Zacks Small-Cap Research

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QCR Holdings, Inc.

(QCRH-NASDAQ)

QCRH: Second Quarter EPS Jumps 29%

Current Recommendation	**Outperform**
Prior Recommendation	N/A
Date of Last Change	05/08/2012
Current Price (08/02/12)	$12.75
Twelve- Month Target Price	**$14.50**

OUTLOOK

QCR Holdings, Inc. (QCRH) posted second quarter diluted EPS of $0.44, up 29% from the $0.34 EPS reported last year. Compared to the year-ago quarter, second quarter results were boosted by a gain in net interest income from 7% growth in average interest-earning assets, a significantly reduced loan loss provision, and a 2.8% decline in the effective tax rate, partly offset by a modest drop in noninterest income stemming from higher losses on the sales of OREO and a rise in noninterest expense due to a 12% increase in compensation expense. However, diluted EPS came in a nickel below our $0.49 per share estimate, as noninterest revenue and noninterest expense were modestly worse than our projections. Nonperforming loans fell $3.3 million, or 11%, sequentially to $27.3 million, while foreclosed assets rose $0.9 million, or 10%, to $9.2 million. As a percentage of total loans and OREO, nonperforming assets fell 21 basis points sequentially to 2.98% from 3.19% at the end of the first quarter and 19 basis points year over year from 3.17%. QCRH recently redeemed $10.2 million of the $40.1 million in SBLF preferred stock issued to the US Treasury at the end of 2011. Importantly, this will reduce the dividend payment on the SBLF preferred by $511,000, or $0.11 per share annually, and increase diluted EPS by a like amount. We are maintaining our 2012 diluted EPS at $1.95, as the reduction in the SBLF preferred dividend payment in 2012's second half will offset the nickel shortfall in our estimate during the second quarter. We are raising our 2013 diluted EPS estimate by a dime to $2.20 from $2.10, due to the drop in the SBLF dividend.

SUMMARY DATA

52-Week High	**$14.50**
52-Week Low	**$8.52**
One-Year Return (%)	**33.44**
Beta	**0.32**
Average Daily Volume (sh)	**1,977**
Shares Outstanding (mil)	**5**
Market Capitalization ($mil)	**$61**
Short Interest Ratio (days)	**0.59**
Institutional Ownership (%)	**12**
Insider Ownership (%)	**18**
Annual Cash Dividend	**$0.08**
Dividend Yield (%)	**0.63**
5-Yr. Historical Growth Rates	
Net Revenue (%)	**11.3**
Earnings Per Share (%)	**15.6**
Dividend (%)	**0.0**
P/E using TTM EPS	**8.4**
P/E using 2012 Estimate	**6.5**
P/E using 2013 Estimate	**5.8**
Zacks Rank	**3**

Risk Level	**Average**
Type of Stock	**Small-Value**
Industry	**Banks-Midwest**
Zacks Rank in Industry	**21 of 38**

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	18.9 E	19.0 E	74.7 E
2013					78.3 E

Earnings per Share

(EPS is operating earnings before nonrecurring items)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2010	0.06 A	0.15 A	0.21 A	0.11 A	0.53 A
2011	0.23 A	0.34 A	0.24 A	0.35 A	1.17 A
2012	0.48 A	0.44 A	0.51 E	0.52 E	1.95 E
2013					2.20 E

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

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SECOND QUARTER RESULTS

QCRH posted second quarter diluted EPS of $0.44, up 29% from the $0.34 EPS reported last year. Compared to the year-ago quarter, second quarter results were boosted by a gain in net interest income from 7% growth in average interest-earning assets, a significantly reduced loan loss provision, and a 2.8% decline in the effective tax rate, partly offset by a modest drop in noninterest income stemming from higher losses on the sales of OREO and a rise in noninterest expense due to a 12% increase in compensation expense.

However, diluted EPS came in a nickel below our $0.49 per share estimate, as noninterest revenue and noninterest expense were modestly worse than our projections. Noninterest revenue included a combined loss of $0.3 million from the sales of securities and OREO (our estimate was a loss of $50,000), while noninterest expense was $0.1 million above our estimate, largely due to higher other noninterest expense. These items largely accounted for the $0.4 million shortfall from our pretax earnings estimate.

The Company continued to reduce problem assets, and it appears that QCRH has turned the corner regarding asset quality. Nonperforming loans fell $3.3 million, or 11%, sequentially to $27.3 million, while foreclosed assets rose $0.9 million, or 10%, to $9.2 million. As a percentage of total loans and OREO, nonperforming assets fell 21 basis points sequentially to 2.98% from 3.19% at the end of the first quarter and 19 basis points year over year from 3.17%.

At the end of the second quarter, QCRH redeemed $10.2 million of the $40.1 million in SBLF preferred stock issued to the US Treasury at the end of 2011. Importantly, this will reduce the dividend payment on the SBLF preferred by $511,000, or $0.11 per share annually, and increase diluted EPS by a like amount.

We are maintaining our 2012 diluted EPS at $1.95, as the reduction in the SBLF preferred dividend payment in 2012's second half will offset the nickel shortfall in our estimate during the second quarter. We are raising our 2013 diluted EPS estimate by a dime to $2.20 from $2.10, due to the drop in the SBLF dividend.

Our $1.95 estimate in 2012 represents a 77% 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 $2.20 corresponds to a 13% gain over our 2012 estimate.

Below, we discuss second quarter results in more detail.

Net Interest Income

Net interest income increased 4% year over year to $14.5 million, as a 7% gain in average interest-earning assets was partially offset by a 5 basis-point decline in the net interest margin to 3.16%. This reflected a 32 basis-point decline in the yield on average-interest-earnings assets to 4.56% that more than offset a 29 basis-point drop in average deposit costs to 0.73%. In addition, a 4-point expansion of the lower yield securities portfolio, which rose to 31% of total assets at the end of 2012's second quarter versus 27% a year ago, and a corresponding decrease in the higher yield loan portfolio to 58% of total assets from 62%, hurt the net interest margin.

The yield on the loan and lease receivables portfolio fell 34 basis points year over year to 5.30%, 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. In addition, the securities portfolio yield fell 22 basis points to 2.33%, as QCRH has added $125 million to the securities portfolio over the last year at lower market interest rates during this period. Importantly, this decline was mitigated by steps QCRH took to

increase 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 $14.5 was almost $0.1 million lower than our estimate, as we had expected slightly higher loan growth, though QCRH's 3.16% net interest margin was 6 basis points above our 3.10% estimate.

We expect competitive pricing pressures to reduce the net interest margin from the second quarter's 3.16% to 3.12% for the rest of 2012 and to increase in 2013 as the Company shifts its balance sheet into higher yield loans, away from lower yield securities. We are using a 3.12% estimate for all of 2012 and a 3.18% estimate for 2013 (the same as before). This compares to our previous estimate of 3.10% for 2012 and the 3.08% that was actually posted in 2011.

Noninterest Income

Noninterest income fell 3% year over year to $4.1 million (and was $0.2 million lower than our estimate). Strong growth in investment management and advisory fees (up 23% due to the addition of new clients and increased brokerage activity), gains on loan sales of 17%, and deposit services fees of 2% were more than offset by a 5% drop in trust department fees and a $0.3 million negative swing in the combined profit/loss on sales of securities and OREO to a loss of $0.3 million from a gain of $0.04 million in the year-ago quarter. Excluding the combined profit/loss on sales of securities and OREO in both years, noninterest income actually advanced 5% year over year.

We are scaling back our estimate of noninterest income, largely to reflect a higher loss on sales of OREO in 2012 and reduced earnings on bank-owned life insurance in 2013.

Loan Loss Provision

The loan loss provision slid 37% year over year to $1.05 million, reflecting improved asset quality. Relative to our estimate, it was about $50,000 lower than the $1.1 million we had projected.

Going forward, we have lowered our estimate for the loan loss provision for 2012 by $0.1 million to $3.9 million from $4.0 million, which is down 41% 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 3% year-over-year growth in the loan portfolio in 2012. For 2013, we are estimating 7% growth in the loan loss provision to $4.2 million (down from $4.6 million previously), largely due to growth in the loan portfolio.

Noninterest Expense

Noninterest expense rose 4% year over year to $13.1 million and compares to our $13.0 million estimate, with the difference attributable to other noninterest expense, which was $0.1 million higher than our estimate.

Compensation expense climbed 12% to $8.3 million, which was partly offset by a 7% drop in other noninterest expense to $4.8 million, reflecting a 16% drop in FDIC and other insurance premiums, as well as 60% plunge in loan/lease expense from reduced carrying costs of bad assets.

Generally, the Company maintained tight control over operating expenses, though the Company's efficiency ratio deteriorated modestly, rising 110 basis points to 70.9% compared to 69.8% in 2011's second quarter.

We expect operating efficiency to improve for the remainder of 2012 and into 2013, and have estimated efficiency ratios of 69.7% in full-year 2012 and 69.0% in 2013, which compare with 72.7% actually reported in 2011.

Income Taxes
The Company's effective tax rate was 26.0% in the second quarter, compared to 28.8% in the year-ago quarter and our 28.0% estimate. We have decreased our estimated effective tax rate to 26.6% from 27.9% in 2012 and to 27.0% from 28.0% for 2013 as we expect a higher level of income from tax-favored municipal securities. This compares to a full-year effective tax rate of 27.6% in 2011.

Net Income
QCRH posted second quarter net earnings attributable to common shareholders of $2.1 million, or $0.44 per diluted share, up 30% from $1.6 million ($0.34 diluted EPS) reported in the year-ago quarter. This compares to our $2.4 million net income estimate ($0.49 diluted EPS).

Profitability
QCRH posted an 8.5% ROE and 0.61% ROA for the second quarter of 2012, compared to an 8.0% ROE and 0.56% ROA for the second quarter of 2011, as the Company reported significantly higher net earnings.

Loans and Asset Quality
Loans inched up almost $2 million sequentially to $1,213 million during the second quarter. While modest, this nevertheless represents the fifth consecutive quarter of loan growth. Sequentially, commercial real estate loans decreased $5 million, or 1%, to $576 million and total commercial and industrial loans fell $2 million (less than 1%) to $351 million due to historically low levels of credit line utilization and higher-than-average loan paydowns from weak demand. The rest of the portfolio grew moderately—residential real estate by $4 million, or 4%, to $107 million; direct financing leases by $2 million, or 2%, to $99 million; and consumer by $2 million, or 2%, to $77 million.

Because of competition and the continuing lackluster economy, we are maintaining our estimate of 3% loan growth in 2012, but showing higher loan growth of 5% in 2013. This compares to year-over-year growth of 2 ½% in 2011.

Nonperforming loans fell $3.3 million, or 11%, sequentially to $27.3 million, while foreclosed assets rose $0.9 million, or 10%, to $9.2 million. As a percentage of total loans and OREO, nonperforming assets fell 21 basis points sequentially to 2.98% from 3.19% at the end of the first quarter and 19 basis points year over year from 3.17%. Most of the sequential decline was the result of charge-offs ($1.7 million) and write-downs of other real estate owned ($0.4 million), while the rest of the decline was due to improved performance on several smaller loans.

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 2.67% by the end of 2012 and to 2.35% by the end of 2013. This is supported by the second quarter's 10% reduction in criticized loans, which tend to be leading indicators in the nonperforming loan portfolio.

The loan loss allowance as a percent of nonperforming assets rose to 51% at the end of the quarter from 49% at the end of 2012's first quarter. This was the result of a lower level of problem loans, partly offset by a modestly lower loan loss allowance that decreased to $18.7 million, or 1.54% of gross loans, from $19.0 million, or 1.57% of gross loans.

Liquidity and Funding
During the second quarter, QCRH increased cash and short-investments by $19 million and the securities portfolio by $22 million as the Company had excess core deposits, which could only be deployed to the liquidity portfolio, given the dearth of creditworthy lending opportunities.

Within the securities porttfolio, QCRH continued to shift the securities mix to higher yield residential mortgage-backed and municipal securities, away from lower margin US government-sponsored agency securities. Sequentially, US Agency securities fell 10% to $390 million, or 61% of the total securities

portfolio, while residential mortgage-backed securities jumped 29% to $166 million, or 26% of the total portfolio, and municipal securities surged 51% to $81 million, or 13% 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 second quarter. At June 30, 2012, noninterest-bearing demand deposits represented 30% of total deposits of $1.3 billion, while interest-bearing demand deposits were 42%, time deposits were 24%, and brokered deposits were 4%, or all about the same as they were at March 31, 2012.

Capital Adequacy and Dividends

The Company's capital adequacy ratios deteriorated during the quarter due to the $10.2 million redemption of the SBLF preferred stock. Thus, the Tier 1 capital ratio fell 87 basis points to 11.40% at the end of 2012's second quarter from 12.27% at March 31, 2012, and the Total capital ratio dropped 87 basis points to 13.00% from 13.87%.

Tangible common equity to tangible assets rose about 8 basis point to 3.86% at June 30, 2012 from the March quarterend, due to growth in retained earnings, partly offset by an increase in total tangible assets, which passed the $2 billion mark for the first time ever. Tangible book value per share also increased during the second quarter, by $0.67 per share to $16.26 from $15.59.

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).

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

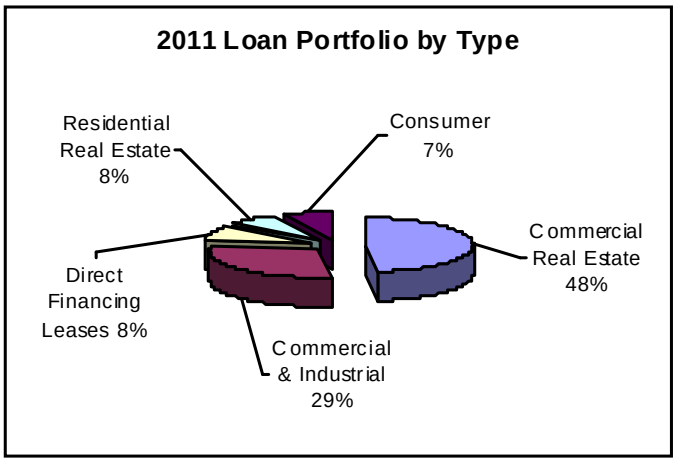
QCR Holdings, Inc. (QCRH or the Company) is a multibank holding company, which was founded in 1993 and is headquartered in Moline, Illinois, with $2.0 billion in total assets at June 30, 2012 and 10 offices. QCRH provides a broad range of business and retail lending products and investment services through 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) 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.

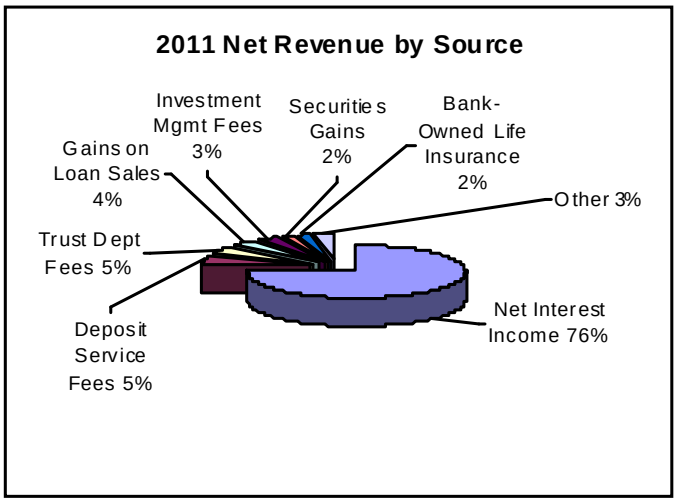
QCRH has disposed of several operating subsidiaries over the past few years as they did not contribute significantly to earnings and no longer fit into the Company's long-term strategic plans. These include: (1) the sale of the merchant credit card processing business in the third quarter of 2008, for 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.

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 40.1% year to date and has outperformed the S&P 500’s 8.5% advance by a wide margin, and it has also outperformed the industry’s median price increase of 31.5%, as shown in the following table. At its current price, QCRH is trading at a discount to the industry median P/E of 41% in 2012 (compared to 47% at the time of our last report on May 8, 2012) and of 46% in 2013 (compared to 48%), based upon our diluted EPS estimates for 2012 and 2013, respectively.

Turning to Price/Tangible Book Value, QCRH is valued at 0.82X versus the industry median of 0.88X. This represents a 7% discount to the median, or about 9 points better than QCRH’s average historical discount of 16% since the end of 2005. We believe a higher valuation is justified as the Company’s earnings and profitability prospects are much improved and QCRH has taken a number of steps over the last few years to strengthen its balance sheet.

Applying the 7% discount to our estimated book value for QCRH twelve months out results in a price of approximately $14.50. When combined with the dividend yield, this represents a total return of over 14%, 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 $14.50.

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	**40.1**	**10.1**	**6.5**	**5.8**	**0.82**	**9.1**	**5.8**	**0.57**	**0.33**	**0.6**
S&P 500	8.5	14.2	13.4	12.6	-----	49.1	-----	10.4	-----	2.2
Median	**31.5**	**11.3**	**11.1**	**10.7**	**0.88**	**9.0**	**4.9**	**0.74**	**0.34**	**0.6**
Average	27.7	14.6	11.7	10.6	0.8	(87.5)	(3.0)	0.6	0.3	1.5
High	172.2	58.3	18.9	15.2	1.4	16.2	11.6	1.8	2.2	7.2
Low	(76.8)	3.9	6.7	6.3	0.0	(3,208.6)	(188.4)	(3.7)	(2.4)	-----

*Trailing twelve months

QCR Holdings, Inc.

Income Statement and Balance Sheet

(Dollars in millions, except per share data)

Summary Financial Data	12/07	12/08	12/09	12/10	12/11	12/12E	12/13E
Net interest income	36.4	45.0	50.4	49.9	54.1	58.2	61.3
Non-interest income	14.1	13.6	15.6	15.4	17.5	16.5	17.0
Total net revenue	50.5	58.6	66.0	65.3	71.6	74.7	78.3
Loan loss provision	2.9	9.2	17.0	7.5	6.6	3.9	4.2
Non-interest expense	39.0	42.3	46.7	48.5	51.0	52.0	54.0
Income taxes & other	3.9	3.9	4.4	6.8	8.4	9.3	9.3
Zacks adjusted income before NRI	4.7	3.2	(2.1)	2.5	5.6	9.5	10.8
GAAP net income	4.7	4.9	(2.1)	2.5	4.4	9.5	10.8
Diluted EPS before NRI	1.02	0.69	(0.46)	0.53	1.17	1.95	2.20
Reported EPS	1.02	1.06	(0.46)	0.53	0.92	1.95	2.20
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	642.3	648.8
Loans & leases, gross	1,106.9	1,214.7	1,244.3	1,172.5	1,200.7	1,237.7	1,300.7
Total assets	1,476.6	1,605.6	1,779.6	1,836.6	1,966.6	2,060.2	2,136.2
Core deposits	684.6	711.3	761.5	844.2	960.9	1,103.3	1,171.0
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	140.0	137.0
Profitability							
Return on avg assets	0.43%	0.32%	0.10%	0.36%	0.51%	0.64%	0.66%
Return on avg equity	7.70%	5.66%	1.43%	5.03%	7.09%	9.22%	10.06%
Net interest margin	2.97%	3.32%	3.15%	2.92%	3.08%	3.12%	3.18%
Loan loss provision % avg assets	0.21%	0.59%	0.98%	0.41%	0.35%	0.19%	0.20%
Noninterest income % avg assets	1.04%	0.88%	0.91%	0.84%	0.92%	0.81%	0.81%
Noninterest expense % avg assets	2.89%	2.73%	2.71%	2.64%	2.67%	2.56%	2.57%
Preprovision pretax income % avg assets	0.85%	1.04%	1.12%	0.91%	1.08%	1.12%	1.16%
Tangible efficiency ratio	77%	73%	72%	74%	73%	70%	69%
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%	0.35%	0.33%
Allowance % loans	1.09%	1.47%	1.81%	1.74%	1.56%	1.49%	1.42%
NPAs % loans & related assets	0.68%	2.08%	3.22%	4.24%	3.35%	2.67%	2.35%
Allowance % NPAs	161%	70%	56%	41%	46%	55%	60%
Liquidity & Funding							
Liquid assets % purchased funds	97%	78%	122%	178%	242%	268%	270%
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%	60%	61%
Capital Adequacy							
Total equity % assets	5.83%	5.64%	6.96%	7.13%	7.24%	6.80%	6.41%
Tangible equity % assets	5.62%	5.46%	6.79%	6.97%	7.09%	6.65%	6.27%
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%	137.9%	148.8%

QCR Holdings, Inc.

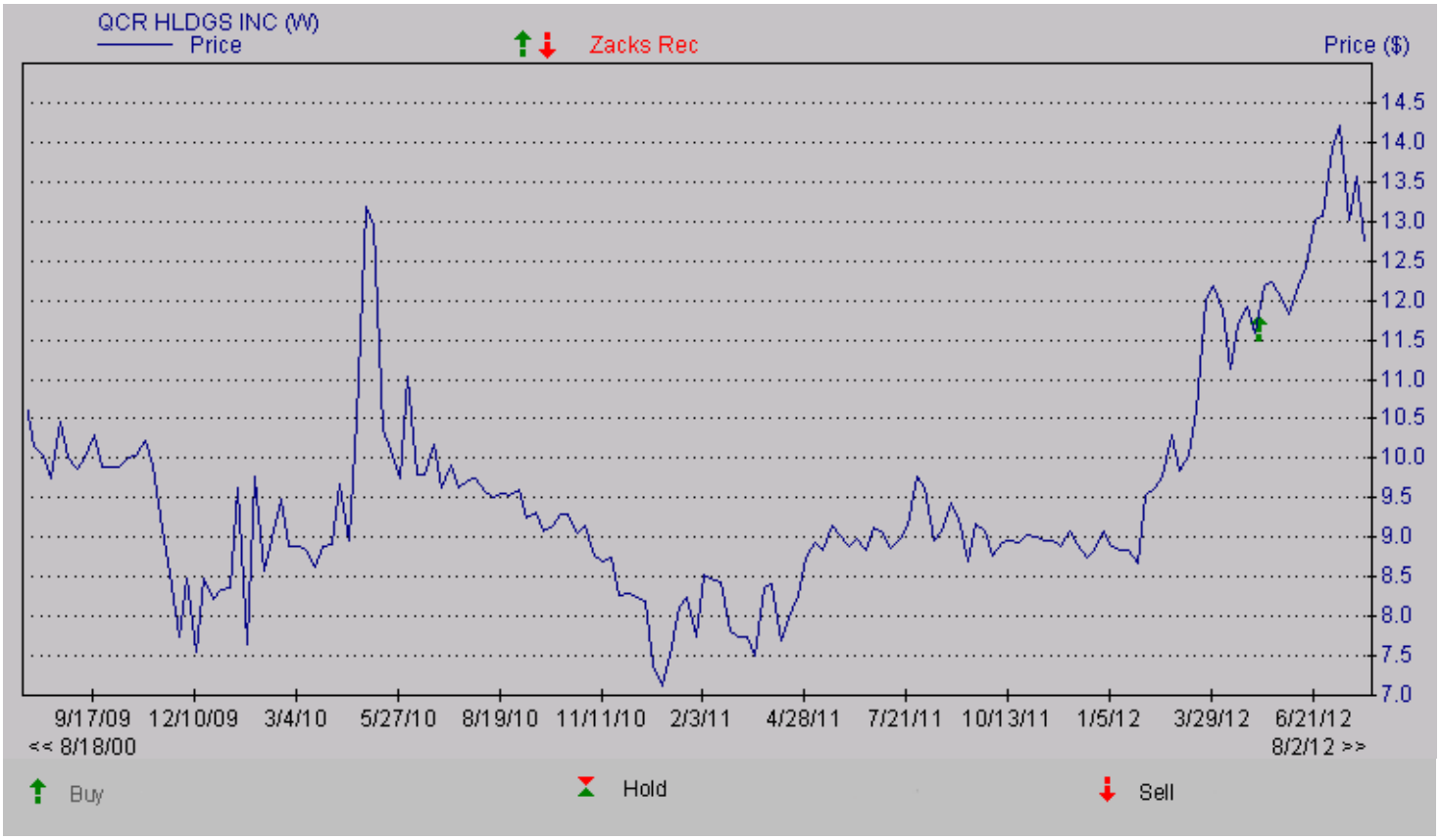
Income Statement and Balance Sheet

(Dollars in millions, except per share data)

	2011				2012			
Summary Financial Data	**Q1 A**	**Q2 A**	**Q3 A**	**Q4 A**	**Q1 A**	**Q2 P**	**Q3 E**	**Q4 E**
Net interest income	12.2	14.0	13.8	14.2	14.2	14.5	14.7	14.8
Non-interest income	5.1	4.1	4.3	3.9	4.0	4.1	4.2	4.2
Total net revenue	17.3	18.1	18.1	18.1	18.2	18.6	18.9	19.0
Loan loss provision	1.1	1.7	2.5	1.4	0.8	1.0	1.1	1.0
Non-interest expense	13.0	12.6	12.7	12.7	12.7	13.1	13.0	13.2
Income taxes & other	2.1	2.2	1.7	2.3	2.4	2.4	2.3	2.2
Zacks adjusted income before NRI	1.1	1.6	1.2	1.7	2.3	2.1	2.5	2.6
GAAP net income	1.1	1.6	(0.0)	1.7	2.3	2.1	2.5	2.6
Diluted EPS before NRI	0.23	0.34	0.24	0.35	0.48	0.44	0.51	0.52
Reported EPS	0.23	0.34	(0.01)	0.35	0.48	0.44	0.51	0.52
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	640.7	642.3
Loans & leases, gross	1,155.8	1,183.9	1,197.6	1,200.7	1,211.7	1,213.3	1,219.4	1,237.7
Total assets	1,873.7	1,878.5	1,899.0	1,966.6	1,993.0	2,043.4	2,051.8	2,060.2
Core deposits	924.2	943.7	936.8	960.9	1,052.2	1,070.9	1,087.0	1,103.3
Purchased funds	292.2	284.0	297.6	263.6	266.2	266.2	250.0	240.0
Long-term debt	368.5	368.5	354.1	358.1	354.4	356.4	356.0	355.0
Shareholders' equity	131.2	135.5	141.2	142.4	143.5	137.1	138.4	140.0
Profitability								
Return on avg assets*	0.45%	0.57%	0.45%	0.56%	0.65%	0.61%	0.65%	0.66%
Return on avg equity *	6.47%	7.95%	6.10%	7.85%	9.00%	8.54%	9.69%	9.68%
Net interest margin	2.78%	3.21%	3.16%	3.18%	3.09%	3.16%	3.12%	3.12%
Loan loss provision % avg assets*	0.23%	0.36%	0.52%	0.29%	0.16%	0.21%	0.21%	0.19%
Noninterest income % avg assets*	1.07%	0.89%	0.91%	0.80%	0.79%	0.81%	0.82%	0.82%
Noninterest expense % avg assets*	2.75%	2.67%	2.68%	2.60%	2.54%	2.61%	2.54%	2.56%
Preprovision pretax inc.% avg assets*	0.90%	1.18%	1.13%	1.11%	1.08%	1.09%	1.16%	1.14%
Tangible efficiency ratio	79%	70%	72%	70%	70%	71%	69%	69%
Payout ratio	-----	12%	-----	11%	-----	9%	-----	8%
Asset Quality								
Net charge-offs % avg loans*	0.24%	0.89%	0.90%	0.74%	0.19%	0.44%	0.39%	0.39%
Allowance % loans	1.79%	1.67%	1.63%	1.56%	1.57%	1.54%	1.53%	1.49%
NPAs % loans & related assets	3.80%	3.17%	3.35%	3.35%	3.19%	2.98%	2.79%	2.67%
Allowance % NPAs	47%	52%	48%	46%	49%	51%	54%	55%
Liquidity & Funding								
Liquid assets % purchased funds	209%	205%	198%	242%	235%	240%	256%	268%
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%	59%	59%	60%
Capital Adequacy								
Total equity % assets	7.00%	7.21%	7.44%	7.24%	7.20%	6.71%	6.74%	6.80%
Tangible equity % assets	6.84%	7.05%	7.28%	7.09%	7.05%	6.56%	6.60%	6.65%
Tier 1 capital ratio	12.33%	12.28%	12.42%	12.24%	12.27%	11.40%		
Total capital ratio	13.92%	13.87%	14.01%	13.84%	13.87%	13.00%		

*Annualized.

HISTORICAL ZACKS RECOMMENDATIONS



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