Zacks Small-Cap Research

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QCR Holdings, Inc.

(QCRH-NASDAQ)

QCRH: Breakout Year Expected in 2015

Current Recommendation	**Outperform**
Prior Recommendation	Neutral
Date of Last Change	08/26/2013
Current Price (11/20/14)	$17.76
Twelve- Month Target Price	**$22.00**

OUTLOOK

We expect 2015 to be a breakout year for QCRH, and are now estimating a 14% gain in diluted EPS to $2.10, up from $1.93 previously. Our change in estimate is supported by: (1) an 11 basis-point increase in our 2015 NIM estimate to 3.19% from 3.08%, as QCRH continues to shift its assets into higher yield loans away from lower yield securities and reduces its reliance on wholesale funding; (2) a doubling in our estimate of loan growth to 10% from 5% as QCRH continues to gain market share from competitors and results benefit from a more vibrant economy; and (3) an increase in our estimate for gains on loan sales, as QCRH ramps up its small business lending program with a new hire and enhanced targeting of USDA loans by correspondent bankers. This will be partly offset by a higher tax rate as more income is derived from taxable sources and an increased loss provision due to expected stronger loan growth. QCRH's balance sheet has been strengthened following the redemption of all of the Company's SBLF Preferred Stock and the December 2013 conversion of all $25 million of Series E Convertible Preferred Stock, changing its mix of capital from preferred equity to common equity, adding almost 100 basis points to the tangible common equity ratio, and eliminating $1.75 million in annual preferred dividends. The major negative during the third quarter was a 43% increase in nonperforming loans, primarily driven by deterioration in two large relationships. QCRH believes the recent increase in NPAs was an isolated event - not reflective of the overall portfolio quality or local market conditions - and is now highly focussed on reducing NPA levels.

SUMMARY DATA

52-Week High	**$18.10**
52-Week Low	**$17.00**
One-Year Return (%)	**0.23**
Beta	**0.24**
Average Daily Volume (sh)	**8,368**
Shares Outstanding (mil)	**8**
Market Capitalization ($mil)	**$141**
Short Interest Ratio (days)	**1.42**
Institutional Ownership (%)	**17**
Insider Ownership (%)	**13**
Annual Cash Dividend	**$0.08**
Dividend Yield (%)	**0.45**
5-Yr. Historical Growth Rates	
Net Revenue (%)	**8.6**
Earnings Per Share (%)	**20.5**
Dividend (%)	**0.0**
P/E using TTM EPS	**9.6**
P/E using 2014 Estimate	**9.6**
P/E using 2015 Estimate	**8.5**
Zacks Rank	**3**

Risk Level	**Average**
Type of Stock	**Small-Value**
Industry	**Banks-Midwest**
Zacks Rank in Industry	**16 of 35**

ZACKS ESTIMATES

Net Revenue

(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2012	18.2 A	18.6 A	18.7 A	18.8 A	74.3 A
2013	19.4 A	22.7 A	23.2 A	24.6 A	89.9 A
2014	21.6 A	22.3 A	22.5 A	22.8 E	89.2 E
2015					95.3 E

Earnings per Share

(EPS is operating earnings before nonrecurring items)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2012	0.48 A	0.44 A	0.44 A	0.49 A	1.85 A
2013	0.49 A	0.59 A	0.51 A	0.50 E	2.08 A
2014	0.40 A	0.45 A	0.50 A	0.49 E	1.85 E
2015					2.10 E

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

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THIRD QUARTER RESULTS

Compared to the year-ago quarter, third quarter net earnings rose 35% to $4.1 million from $3.0 million after preferred stock dividends. On a diluted per share basis, EPS decreased $0.01, or 1%, to $0.50 from $0.51, reflecting a 36% increase in average diluted shares due to the CNB acquisition in last year's second quarter and the conversion of the Series E preferred stock in the fourth quarter, which added almost 100 basis points to the tangible common equity ratio and eliminated $1.75 million in annual preferred dividends.

QCRH's 2014 third quarter diluted EPS of $0.50 was a penny better than our $0.49 estimate.

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

On the other side of the ledger, asset quality weakened, compensation expenses were greater than we had anticipated, and gains on loan sales came in below our estimate.

We are raising our 2014 diluted EPS estimate by $0.02 to $1.85 due both to the third quarter's extra penny versus our estimate, as well as a $0.01 increase in our fourth quarter estimate.

More importantly, we are substantially increasing our 2015 diluted EPS estimate by $0.17 to $2.10 from $1.93 for the following reasons: (1) we are upping our estimates for the net interest margin by 11 basis points, to 3.19% from 3.08%; (2) we are doubling our estimate of loan growth to 10% from 5%; and (3) we are advancing our estimate for gains on loan sales by $0.7 million as QCRH ramps up its small business lending program. This will be partly offset by higher tax rates as we are raising our estimate of the effective tax rate to 23.0% from 22.0% and increasing the loss provision by $0.4 million to $5.0 million from $4.6 million due to expected stronger loan growth.

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

Net Interest Income

Net interest income rose $0.2 million, or 1%, year over year to $17.5 million, as a 2% gain in average interest-earning assets combined with an 8 basis-point rise in the net interest margin to 3.15% to produce this result.

The NIM gain reflected a 2 basis-point increase in the yield on average interest-earnings assets to 3.89% plus a 6 basis-point drop in average deposit costs to 0.40% and a 26 basis-point fall in borrowing costs to 2.19%.

The yield on the loan and lease receivables portfolio fell 24 basis points year over year to 4.54%, primarily due to competitive pricing pressures. The shift by local banks into commercial and industrial (C&I) lending away from commercial real estate lending combined with a rush to finance top-quality borrowers has resulted in margin compression.

We note that the yield on the securities portfolio advanced 50 basis points to 2.74%.

Net interest income was $0.3 million higher than our $17.1 million estimate, largely due to a net interest margin of 3.15% that was 4 basis points higher than our 3.11% estimate.

We expect that expansion into higher margin lending lines, particularly high-rate leases (the highest yielding asset for the Company), and securities will offset future competitive pricing pressures. Moreover, this will be enhanced by the shift in QCRH's balance sheet into higher yield loans (targeted at 72% of

total assets versus 64% currently), away from lower yield securities. In addition, with sales of securities partially funding loan growth, the Company is reducing its reliance on more expensive wholesale funding, which will also help the net interest margin. Thus, we are increasing our NIM estimate to 3.14% for full-year 2014 (up from 3.12% previously) and to 3.19% for 2015 (from 3.08%).

Noninterest Income

Results were hurt by a $0.9 million, or 23% year-over-year decline in noninterest income to $5.0 million ($0.3 million below our estimate due to lower-than-expected gains on government-guaranteed loan sales), largely reflecting a $0.4 million decline in gains on securities sales, a $0.2 million drop in gains on loan sales, and a $0.2 million decrease in other income.

For 2015, we are doubling our estimate of gains on government-guaranteed loan sales from $1.9 million in 2014 to $4.0 million in 2015 (up from our $3.3 million estimate previously), as QCRH ramps up its small business lending program. Steps taken to enhance this business include the hiring of a former USDA loan officer and more precise targeting of USDA lending opportunities by correspondent bankers. QCRH intends to grow revenues from this business to a steady $1 million per quarter from more volatile contributions of $0.3 million to $1.0 million per quarter over the last several years. Positively, this will contribute to more consistency in reported results in the future.

Loan Loss Provision

The loan loss provision fell $0.3 million, or 22%, to $1.1 million in the third quarter, and was below our $1.15 million estimate.

Going forward, our estimate for the loan loss provision for 2014 has been decreased by $0.1 million, to $4.3 million from $4.4 million following the third quarter. This compares to $5.9 million in 2013.

For 2015, we are raising our estimate of the loan loss provision to $5.0 million from $4.6 million previously, as we have doubled our estimate of loan growth to 10% from 5%.

Noninterest Expense

Noninterest expense fell $0.6 million, or 4%, year over year to $16.4 million, $0.2 million above our estimate. That said, compensation costs were $0.3 million higher than our estimate, while noncompensation costs were $0.1 million lower on reduced stationary and supply costs. Consequently, we have increased our estimates for compensation costs by $0.6 million in 2014 and $0.1 million in 2015, to $40.6 million and $42.1 million, respectively.

Relative to 2013's third quarter, most line items decreased year over year, as last year's third quarter was inflated by costs related to the CNB acquisition. The sharpest declines occurred in other (down $0.5 million, or 45%), professional and data processing fees (down $0.4 million, or 20%), and occupancy and equipment expense (down $0.1 million, or 6%). This was partly offset by a $0.6 million, or 6%, increase in compensation expense.

The Company's efficiency ratio improved, falling 180 basis points to 72.8% compared to 74.6% in 2013's third quarter.

We expect the operating efficiency ratio to come in at 73.1% in full-year 2014 and 71.5% for 2015, which compares to 72.0% actually reported in 2013.

Income Taxes

The Company's effective tax rate was 20.2% in the third quarter, compared to 21.4% in the year-ago quarter and our 23.0% estimate. We have lowered our estimate of the effective tax rate to 19.3% from 20.3% for 2014. For 2015, our new estimate for the effective tax rate is 23.0% compared to 22.0% previously, as QCRH derives more income from taxable sources. This compares to a 23.6% tax rate that was actually posted in 2013.

Net Income
QCRH posted third quarter net earnings attributable to common shareholders of $4.1 million, or $0.50 per diluted share, up 35% from $3.0 million ($0.51 diluted EPS) reported in the year-ago quarter. This compares to our $4.0 million net income estimate ($0.49 diluted EPS).

Profitability
QCRH posted an 11.9% ROE and 0.66% ROA for the third quarter of 2014, compared to an 10.4% ROE and 0.62% ROA for the third quarter of 2013.

Loans and Asset Quality
Loans jumped $23 million, or 1.5%, sequentially to $1,567 million during the third quarter, with solid growth in all lines of lending, except commercial and industrial, which fell $0.7 million, or less than 1%, to $480 million. Leading the charge was direct finance leasing, which rose $7.5 million, or 5%, to $162 million, followed by commercial real estate, which grew $14 million, or 2%, to $698 million, residential real estate, which rose by $2 million, or 1%, to $155 million, and, consumer, which edged up by $0.3 million, or less than 1%, to $72 million.

Following the strong third quarter, we are raising our estimate of loan growth in 2014 to 9.6% from 9.3%, with our estimate at a 10% gain for 2015, up from 5% previously. This compares to year-over-year growth of 13% in 2012 including CNB. There are three major reasons for our optimism regarding 2015: (1) QCRH continues to gain market share from competitors, having a strong loan pipeline at all bank charters; (2) the economy is getting more vibrant; and (3) QCRH's continued focus on enhancing growth at the leasing subsidiary.

Nonperforming loans rose by $8.6 million, or 43%, to $28.5 million during the third quarter, primarily driven by deterioration in two large relationships, totaling $9.7 million. QCRH believes the recent increase in NPAs was an isolated event – not reflective of the overall portfolio quality or local market conditions. Given higher levels of nonperforming assets for the last two quarters, the Company is now highly focussed on reducing NPA levels.

Foreclosed assets, which includes $10.7 million of OREO, decreased 3% to $10.9 million. As a percentage of total loans and OREO, total nonperforming assets worsened, rising by 49 basis points sequentially to 2.49% from 2.00% at the end of the second quarter and by 31 basis points year over year from 2.18%.

Despite the third quarter blip, we expect asset quality to show improvement as the Company works though problem assets, with the estimated NPA ratio decreasing from 2.49% at the end of the third quarter to 2.38% by the end of 2014 before falling to 1.94% by the end of 2015.

The loan loss allowance as a percent of nonperforming assets decreased sequentially to 58% at the end of the quarter from 74% at June 30, 2014, and from 66% a year ago. This was the result of a higher level of problem loans, as well as a loan loss allowance that decreased to $22.8 million, or 1.45%, of gross loans, from $23.1 million, or 1.49%, of gross loans at June 30, 2014 loans, increased from $22.1 million, or 1.43% of gross loans at September 30, 2013,.

The CNB acquisition distorted loan loss reserve ratios as there was no allowance associated with CNB's loans at acquisition since CNB's loans were recorded at market value. As a result, the Company's allowance to total loans/leases fell to 1.45% at September 30, 2014 from 1.61% at March 31, 2013.

Liquidity and Funding
During the third quarter, QCRH decreased cash and short-investments by $7 million to $107 million, while the securities portfolio decreased $29 million, or 4%, to $653 million.

Within the securities portfolio, there were shifts from the previous quarter. Sequentially, US Agency securities declined 6% to $306 million, or 47% of the total securities portfolio (down from 48% at the end

of the second quarter) and residential mortgage-backed securities fell 17% to $128 million, or 20% of the securities portfolio (down from 29% at the end of the second quarter), while municipal securities rose 8% to $216 million, or 33% of total securities (up from 23% at the end of the second quarter);

QCRH intends to reduce its reliance on more expensive wholesale funds, including Federal Home Loan Bank (FHLB) advances, wholesale structured repurchase agreements, and brokered time deposits, replacing these with less expensive core deposits, especially noninterest-bearing demand deposits related to QCBT's correspondent banking business. At September 30, 2014, noninterest-bearing demand deposits represented 31% of total deposits of $1.7 billion (flat with 31% at June 30, 2014), while interest-bearing demand deposits were 44% (down from 46%), and time deposits and brokered deposits were up 100 basis points each to 19% and 6%, respectively.

Capital Adequacy and Dividends

The Company's capital adequacy ratios rose during the quarter. The Tier 1 capital ratio increased 29 basis points to 9.96% at the end of 2014's third quarter from 9.67% at June 30, 2014, and the Total capital ratio advanced 27 basis points to 11.36% from 11.09%.

The tangible common equity to tangible assets ratio jumped 18 basis points, rising to to 5.45% at September 30, 2014, largely due to growth in retained earnings and a large $0.8 million positive swing in other comprehensive income.

Tangible book value per share increased during the third quarter by $0.44 per share, rising to $16.79 from $16.35.

On November 13, 2014, QCRH announced its regular semi-annual cash dividend of $0.04 per share payable on January 7, 2015 to stockholders of record on December 19, 2014. We do not expect any increase in the common dividend for the foreseeable future as the Company expects to retain excess earnings to grow tangible common equity.

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

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

The total tangible equity ratio dropped to 5.96% of total tangible assets at yearend 2013 from 6.56% at the end of 2012, reflecting negative changes in accumulated other comprehensive income due to mark-to-market declines in the bond portfolio. In 2014, the total tangible equity ratio is estimated to decline about 40 basis points to 5.56% of total tangible assets at yearend 2014 from 5.96% at the end of 2013 following the full $30 million redemption of the SBLF preferred stock in 2014's first half, before rising almost 50 basis points to 6.04% by yearend 2015. The SBLF preferred stock redemption is also expected to have a negative impact on the double leverage ratio at the holding company, which is estimated to deteriorate, by rising to the 140-145% level in 2014-15 from 128% at yearend 2013.

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

its stockholders because the board may, at its option, subject to certain restrictions, redeem all of the then outstanding Rights at the Redemption Price. In addition, if the board declines a Qualifying Offer for a merger or business combination, such offer may be presented to the stockholders at a special meeting.

Basel III

The Company feels comfortable with the recent regulatory proposals for Basel III, and believes that its long-term stratgegy of increasing tangible common equity to 6.5% of tangible assets through conversion of Series E preferred stock into common equity and the long period of implementation will help it meet Basel III proposals. QCRH does not intend to issue any dilutive common equity, except in pursuit of an acquisition, as it did with the CNB acquisition in 2013.

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

OVERVIEW

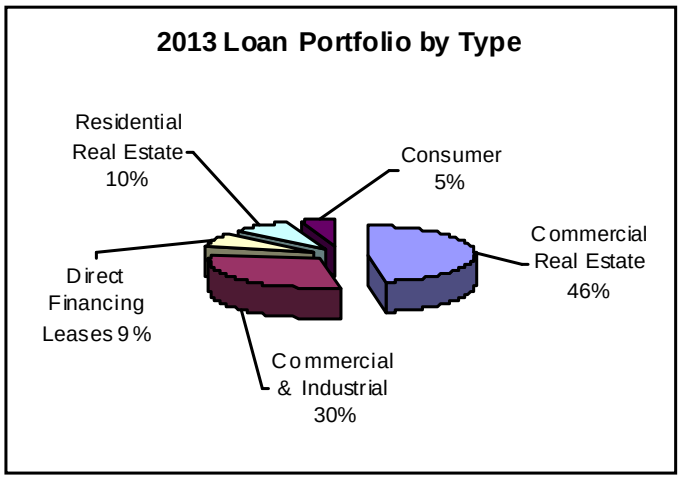
QCR Holdings, Inc. (QCRH or the Company) is a multibank holding company, which was founded in 1993 and is headquartered in Moline, Illinois, with $2.5 billion in total assets at June 30, 2014 and 14 offices. QCRH provides a broad range of business and retail lending products and investment services through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

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

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

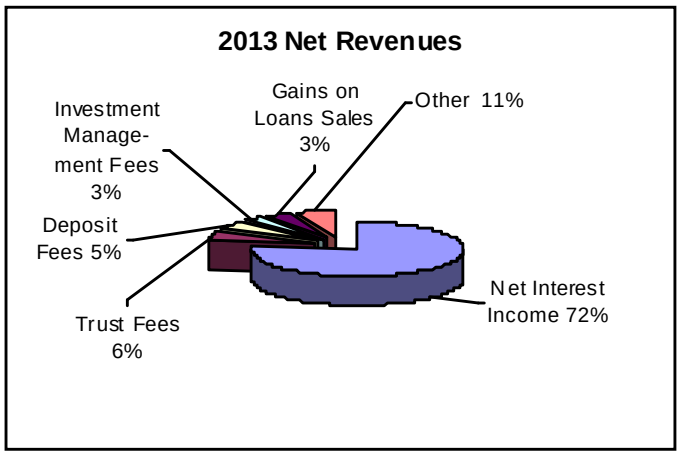
QCRH has a smaller ownership interest in Nobel Real Estate Investors, LLC (20%), though this does not contribute meaningfully to assets or net income. The Cedar Rapids Mortgage Company, LLC in which QCRH had a 50% interest, was closed in 2013's second quarter.

QCRH has disposed of several operating subsidiaries over the past few years as they did not contribute significantly to earnings and no longer fit into the Company's long-term strategic plans. These include: (1) the sale of the merchant credit card processing business and the liquidation of Quad City Bancard, Inc., a subsidiary that issued credit cards to consumers and businesses, in the third quarter of 2008, for which the Company recorded a $3.0 million aftertax gain; (2) the sale of First Wisconsin Bank and Trust Company, QCRH's Milwaukee, Wisconsin banking subsidiary, for which the Company posted a $0.5 million aftertax gain on December 31, 2008; and (3) the sale of the $10 million credit card portfolio of QCBT, which was sold at an $0.8 million pretax gain in 2013.



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

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



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

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

The Company 's financial goals over the next few years include: (1) growing tangible common equity to 6.5% of tangible assets from about 4.7% at the end of 2013 through growth in retained earnings; (2) increasing profitability as measured by the return on average assets (ROA) to the around the 70 basis-point level over the near term and to 100 basis points over the longer term from 64 basis points in 2013, by driving down the efficiency ratio to the 60%-plus area from 72% in 2013; (3) maintaining or improving the net interest margin; (4) continuing expansion of the loan portfolio; (5) boosting SBA/USDA gains on loan sales; (7) growing wealth management income; and (9) improving liquidity in its common stock.

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

VALUATION

QCRH stock has risen 4.3% year to date, though this is short of the industry's median price increase of 8.2% and the S&P 500's 11.1% gain, as shown in the following table. The stock was up 28.8% in 2013 and 45.3% in 2012, which compares with the S&P 500's 29.6% and 13.3%, respectively.

At its current price, QCRH is trading at a 33% discount to the industry median P/E, based upon our diluted EPS estimate for 2015. This is about 1,200 basis points worse than the five-year average historical discount of 21%. Applying a 21% discount to our latest 2015 diluted EPS estimate results in a target price of $21.00.

Turning to Price/Tangible Book Value, QCRH is valued at 1.16X versus the industry median of 1.21X. While this is 4% below the industry median, it is also 9 points better than QCRH's historical average. However, we believe a higher valuation is justified as the Company's earnings and profitability prospects are much improved and QCRH has taken a number of steps over the last few years to strengthen its balance sheet. Moreover, the CNB acquisition will provide additional growth opportunities in the future. Applying the 1.21X ratio to estimated book value for QCRH twelve months out results in a price of approximately $23.00.

Taking the midpoint of these two valuation measures results in a price of $22.00, compared to the current stock price of $17.76. When price appreciation of a bit less than 24% is combined with the dividend yield, this represents a total return of over 24%, above our expectations for gains in the broader market index over the next year.

Accordingly, we are maintaining our Buy recommendation on QCRH.

Industry Comparables- Small-Cap Banks

		Price / Earnings Ratios					Return on Equity		Return on Assets		
	Pr Chg YTD	TTM* EPS	2014E	2015E	5-Yr Avg	Price/ Book	TTM*	5-Yr Avg	TTM*	5-Yr Avg	Div Yld
QCR Holdings	**4.3**	**9.6**	**9.6**	**8.5**	**11.8**	**1.16**	**11.2**	**7.9**	**0.65**	**0.49**	**0.4**
S&P 500	11.1	18.9	17.5	16.4	15.9	5.1	23.2	-----	8.8	-----	2.0
Median	**8.2**	**13.6**	**13.5**	**12.6**	**14.9**	**1.21**	**8.5**	**5.9**	**0.83**	**0.49**	**1.5**
Average	9.8	19.7	20.3	14.4	15.4	1.1	8.2	3.8	0.8	0.5	1.6
High	56.7	242.0	138.3	46.4	30.6	2.0	21.4	14.5	2.1	1.8	4.6
Low	(11.1)	7.2	8.5	8.2	6.5	0.6	(11.0)	(63.1)	(1.1)	(1.2)	-----

*Trailing twelve months

QCR Holdings, Inc.

Income Statement and Balance Sheet

(Dollars in millions, except per share data)

Summary Financial Data	12/09	12/10	12/11	12/12	12/13	12/14 E	12/15 E
Net interest income	50.4	49.9	54.1	57.6	64.1	68.9	73.4
Non-interest income	15.6	15.4	17.5	16.7	25.8	20.3	21.9
Total net revenue	66.0	65.3	71.6	74.3	89.9	89.2	95.3
Loan loss provision	17.0	7.5	6.6	4.4	5.9	4.3	5.0
Non-interest expense	46.7	48.5	51.0	52.3	64.4	65.2	68.1
Income taxes & other	4.4	6.8	8.4	8.5	7.8	4.8	5.1
Zacks adjusted income before NRI	(2.1)	2.5	5.6	9.1	11.8	14.9	17.1
GAAP net income	(2.1)	2.5	4.4	9.1	11.8	14.9	17.1
Diluted EPS before NRI	(0.46)	0.53	1.17	1.85	2.08	1.85	2.10
Reported EPS	(0.46)	0.53	0.92	1.85	2.08	1.85	2.10
Dividends per share	0.08	0.08	0.08	0.08	0.08	0.08	0.08
Liquid assets	417.3	546.0	638.5	612.7	629.3	527.0	476.2
Loans & leases, gross	1,244.3	1,172.5	1,200.7	1,287.4	1,460.3	1,600.4	1,766.5
Total assets	1,779.6	1,836.6	1,966.6	2,093.7	2,395.0	2,469.0	2,543.9
Core deposits	761.5	844.2	960.9	1,129.5	1,341.7	1,426.1	1,498.8
Purchased funds	340.9	307.1	263.6	266.2	415.8	415.0	405.0
Long-term debt	378.8	388.5	358.1	355.0	303.6	275.0	275.0
Shareholders' equity	123.9	130.9	142.4	140.4	147.6	141.8	158.3
Profitability							
Return on avg assets	0.10%	0.36%	0.51%	0.62%	0.64%	0.65%	0.68%
Return on avg equity	1.43%	5.03%	7.09%	8.90%	10.24%	11.21%	11.38%
Net interest margin	3.15%	2.92%	3.08%	3.10%	3.03%	3.14%	3.19%
Loan loss provision % avg assets	0.98%	0.41%	0.35%	0.22%	0.25%	0.18%	0.20%
Noninterest income % avg assets	0.91%	0.84%	0.92%	0.82%	1.11%	0.83%	0.88%
Noninterest expense % avg assets	2.71%	2.64%	2.67%	2.58%	2.76%	2.66%	2.72%
Preprovision pretax income % avg assets	1.12%	0.91%	1.08%	1.09%	1.09%	0.98%	1.08%
Tangible efficiency ratio	72%	74%	73%	70%	72%	73%	71%
Payout ratio	(18)%	15%	9%	4%	4%	4%	4%
Asset Quality							
Net charge-offs % avg loans	1.00%	0.79%	0.70%	0.27%	0.31%	0.18%	0.20%
Allowance % loans	1.81%	1.74%	1.56%	1.55%	1.47%	1.44%	1.39%
NPAs % loans & related assets	3.22%	4.24%	3.35%	2.29%	2.08%	2.38%	1.94%
Allowance % NPAs	56%	41%	46%	67%	70%	60%	72%
Liquidity & Funding							
Liquid assets % purchased funds	122%	178%	242%	230%	151%	127%	118%
Core deposits % loans	61%	72%	80%	88%	92%	89%	85%
Liquid assets % assets	23%	30%	32%	29%	26%	21%	19%
Loans % assets	70%	64%	61%	61%	61%	65%	69%
Capital Adequacy							
Total equity % assets	6.96%	7.13%	7.24%	6.71%	6.16%	5.75%	6.22%
Tangible equity % assets	6.79%	6.97%	7.09%	6.56%	5.96%	5.56%	6.04%
Tier 1 capital ratio	11.14%	12.12%	12.24%	11.27%	11.45%		
Total capital ratio	12.52%	13.70%	13.84%	12.71%	12.87%		
Parent Company Statistics							
Interest coverage	1.4X	0.7X	2.8X	5.5X	3.9X	3.5X	3.5X
Interest & dividend coverage	0.5X	0.3X	0.8X	1.4X	1.2X	1.6X	2.6X
Short-term debt coverage	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total debt coverage	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Double leverage	133.4%	132.5%	128.9%	130.8%	127.9%	143.6%	139.5%

QCR Holdings, Inc.

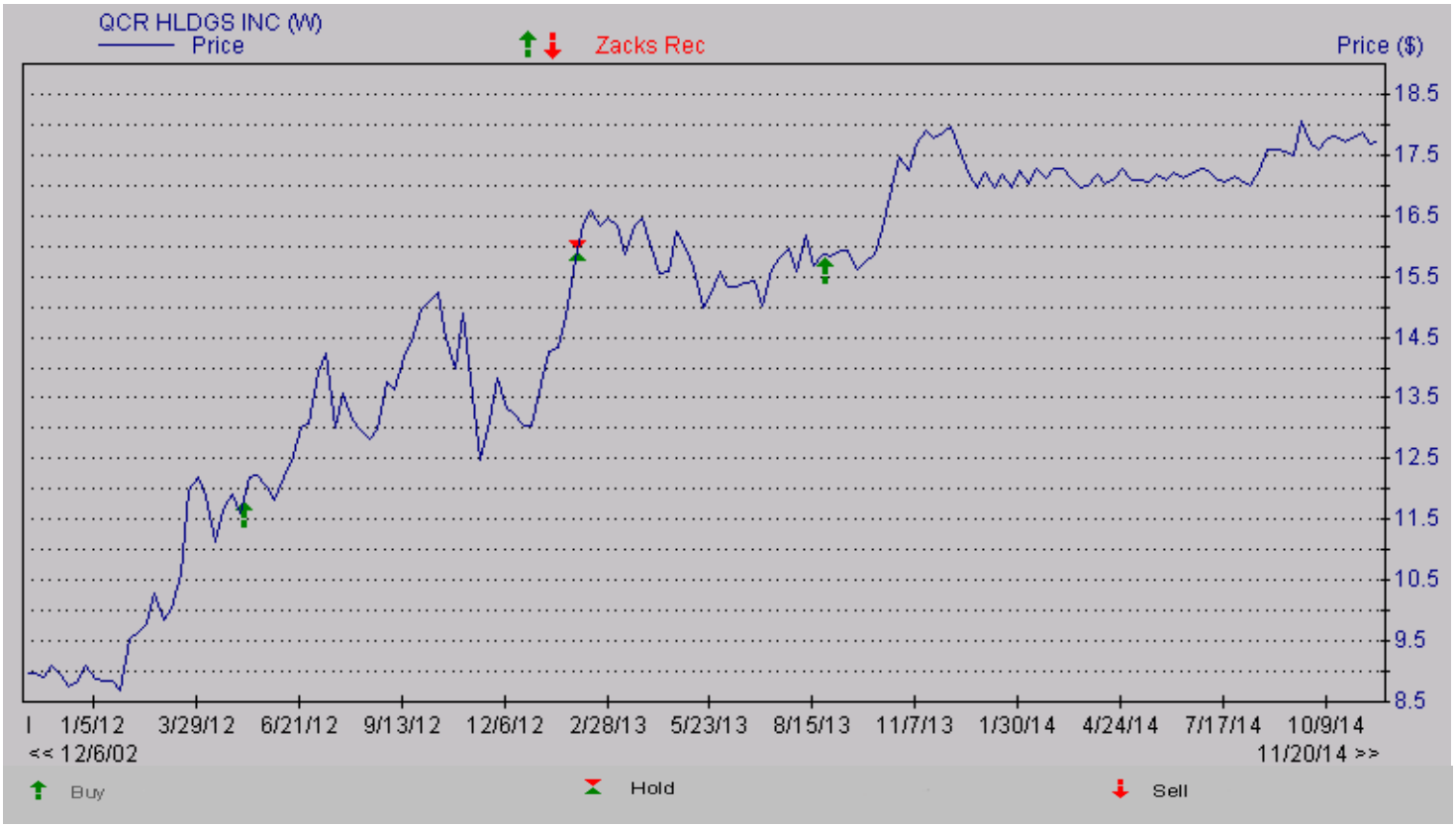
Income Statement and Balance Sheet

(Dollars in millions, except per share data)

	2013				2014			
Summary Financial Data	**Q1 A**	**Q2 A**	**Q3 A**	**Q4 A**	**Q1 A**	**Q2 A**	**Q3 A**	**Q4 E**
Net interest income	14.2	15.7	17.3	16.9	16.9	17.0	17.5	17.6
Non-interest income	5.2	7.0	5.9	7.7	4.7	5.3	5.0	5.2
Total net revenue	19.4	22.7	23.2	24.6	21.6	22.3	22.5	22.8
Loan loss provision	1.1	1.5	1.4	2.0	1.1	1.0	1.1	1.2
Non-interest expense	14.0	15.2	17.0	18.2	16.1	16.1	16.4	16.5
Income taxes & other	1.8	2.8	1.8	1.3	1.2	1.6	0.9	1.1
Zacks adjusted income before NRI	2.5	3.2	3.0	3.1	3.2	3.6	4.1	4.0
GAAP net income	2.5	3.2	3.0	3.1	3.2	3.6	4.1	4.0
Diluted EPS before NRI	0.49	0.59	0.51	0.50	0.40	0.45	0.50	0.49
Reported EPS	0.49	0.59	0.51	0.50	0.40	0.45	0.50	0.49
Dividends per share	-----	0.04	-----	0.04	-----	0.04	-----	0.04
Liquid assets	645.7	655.0	656.8	629.3	619.9	593.1	540.5	527.0
Loans & leases, gross	1,291.8	1,530.7	1,539.4	1,460.3	1,492.6	1,549.4	1,572.9	1,600.4
Total assets	2,144.0	2,446.8	2,485.7	2,395.0	2,426.3	2,464.8	2,450.6	2,469.0
Core deposits	1,175.9	1,467.1	1,492.2	1,341.7	1,366.6	1,372.0	1,408.5	1,426.1
Purchased funds	266.2	293.8	268.2	415.8	415.8	415.8	415.8	415.0
Long-term debt	358.0	348.7	369.8	303.6	307.8	304.2	277.8	275.0
Shareholders' equity	142.2	145.4	148.0	147.6	141.4	134.6	138.2	141.8
Profitability								
Return on avg assets*	0.62%	0.70%	0.62%	0.63%	0.64%	0.66%	0.66%	0.65%
Return on avg equity *	9.25%	11.03	10.44%	10.19%	10.37%	11.25%	11.91%	11.39%
Net interest margin	3.02%	2.99%	3.07%	3.04%	3.11%	3.14%	3.15%	3.16%
Loan loss provision % avg assets*	0.20%	0.26%	0.22%	0.33%	0.18%	0.17%	0.17%	0.19%
Noninterest income % avg assets*	0.99%	1.20%	0.97%	1.27%	0.78%	0.88%	0.82%	0.84%
Noninterest expense % avg assets*	2.65%	2.55%	2.77%	2.99%	2.65%	2.66%	2.66%	2.69%
Preprovision pretax inc.% avg assets*	1.03%	1.35%	1.01%	1.05%	0.90%	1.02%	1.00%	1.02%
Tangible efficiency ratio	72%	65%	75%	74%	75%	72%	73%	73%
Payout ratio	-----	7%	-----	8%	-----	9%	-----	8%
Asset Quality								
Net charge-offs % avg loans*	0.07%	0.32%	0.12%	0.71%	(0.03)%	0.15%	0.35%	0.23%
Allowance % loans	1.61%	1.38%	1.43%	1.47%	1.52%	1.49%	1.45%	1.44%
NPAs % loans & related assets	1.83%	2.22%	2.18%	2.08%	1.90%	2.00%	2.49%	2.38%
Allowance % NPAs	88%	62%	66%	70%	79%	74%	58%	60%
Liquidity & Funding								
Liquid assets % purchased funds	243%	223%	245%	151%	149%	143%	130%	127%
Core deposits % loans	91%	96%	97%	92%	92%	89%	90%	89%
Liquid assets % assets	30%	27%	26%	26%	26%	24%	22%	21%
Loans % assets	60%	63%	62%	61%	62%	63%	64%	65%
Capital Adequacy								
Total equity % assets	6.63%	5.94%	5.95%	6.16%	5.83%	5.46%	5.64%	5.75%
Tangible equity % assets	6.49%	5.69%	5.70%	5.96%	5.63%	5.27%	5.45%	5.56%
Tier 1 capital ratio	11.60%	10.82%	10.84%	11.45%	10.61%	9.67%	9.96%	
Total capital ratio	13.04%	12.20%	12.25%	12.87%	12.03%	11.09%	11.36%	

*Annualized.

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