31, 2011
Bridgeway Capital Management, Inc.	13,200	0.27	Dec 31, 2011
CALPERS	11,136	0.23	Dec 31, 2011
Dimensional Fund Advisors LP	9,618	0.20	Dec 31, 2011
Wells Fargo & Company	8,150	0.17	Dec 31, 2011
BlackRock Fund Advisors	5,480	0.11	Dec 31, 2011
U.S. Bancorp	3,746	0.08	Dec 31, 2011

Source: Yahoo Finance

PEER COMPARISONS

Peer comparisons for QCR Holdings for the year ending December 31, 2011 are shown in the following table. QCRH's capital adequacy ratios tend toward the middle of its peer group, with the exception of the tangible common equity ratio, which is last. QCRH's ROE and ROA are also at the bottom of its peer group, largely reflecting its below-average net interest margin and operating efficiency. Given QCRH's stated plans to raise tangible common equity and to generate higher profitability measures by driving down the efficiency ratio, we expect QCRH's standing relative to its peers to improve in the years ahead.

	QCR Holdings	First Business Financial	German American Bancorp	MidWestOne Financial Group	West Bancorp
Year Ending December 31, 2011	**QCRH**	FBIZ	GABC	MOFG	WTBA
Total assets (Millions)	**$1,967**	$1,177	$1,875	$1,695	$1,270
Tangible equity % tangible assets	**7.09%**	5.45%	7.80%	8.68%	9.72%
Tangible common equity % tangible assets	**3.93%**	5.45%	7.80%	8.68%	9.72%
Tier 1 capital ratio	**12.24%**	7.91%	10.58%	12.40%	15.01%
Loans % deposits	**99.61%**	80.93%	73.41%	78.70%	88.06%
ROA (annualized)	**0.51%**	0.75%	1.12%	0.82%	1.18%
ROE (annualized)	**7.09%**	14.03%	12.68%	8.42%	11.26%
Net interest margin	**3.05%**	3.30%	3.80%	3.59%	3.46%
Efficiency ratio	**72.02%**	61.52%	58.30%	60.13%	52.20%
Net charge-offs % avg loans (annualized)	**0.70%**	0.74%	0.43%	0.62%	0.34%
Nonperforming assets % loans+OREO	**3.21%**	2.83%	1.80%	3.25%	2.68%
Loan loss allowance % loans	**1.56%**	1.66%	1.34%	1.73%	1.99%
Loan loss allowance % nonperforming assets	**48.46%**	58.70%	74.23%	52.54%	73.25%

Source: SNL Financial

PROJECTIONS

Our annual and quarterly projections are shown on pages 23 and 24, respectively. We are estimating diluted EPS of $1.95 in 2012, an increase of 67% over 2011's $1.17 (which excludes excess accretion on preferred shares of $1.2 million, or $0.25 per diluted share) and of $2.10 in 2013, an 8% gain over our 2012 estimate. Key highlights include:

- A net interest margin of 3.10% in 2012, about the same as in 2011, rising to 3.18% in 2013 as loan demand begins to pick up, shifting the balance sheet toward higher margin loans, away from lower yielding securities.
- A 3% advance in outstanding loans in 2012, followed by 5% loan growth in 2013.
- Continuing, though slowing, asset quality improvement in 2012 and 2013.
- A decrease in the loan loss provision from $6.6 million in 2011 to $4.0 million in 2011, before rising to $4.6 million due to growth in the loan portfolio.
- Moderate improvement in the efficiency ratio, falling to 68-69% in 2012-2013 from 73% in 2011.
- A 28% effective tax rate, about the same as it was in 2011.
- No change in the $0.08 annual dividend.
- No significant capital changes. QCRH should retain excess earnings to grow tangible common equity and to fund redemption of the SBLF preferred stock, when that becomes possible. We do not expect QCRH to issue any dilutive common equity.

Major risks include:

- A halt in the recovery in the US, which would depress loan demand and hurt asset quality.
- Greater-than-expected asset quality deterioration due to weaker-than-expected real estate markets.
- Political risk, including increased regulation.

VALUATION

QCRH stock has risen 29.1% year to date and has outperformed the S&P 500's 8.9% advance by a wide margin, and it has also outperformed the industry's median price increase of 26.9%, as shown in the following table. At its current price, QCRH is trading at a discount to the industry median P/E of 47% in 2012 and of 48% in 2013, based upon our EPS estimates for 2012 and 2013, respectively.

Turning to Price/Tangible Book Value, QCRH is valued at 0.75X versus the industry median of 0.91X. This represents a 17% discount to the median, below the average historical discount of 15% for QCRH since the end of 2005. Applying the historical discount of 15% to our estimated book value for QCRH twelve months out results in a price of approximately $13.75.

When combined with the dividend yield, this represents a total return of almost 18%, better than our expectations for gains in the broader market index over the next year. Thus, we are initiating coverage on QCRH with an Outperform rating and a twelve-month price target of $13.75.

Industry Comparables- Small-Cap Banks

		Price / Earnings Ratios				Return on Equity		Return on Assets		
	Pr Chg YTD	TTM* EPS	2012E	2013E	Price/ Book	TTM*	5-Yr Avg	TTM*	5-Yr Avg	Div Yld
QCR Holdings	**29.1**	**8.3**	**6.0**	**5.6**	**0.75**	**10.8**	**5.7**	**0.56**	**0.31**	**0.7**
S&P 500	8.9	14.2	13.3	12.6	8.6	29.6	-----	9.8	-----	2.1
Median	**26.9**	**11.7**	**11.3**	**10.7**	**0.91**	**8.5**	**4.4**	**0.78**	**0.32**	**0.3**
Average	26.8	16.7	12.2	10.7	0.8	(0.7)	1.8	0.5	0.3	1.4
High	120.2	61.9	22.1	17.4	1.7	18.5	11.5	1.8	2.3	7.1
Low	(73.5)	6.4	7.0	6.2	0.0	(268.3)	(37.6)	(3.6)	(2.2)	-----

*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	12/12E	12/13E
Net interest income	36.4	45.0	50.4	49.9	54.1	58.2	61.4
Non-interest income	14.1	13.6	15.6	15.4	17.5	17.0	17.8
Total net revenue	50.5	58.6	66.0	65.3	71.6	75.2	79.2
Loan loss provision	2.9	9.2	17.0	7.5	6.6	4.0	4.6
Non-interest expense	39.0	42.3	46.7	48.5	51.0	51.9	54.1
Income taxes & other	3.9	3.9	4.4	6.8	8.4	9.9	10.3
Zacks adjusted income before NRI	4.7	3.2	(2.1)	2.5	5.6	9.4	10.2
GAAP net income	4.7	4.9	(2.1)	2.5	4.4	9.4	10.2
Diluted EPS before NRI	1.02	0.69	(0.46)	0.53	1.17	1.95	2.10
Reported EPS	1.02	1.06	(0.46)	0.53	0.92	1.95	2.10
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	630.1	636.5
Loans & leases, gross	1,106.9	1,214.7	1,244.3	1,172.5	1,200.7	1,236.1	1,299.1
Total assets	1,476.6	1,605.6	1,779.6	1,836.6	1,966.6	2,017.6	2,092.1
Core deposits	684.6	711.3	761.5	844.2	960.9	1,100.2	1,167.8
Purchased funds	267.6	367.6	340.9	307.1	263.6	240.0	240.0
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	150.3	159.1
Profitability							
Return on avg assets	0.43%	0.32%	0.10%	0.36%	0.51%	0.66%	0.68%
Return on avg equity	7.70%	5.66%	1.43%	5.03%	7.09%	9.03%	8.99%
Net interest margin	2.97%	3.32%	3.15%	2.92%	3.08%	3.10%	3.18%
Loan loss provision % avg assets	0.21%	0.59%	0.98%	0.41%	0.35%	0.20%	0.22%
Noninterest income % avg assets	1.04%	0.88%	0.91%	0.84%	0.92%	0.85%	0.87%
Noninterest expense % avg assets	2.89%	2.73%	2.71%	2.64%	2.67%	2.59%	2.63%
Preprovision pretax income % avg assets	0.85%	1.04%	1.12%	0.91%	1.08%	1.16%	1.22%
Tangible efficiency ratio	77%	73%	72%	74%	73%	69%	68%
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%	0.34%	0.33%
Allowance % loans	1.09%	1.47%	1.81%	1.74%	1.56%	1.51%	1.46%
NPAs % loans & related assets	0.68%	2.08%	3.22%	4.24%	3.35%	2.86%	2.53%
Allowance % NPAs	161%	70%	56%	41%	46%	52%	57%
Liquidity & Funding							
Liquid assets % purchased funds	97%	78%	122%	178%	242%	263%	265%
Core deposits % loans	62%	59%	61%	72%	80%	89%	90%
Liquid assets % assets	18%	18%	23%	30%	32%	31%	30%
Loans % assets	75%	76%	70%	64%	61%	61%	62%
Capital Adequacy							
Total equity % assets	5.83%	5.64%	6.96%	7.13%	7.24%	7.45%	7.61%
Tangible equity % assets	5.62%	5.46%	6.79%	6.97%	7.09%	7.30%	7.46%
Tier 1 capital ratio	8.65%	8.36%	11.14%	12.12%	12.24%		
Total capital ratio	10.48%	10.39%	12.52%	13.70%	13.84%		
Parent Company Statistics							
Interest coverage	2.8X	3.1X	1.4X	0.7X	2.8X	2.0X	2.0X
Interest & dividend coverage	2.0X	1.8X	0.5X	0.3X	0.8X	0.8X	0.8X
Short-term debt coverage	0.7X	2.0X	N/A	N/A	N/A	N/A	N/A
Total debt coverage	0.1X	0.2X	N/A	N/A	N/A	N/A	N/A
Double leverage	144.2%	146.1%	133.4%	132.5%	128.9%	128.4%	127.7%

QCR Holdings, Inc.

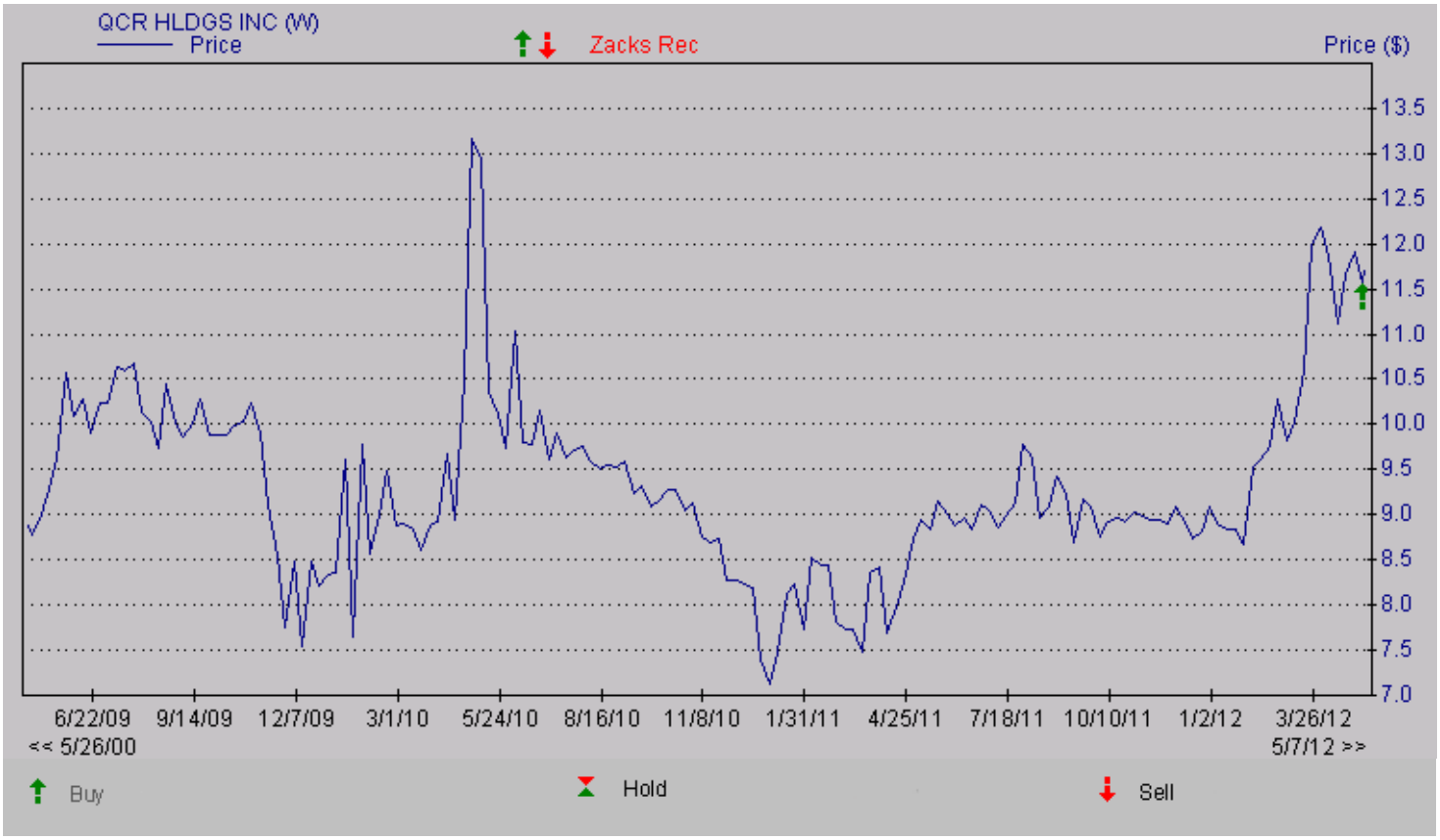
Income Statement and Balance Sheet

(Dollars in millions, except per share data)

	2011				2012			
Summary Financial Data	**Q1 A**	**Q2 A**	**Q3 A**	**Q4 A**	**Q1 A**	**Q2 E**	**Q3 E**	**Q4 E**
Net interest income	12.2	14.0	13.8	14.2	14.2	14.6	14.6	14.7
Non-interest income	5.1	4.1	4.3	3.9	4.0	4.3	4.4	4.4
Total net revenue	17.3	18.1	18.1	18.1	18.2	18.9	19.0	19.1
Loan loss provision	1.1	1.7	2.5	1.4	0.8	1.1	1.1	1.0
Non-interest expense	13.0	12.6	12.7	12.7	12.7	13.0	13.0	13.2
Income taxes & other	2.1	2.2	1.7	2.3	2.4	2.4	2.5	2.5
Zacks adjusted income before NRI	1.1	1.6	1.2	1.7	2.3	2.4	2.4	2.4
GAAP net income	1.1	1.6	(0.0)	1.7	2.3	2.4	2.4	2.4
Diluted EPS before NRI	0.23	0.34	0.24	0.35	0.48	0.49	0.49	0.49
Reported EPS	0.23	0.34	(0.01)	0.35	0.48	0.49	0.49	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	627.0	628.6	630.1
Loans & leases, gross	1,155.8	1,183.9	1,197.6	1,200.7	1,211.7	1,217.8	1,223.9	1,236.1
Total assets	1,873.7	1,878.5	1,899.0	1,966.6	1,993.0	2,001.2	2,009.4	2,017.6
Core deposits	924.2	943.7	936.8	960.9	1,052.2	1,068.0	1,084.0	1,100.2
Purchased funds	292.2	284.0	297.6	263.6	266.2	260.0	250.0	240.0
Long-term debt	368.5	368.5	354.1	358.1	354.4	357.0	356.0	355.0
Shareholders' equity	131.2	135.5	141.2	142.4	143.5	145.7	148.1	150.3
Profitability								
Return on avg assets*	0.45%	0.57%	0.45%	0.56%	0.65%	0.66%	0.66%	0.66%
Return on avg equity *	6.47%	7.95%	6.10%	7.85%	9.00%	9.14%	9.04%	8.95%
Net interest margin	2.78%	3.21%	3.16%	3.18%	3.09%	3.10%	3.10%	3.10%
Loan loss provision % avg assets*	0.23%	0.36%	0.52%	0.29%	0.16%	0.22%	0.22%	0.20%
Noninterest income % avg assets*	1.07%	0.89%	0.91%	0.80%	0.79%	0.86%	0.87%	0.87%
Noninterest expense % avg assets*	2.75%	2.67%	2.68%	2.60%	2.54%	2.59%	2.60%	2.61%
Preprovision pretax inc.% avg assets*	0.90%	1.18%	1.13%	1.11%	1.08%	1.19%	1.19%	1.19%
Tangible efficiency ratio	79%	70%	72%	70%	70%	69%	69%	69%
Payout ratio	-----	12%	-----	11%	-----	8%	-----	8%
Asset Quality								
Net charge-offs % avg loans*	0.24%	0.89%	0.90%	0.74%	0.19%	0.40%	0.39%	0.39%
Allowance % loans	1.79%	1.67%	1.63%	1.56%	1.57%	1.55%	1.54%	1.51%
NPAs % loans & related assets	3.80%	3.17%	3.35%	3.35%	3.19%	3.07%	2.97%	2.86%
Allowance % NPAs	47%	52%	48%	46%	49%	50%	51%	52%
Liquidity & Funding								
Liquid assets % purchased funds	209%	205%	198%	242%	235%	241%	251%	263%
Core deposits % loans	80%	80%	78%	80%	87%	88%	89%	89%
Liquid assets % assets	33%	31%	31%	32%	31%	31%	31%	31%
Loans % assets	62%	63%	63%	61%	61%	61%	61%	61%
Capital Adequacy								
Total equity % assets	7.00%	7.21%	7.44%	7.24%	7.20%	7.28%	7.37%	7.45%
Tangible equity % assets	6.84%	7.05%	7.28%	7.09%	7.05%	7.13%	7.22%	7.30%
Tier 1 capital ratio	12.33%	12.28%	12.42%	12.24%	12.27%			
Total capital ratio	13.92%	13.87%	14.01%	13.84%	13.87%			

*Annualized.

HISTORICAL ZACKS RECOMMENDATIONS



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