Zacks Small-Cap Research

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QCR Holdings, Inc.

(QCRH-NASDAQ)

QCRH: Another Strong Quarter with Improving Asset Quality Trends

Current Recommendation	**Outperform**
Prior Recommendation	N/A
Date of Last Change	05/08/2012
Current Price (10/31/12)	$14.45
Twelve- Month Target Price	**$16.00**

OUTLOOK

QCR Holdings, Inc. (QCRH) posted third quarter diluted EPS of $0.44, up 83% from the $0.24 EPS reported last year. Compared to the year-ago quarter, third quarter results were boosted by a gain in net interest income from 8% growth in average interest-earning assets and a significantly reduced loan loss provision, partly offset by a moderate drop in noninterest income stemming from higher losses on the sales of OREO, a rise in noninterest expense due to a 7% increase in compensation expense, partly offset by a large drop in loan/lease expense, and a 1.8% increase in the effective tax rate. However, diluted EPS came in $0.07 below our $0.51 per share estimate, principally the result of a loan loss provision that was $0.4 million larger than our $1.1 million estimate, higher-than-expected average diluted shares outstanding that cost about $0.02 per share, and net revenue that was $0.2 million worse than our estimate, partly offset by an effective tax rate that was 290 basis points better than our 27.4% estimate. Nonperforming loans fell $3.4 million, or 12%, sequentially to $23.9 million, while foreclosed assets dropped $4.0 million, or 44%, to $5.1 million. As a percentage of total loans and OREO, nonperforming assets fell 66 basis points sequentially to 2.33% from 2.98% at the end of the second quarter and 102 basis points year over year from 3.35%. We are cutting our diluted EPS estimates, with our new estimates at $1.82 for 2012 and $2.05 for 2013, representing year-over-year gains of 56% and 13%, respectively. The primary reasons for our reductions are negative changes to our estimates for NIM, loss provision, noninterest income, and diluted shares, partly offset by a lower effective tax rate.

SUMMARY DATA

52-Week High	**$15.26**
52-Week Low	**$8.52**
One-Year Return (%)	**62.35**
Beta	**0.34**
Average Daily Volume (sh)	**1,500**
Shares Outstanding (mil)	**5**
Market Capitalization ($mil)	**$70**
Short Interest Ratio (days)	**1.00**
Institutional Ownership (%)	**11**
Insider Ownership (%)	**18**
Annual Cash Dividend	**$0.08**
Dividend Yield (%)	**0.55**
5-Yr. Historical Growth Rates	
Net Revenue (%)	**-2.0**
Earnings Per Share (%)	**10.8**
Dividend (%)	**0.0**
P/E using TTM EPS	**8.5**
P/E using 2012 Estimate	**7.9**
P/E using 2013 Estimate	**7.0**
Zacks Rank	**2**

Risk Level	**Average**
Type of Stock	**Small-Value**
Industry	**Banks-Midwest**
Zacks Rank in Industry	**8 of 39**

ZACKS ESTIMATES

Net Revenue

(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2010	15.7 A	16.1 A	16.5 A	17.0 A	65.3 A
2011	17.3 A	18.1 A	18.1 A	18.1 A	71.6 A
2012	18.2 A	18.6 A	18.7 A	18.6 E	74.1 E
2013					76.7 E

Earnings per Share

(EPS is operating earnings before nonrecurring items)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2010	0.06 A	0.15 A	0.21 A	0.11 A	0.53 A
2011	0.23 A	0.34 A	0.24 A	0.35 A	1.17 A
2012	0.48 A	0.44 A	0.44 A	0.47 E	1.82 E
2013					2.05 E

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

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THIRD QUARTER RESULTS

QCRH posted third quarter diluted EPS of $0.44, up 83% from the $0.24 EPS reported last year. Compared to the year-ago quarter, third quarter results were boosted by a gain in net interest income from 8% growth in average interest-earning assets and a significantly reduced loan loss provision, partly offset by a moderate drop in noninterest income stemming from higher losses on the sales of OREO, a rise in noninterest expense due to a 7% increase in compensation expense, partly offset by a large drop in loan/lease expense, and a 1.8% increase in the effective tax rate.

However, diluted EPS came in $0.07 below our $0.51 per share estimate, principally the result of a loan loss provision that was $0.4 million larger than our $1.1 million estimate, higher-than-expected average diluted shares outstanding that cost about $0.02 per share relative to our estimate, and net revenue that was $0.2 million worse than our estimate ($0.1 million each for both net interest income and noninterest income), partly offset by an effective tax rate that was 290 basis points better than our 27.4% estimate.

The Company continued to significantly reduce problem assets. Nonperforming loans fell $3.4 million, or 12%, sequentially to $23.9 million, while foreclosed assets dropped $4.0 million, or 44%, to $5.1 million. As a percentage of total loans and OREO, nonperforming assets fell 66 basis points sequentially to 2.33% from 2.98% at the end of the second quarter and 102 basis points year over year from 3.35%.

We are cutting both our 2012 and 2013 diluted EPS estimates. For 2012, we are reducing our diluted EPS estimate by $0.13 to $1.82 from $1.95, reflecting the third quarter shortfall and an additional $0.05 decline in our fourth quarter estimate to $0.47, mainly due to finetuning our projections for both noninterest income and noninterest expense, as well as a higher level of average diluted shares outstanding.

For 2013, we are decreasing our 2013 diluted EPS estimate by $0.15 to $2.05 from $2.20, principally because we have reduced our net interest margin estimate for the year by 8 basis points to 3.10%, cut our estimate for growth in noninterest income by 70 basis points to 2.5%, modestly upped our estimate for total compensation costs, and raised our estimate for average diluted shares for the year.

Our $1.82 EPS estimate in 2012 represents a 56% gain over 2011's $1.17, which excludes a $1.2 million, or $0.25 per diluted share, one-time discount accretion on the redemption of the Series D preferred stock. Our diluted EPS estimate for 2013 of $2.05 corresponds to a 13% gain over our 2012 estimate.

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

Net Interest Income

Net interest income increased 6% year over year to $14.6 million, due to an 8% gain in average interest-earning assets. The net interest margin was flat at 3.16%. A 29 basis-point decline in the yield on average-interest-earnings assets to 4.17% was offset by a 33 basis-point drop in average deposit costs to 0.65%. In addition, a 2-point expansion of the lower yield securities portfolio, which rose to 29% of total assets at the end of 2012's third quarter versus 27% a year ago, and a corresponding decrease in the higher yield loan portfolio to 61% of total assets from 63%, hurt the net interest margin.

The yield on the loan and lease receivables portfolio fell 33 basis points year over year to 5.12%, mainly the result of increased competitive 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. Positively, the securities portfolio yield rose 1 basis point to 2.52%, as QCRH increased the allocation to higher yield residential mortgage-backed and municipal securities, away from lower yield US Agencies, enhancing diversification of the securities portfolio at the same time.

Net interest income of $14.6 was almost $0.1 million lower than our estimate, even though QCRH's 3.16% net interest margin was 4 basis points above our 3.12% estimate.

We expect that competitive pricing pressures will reduce the net interest margin from the third quarter's 3.16% to 3.10% for the fourth quarter of 2012 and for all of 2013, and that this will offset the benefit from the shift in QCRH's balance sheet into higher yield loans, away from lower yield securities. We are using a 3.13% estimate for all of 2012 (up from 3.12% before) and a 3.10% estimate for 2013 (down 8 basis points from 3.18% previously). This compares to the 3.08% that was actually posted in 2011.

Noninterest Income

Noninterest income fell 5% year over year to $4.1 million (and was $0.1 million lower than our estimate). Strong growth in trust department fees (up 20% due to the addition of new clients and the higher stock market) and gains on loan sales of 68% were partially offset by a 5% drop in deposit service fees, due to lower NSF and overdraft fees, an impact that has been experienced throughout the industry. In addition, there were several large one-time items that basically offset each other—a $580,000 gain on the sale of an interest in a data-processing company and a $527,000 write-down on other real estate owned. Excluding these one-time items plus the impact of the combined profit/loss on sales of securities and OREO from both years results in a $0.4 million, or 11%, gain in noninterest income, rather than the 5% decline that was actually posted.

For both 2012 and 2013, we are scaling back our estimate of noninterest income, largely to reflect reductions in our estimates for investment advisory & management fees and deposit service fees plus higher losses on sales of OREO. In 2013, we have raised our estimate for gains on loan sales due to the Company's strong backlog.

Loan Loss Provision

The loan loss provision slid 39% year over year to $1.5 million, reflecting improved asset quality. Relative to our estimate, it was about $0.4 million higher than the $1.1 million we had projected.

Going forward, we have increased our estimate for the loan loss provision for 2012 by $0.4 million to $4.3 million, which is down 35% from 2011's $6.6 million, primarily reflecting two factors: (1) a slowdown in the rate of growth in nonaccrual loans and (2) an increase in nonaccrual loans exiting the bank. This will be partly offset by expected 4% year-over-year growth in the loan portfolio in 2012. For 2013, we are estimating 2% growth in the loan loss provision to $4.4 million (up from $4.2 million previously), largely due to growth in the loan portfolio.

Noninterest Expense

Noninterest expense rose 2% year over year to $13.0 million, matching our estimate.

Compensation expense climbed 7% to $8.2 million, which was partly offset by a 68% plunge in loan/lease expense from reduced carrying costs of bad assets.

Generally, the Company maintained tight control over operating expenses, and the Company's efficiency ratio improved, sliding 260 basis points to 69.5% compared to 72.1% in 2011's third quarter.

We expect operating efficiency to improve for the remainder of 2012 before levelling off in 2013, and have estimated efficiency ratios of 70.6% in full-year 2012 and 70.7% in 2013, which compare to 72.7% actually reported in 2011.

Income Taxes

The Company's effective tax rate was 24.5% in the third quarter, compared to 22.7% in the year-ago quarter and our 27.4% estimate. We have lowered our estimated effective tax rate for the balance of 2012 and all of 2013 as an increasing proportion of income derives from tax-favored municipal obligations, as occurred in the third quarter. Our new estimates for effective tax rates are 25.0% for the

fourth quarter (verus 26.3% before), 25.6% for 2012 (a one-point drop from 26.6% previously), and 25.0% for 2013 (down 200 basis points from 27.0% originally).

Noncontrolling Interests

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

Net Income

QCRH posted third quarter net earnings attributable to common shareholders of $2.2 million, or $0.44 per diluted share, up 83% from $1.2 million ($0.24 diluted EPS) reported in the year-ago quarter. This compares to our $2.5 million net income estimate ($0.51 diluted EPS).

Profitability

QCRH posted an 8.8% ROE and 0.60% ROA for the third quarter of 2012, compared to a 6.1% ROE and 0.45% ROA for the third quarter of 2011, as the Company reported significantly higher net earnings.

Loans and Asset Quality

Loans advanced $31 million, or 2.5%, sequentially to $1,241 million during the third quarter. This represents the sixth consecutive quarter of loan growth. Sequentially, commercial real estate loans increased $19 million, or 3%, to $595 million and total commercial and industrial loans rose $4 million (only 1%) to $351 million as the Company continues to experience historically low levels of credit line utilization and higher-than-average loan paydowns from weak demand. Residential real estate increased the most, rising by $5 million, or 5%, to $112 million; direct financing leases edged up by $3 million, or 3.5%, to $102 million; and consumer fell by less than $1 million, or 1%, to $77 million.

We are raising our estimate of loan growth in 2012 to 4% from 3%, and showing higher loan growth of 5% in 2013. This compares to year-over-year growth of 2 ½% in 2011.

Nonperforming loans fell $3.4 million, or 12%, sequentially to $23.9 million, while foreclosed assets dropped $4.0 million, or 44%, to $5.1 million. As a percentage of total loans and OREO, nonperforming assets fell 66 basis points sequentially to 2.33% from 2.98% at the end of the second quarter and 102 basis points year over year from 3.35%. Most of the sequential decline was due to improved performance on several loans and sales of other real estate owned, with the balance stemming from charge-offs ($1.1 million) and write-downs of other real estate owned ($0.5 million).

We expect asset quality to continue to show improvement for the balance of 2012 and throughout 2013 as the Company works though problem assets, with the estimated NPA ratio falling to 2.23% by the end of 2012 and to 1.94% by the end of 2013.

The loan loss allowance as a percent of nonperforming assets rose to 67% at the end of the quarter from 51% at the end of 2012's second quarter. This was the result of a lower level of problem loans, aided by by a higher loan loss allowance that increased to $19.4 million, or 1.56% of gross loans, from $18.7 million, or 1.54% of gross loans.

Liquidity and Funding

During the third quarter, QCRH increased cash and short-investments by $12 million and decreased the securities portfolio by $45 million, which the Company used to fund loan growth.

Within the securities porttfolio, QCRH shifted the securities mix to municipal securities, away from residential mortgage-backed and US government-sponsored agency securities. Sequentially, US Agency

securities fell 12% to $343 million, or 58% of the total securities portfolio and residential mortgage-backed securities slid 6% to $156 million, or 26% of the total portfolio, while municipal securities rose 11% to $90 million, or 15% of the securities portfolio.

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. However, there was little change in deposit funding mix during the third quarter. At September 30, 2012, noninterest-bearing demand deposits represented 31% of total deposits of $1.3 billion, while interest-bearing demand deposits were 42%, time deposits were 23%, and brokered deposits were 4%, or all about the same as they were at June 30, 2012.

Capital Adequacy and Dividends

The Company's capital adequacy ratios were mixed during the quarter. The Tier 1 capital ratio inched up 16 basis points to 11.68% at the end of 2012's third quarter from 11.52% at June 30, 2012, and the Total capital ratio dropped 81 basis point to 13.13% from 13.14%.

Tangible common equity to tangible assets rose about 15 basis point to 4.01% at September 30, 2012 from the June quarterend, due to growth in retained earnings and a roughtly $20 million decrease in total tangible assets, which have passed the $2 billion mark. Tangible book value per share also increased during the third quarter, by $0.40 per share to $16.66 from $16.26.

On May 3, 2012, QCRH announced its regular semi-annual cash dividend of $0.04 per share paid on July 6, 2012, to stockholders of record on June 21, 2012. We do not expect any increase in the common dividend for the foreseeable future as the Company expects to retain excess earnings to grow tangible common equity and redeem the balance of the SBLF preferred stock ($10 million in 2013, $10 million in 2014, and $10 million in 2015). This accounts for the reduction in total tangible equity ratios (including the SBLF preferred stock) in 2012 and 2013. However, we expect tangible common equity ratios to continue to rise—by 32 basis points to 4.09% at yearend 2012 and by an additional 18 basis points to 4.27% in 2013, due to solid growth in retained earnings.

Basel III

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

OVERVIEW

QCR Holdings, Inc. (QCRH or the Company) is a multibank holding company, which was founded in 1993 and is headquartered in Moline, Illinois, with $2.0 billion in total assets at September 30, 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.

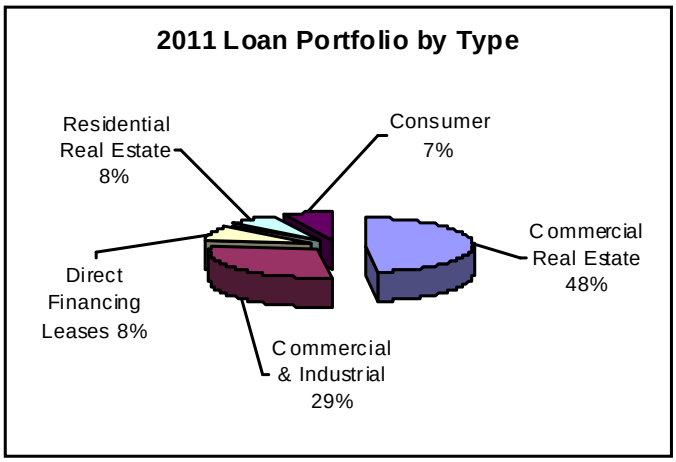
By far the largest of these subsidiaries is QCBT, which accounts for $1.1 billion, or approximately 55%, of QCRH's total assets, and is also the oldest of its subsidiaries, having begun operations in January 1994. Its five offices are located in Bettendorf and Davenport, Iowa and Moline, Illinois. CRBT, 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) 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 $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.

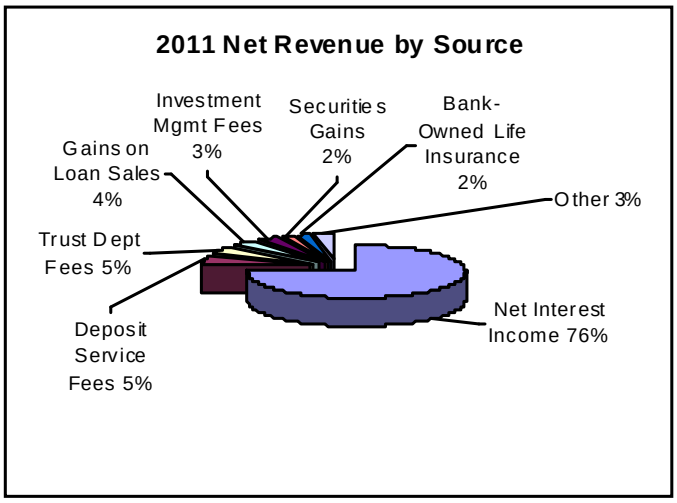
QCRH has smaller ownership interests in Nobel Real Estate Investors, LLC (20%) and Cedar Rapids Mortgage Company, LLC (50%), though these do not contribute meaningfully to assets or net income.

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.

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.

VALUATION

QCRH stock has risen 58.8% year to date and has outperformed the S&P 500’s 12.4% advance by a wide margin, and it has also outperformed the industry’s median price increase of 38.4%, as shown in the following table. At its current price, QCRH is trading at a discount to the industry median P/E of 42% in 2013 (compared to 46% at the time of our last report on August 3, 2012), based upon our diluted EPS estimate for 2013.

Turning to Price/Tangible Book Value, QCRH is valued at 0.88X versus the industry median of 0.97X. This represents a 9% discount to the median, or about 6 points better than QCRH’s average historical discount of 15% since the end of 2005. We believe a higher valuation is justified as the Company’s earnings and profitability prospects are much improved and QCRH has taken a number of steps over the last few years to strengthen its balance sheet.

Applying the 9% discount to our estimated book value for QCRH twelve months out results in a price of approximately $16.00. When combined with the dividend yield, this represents a total return of over 11%, better than our expectations for gains in the broader market index over the next year. Thus, we are maintaining our Outperform rating on QCRH with a twelve-month price target of $16.00.

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	**58.8**	**8.5**	**7.9**	**7.0**	**0.88**	**9.2**	**6.0**	**0.56**	**0.34**	**0.6**
S&P 500	12.4	14.4	13.9	13.0	3.6	42.5	-----	9.7	-----	2.1
Median	**38.4**	**12.9**	**12.2**	**12.0**	**0.97**	**7.3**	**4.0**	**0.63**	**0.32**	**-----**
Average	42.4	15.6	14.9	13.0	0.9	4.8	1.7	0.5	0.3	1.2
High	173.8	60.8	52.3	45.4	1.7	19.0	14.2	1.6	2.2	6.0
Low	(42.9)	5.0	4.9	4.7	0.3	(55.2)	(76.5)	(5.9)	(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	60.4
Non-interest income	14.1	13.6	15.6	15.4	17.5	15.9	16.3
Total net revenue	50.5	58.6	66.0	65.3	71.6	74.1	76.7
Loan loss provision	2.9	9.2	17.0	7.5	6.6	4.3	4.4
Non-interest expense	39.0	42.3	46.7	48.5	51.0	52.2	54.2
Income taxes & other	3.9	3.9	4.4	6.8	8.4	8.5	7.5
Zacks adjusted income before NRI	4.7	3.2	(2.1)	2.5	5.6	9.1	10.6
GAAP net income	4.7	4.9	(2.1)	2.5	4.4	9.1	10.6
Diluted EPS before NRI	1.02	0.69	(0.46)	0.53	1.17	1.82	2.05
Reported EPS	1.02	1.06	(0.46)	0.53	0.92	1.82	2.05
Dividends per share	0.08	0.08	0.08	0.08	0.08	0.08	0.08
Liquid assets	259.6	287.8	417.3	546.0	638.5	596.1	602.1
Loans & leases, gross	1,106.9	1,214.7	1,244.3	1,172.5	1,200.7	1,250.5	1,314.2
Total assets	1,476.6	1,605.6	1,779.6	1,836.6	1,966.6	2,032.2	2,107.2
Core deposits	684.6	711.3	761.5	844.2	960.9	1,115.2	1,183.6
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	141.2	137.8
Profitability							
Return on avg assets	0.43%	0.32%	0.10%	0.36%	0.51%	0.62%	0.65%
Return on avg equity	7.70%	5.66%	1.43%	5.03%	7.09%	8.85%	9.80%
Net interest margin	2.97%	3.32%	3.15%	2.92%	3.08%	3.13%	3.10%
Loan loss provision % avg assets	0.21%	0.59%	0.98%	0.41%	0.35%	0.21%	0.21%
Noninterest income % avg assets	1.04%	0.88%	0.91%	0.84%	0.92%	0.79%	0.79%
Noninterest expense % avg assets	2.89%	2.73%	2.71%	2.64%	2.67%	2.59%	2.62%
Preprovision pretax income % avg assets	0.85%	1.04%	1.12%	0.91%	1.08%	1.08%	1.09%
Tangible efficiency ratio	77%	73%	72%	74%	73%	71%	71%
Payout ratio	8%	8%	(18)%	15%	9%	4%	4%
Asset Quality							
Net charge-offs % avg loans	0.14%	0.24%	1.00%	0.79%	0.70%	0.32%	0.30%
Allowance % loans	1.09%	1.47%	1.81%	1.74%	1.56%	1.54%	1.51%
NPAs % loans & related assets	0.68%	2.08%	3.22%	4.24%	3.35%	2.23%	1.94%
Allowance % NPAs	161%	70%	56%	41%	46%	69%	78%
Liquidity & Funding							
Liquid assets % purchased funds	97%	78%	122%	178%	242%	248%	251%
Core deposits % loans	62%	59%	61%	72%	80%	89%	90%
Liquid assets % assets	18%	18%	23%	30%	32%	29%	29%
Loans % assets	75%	76%	70%	64%	61%	62%	62%
Capital Adequacy							
Total equity % assets	5.83%	5.64%	6.96%	7.13%	7.24%	6.95%	6.54%
Tangible equity % assets	5.62%	5.46%	6.79%	6.97%	7.09%	6.80%	6.40%
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	0.9X	0.9X
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%	136.5%	147.4%

QCR Holdings, Inc.

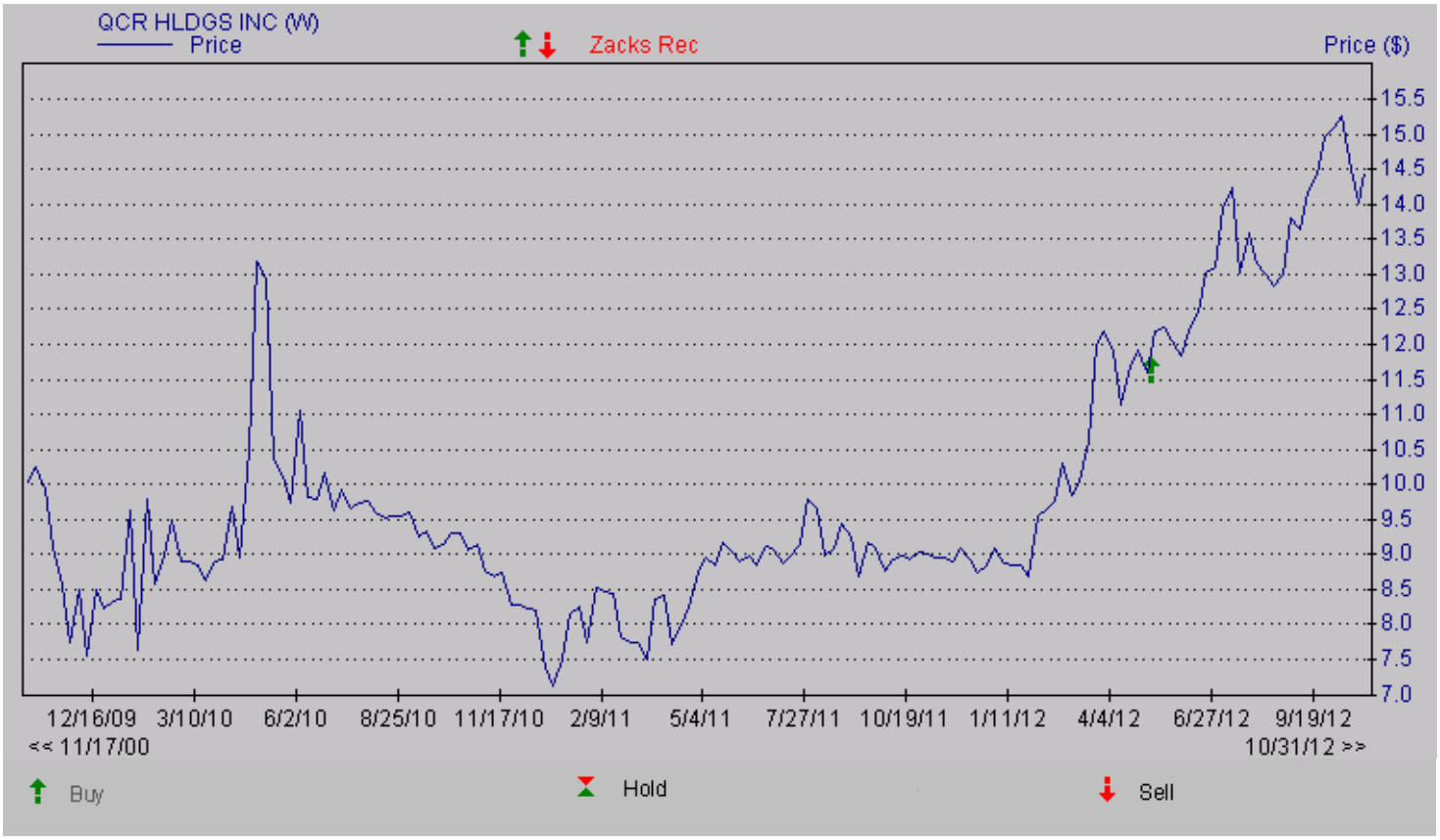
Income Statement and Balance Sheet

(Dollars in millions, except per share data)

	2011				2012			
Summary Financial Data	**Q1 A**	**Q2 A**	**Q3 A**	**Q4 A**	**Q1 A**	**Q2 A**	**Q3 P**	**Q4 E**
Net interest income	12.2	14.0	13.8	14.2	14.2	14.5	14.6	14.8
Non-interest income	5.1	4.1	4.3	3.9	4.0	4.1	4.1	3.8
Total net revenue	17.3	18.1	18.1	18.1	18.2	18.6	18.7	18.6
Loan loss provision	1.1	1.7	2.5	1.4	0.8	1.0	1.5	1.0
Non-interest expense	13.0	12.6	12.7	12.7	12.7	13.1	13.0	13.4
Income taxes & other	2.1	2.2	1.7	2.3	2.4	2.4	2.0	1.8
Zacks adjusted income before NRI	1.1	1.6	1.2	1.7	2.3	2.1	2.2	2.4
GAAP net income	1.1	1.6	(0.0)	1.7	2.3	2.1	2.2	2.4
Diluted EPS before NRI	0.23	0.34	0.24	0.35	0.48	0.44	0.44	0.47
Reported EPS	0.23	0.34	(0.01)	0.35	0.48	0.44	0.44	0.47
Dividends per share	-----	0.04	-----	0.04	-----	0.04	-----	0.04
Liquid assets	610.4	581.6	589.4	638.5	625.4	639.1	594.7	596.1
Loans & leases, gross	1,155.8	1,183.9	1,197.6	1,200.7	1,211.7	1,213.3	1,244.3	1,250.5
Total assets	1,873.7	1,878.5	1,899.0	1,966.6	1,993.0	2,043.4	2,023.9	2,032.2
Core deposits	924.2	943.7	936.8	960.9	1,052.2	1,070.9	1,098.7	1,115.2
Purchased funds	292.2	284.0	297.6	263.6	266.2	265.2	266.2	240.0
Long-term debt	368.5	368.5	354.1	358.1	354.4	357.5	349.0	355.0
Shareholders' equity	131.2	135.5	141.2	142.4	143.5	136.9	139.1	141.2
Profitability								
Return on avg assets*	0.45%	0.57%	0.45%	0.56%	0.65%	0.61%	0.60%	0.63%
Return on avg equity *	6.47%	7.95%	6.10%	7.85%	9.00%	8.54%	8.78%	9.10%
Net interest margin	2.78%	3.21%	3.16%	3.18%	3.09%	3.16%	3.16%	3.10%
Loan loss provision % avg assets*	0.23%	0.36%	0.52%	0.29%	0.16%	0.21%	0.29%	0.20%
Noninterest income % avg assets*	1.07%	0.89%	0.91%	0.80%	0.79%	0.81%	0.81%	0.74%
Noninterest expense % avg assets*	2.75%	2.67%	2.68%	2.60%	2.54%	2.61%	2.57%	2.63%
Preprovision pretax inc.% avg assets*	0.90%	1.18%	1.13%	1.11%	1.08%	1.09%	1.13%	1.04%
Tangible efficiency ratio	79%	70%	72%	70%	70%	71%	70%	72%
Payout ratio	-----	12%	-----	11%	-----	9%	-----	9%
Asset Quality								
Net charge-offs % avg loans*	0.24%	0.89%	0.90%	0.74%	0.19%	0.44%	0.26%	0.38%
Allowance % loans	1.79%	1.67%	1.63%	1.56%	1.57%	1.54%	1.56%	1.54%
NPAs % loans & related assets	3.80%	3.17%	3.35%	3.35%	3.19%	2.98%	2.33%	2.23%
Allowance % NPAs	47%	52%	48%	46%	49%	51%	67%	69%
Liquidity & Funding								
Liquid assets % purchased funds	209%	205%	198%	242%	235%	241%	223%	248%
Core deposits % loans	80%	80%	78%	80%	87%	88%	88%	89%
Liquid assets % assets	33%	31%	31%	32%	31%	31%	29%	29%
Loans % assets	62%	63%	63%	61%	61%	59%	61%	62%
Capital Adequacy								
Total equity % assets	7.00%	7.21%	7.44%	7.24%	7.20%	6.70%	6.87%	6.95%
Tangible equity % assets	6.84%	7.05%	7.28%	7.09%	7.05%	6.55%	6.73%	6.80%
Tier 1 capital ratio	12.33%	12.28%	12.42%	12.24%	12.27%	11.52%	11.68%	
Total capital ratio	13.92%	13.87%	14.01%	13.84%	13.87%	13.14%	13.13%	

*Annualized.

HISTORICAL ZACKS RECOMMENDATIONS



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