Zacks Small-Cap Research

May 2, 2013
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QCR Holdings, Inc.

(QCRH-NASDAQ)

QCRH: Solid First Quarter; CNB Acquisition on Track

Current Recommendation	**Neutral**
Prior Recommendation	Outperform
Date of Last Change	02/05/2013
Current Price (05/01/13)	$16.00
Twelve- Month Target Price	**$17.50**

OUTLOOK

QCRH posted 2013 first quarter diluted EPS of $0.49, up a penny from year-ago EPS and flat with the fourth quarter. Diluted EPS came in $0.08 below our $0.57 per share estimate, due to several unexpected charges, which cost the Company about $0.09 per share on an aftertax basis, or roughly the same amount as the shortfall from our estimate. Compared to the year-ago quarter, first quarter results were boosted by a gain in noninterest income on the back of strong 17%-plus increases in trust department fees and investment management & advisory fees and an almost 700% surge in gains on SBA loan sales. These were partly offset by an 8% rise in compensation expense, a 36% jump in the loan loss provision from an exceptionally low level last year, and a $258,000 negative swing in losses on other real estate owned. Nonperforming loans tumbled during the quarter by $5.7 million, or a whopping 22%, to $19.7 million as a slew of restructured loans returned to fully performing status. For 2013, we are reducing our 2013 diluted EPS estimate by a dime to $2.00 from $$2.10 due to the shortfall in the first quarter caused by $614,000 in one-time costs ($0.09 per share on an after tax basis) from the CNB acquisition and credit card business sale. Our 2013 diluted EPS estimate corresponds to an 8% gain over 2012's $1.85. Our initial estimate for 2014 is for an 8% advance in diluted EPS to $2.15. We note that the CNB acquisition is on track to close by May 13, as previously announced, and our projections include CNB from mid-May.

SUMMARY DATA

52-Week High	**$16.84**
52-Week Low	**$11.52**
One-Year Return (%)	**34.39**
Beta	**0.40**
Average Daily Volume (sh)	**2,942**
Shares Outstanding (mil)	**5**
Market Capitalization ($mil)	**$79**
Short Interest Ratio (days)	**0.64**
Institutional Ownership (%)	**13**
Insider Ownership (%)	**19**
Annual Cash Dividend	**$0.08**
Dividend Yield (%)	**0.50**
5-Yr. Historical Growth Rates	
Net Revenue (%)	**8.0**
Earnings Per Share (%)	**12.6**
Dividend (%)	**0.0**
P/E using TTM EPS	**8.6**
P/E using 2013 Estimate	**8.0**
P/E using 2014 Estimate	**7.4**
Zacks Rank	**3**

Risk Level	**Average**
Type of Stock	**Small-Value**
Industry	**Banks-Midwest**
Zacks Rank in Industry	**21 of 34**

ZACKS ESTIMATES

Net Revenue

(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
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	18.8 A	74.3 A
2013	19.4 A	20.5 E	21.9 E	22.4 E	84.2 E
2014					89.5 E

Earnings per Share

(EPS is operating earnings before nonrecurring items)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
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	0.49 A	1.85 A
2013	0.49 A	0.46 E	0.47 E	0.57 E	2.00 E
2014					2.15 E

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

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FIRST QUARTER RESULTS

QCRH posted 2013 first quarter diluted EPS of $0.49, up a penny from year-ago EPS and flat with the fourth quarter.

Diluted EPS came in $0.08 below our $0.57 per share estimate, due to several unexpected charges: $357,000 of CNB acquisition costs and $257,000 of costs related to the sale of the credit card business. In total, these items cost the Company about $0.09 per share on an aftertax basis, or roughly the same amount as the shortfall from our estimate.

Compared to the year-ago quarter, first quarter results were boosted by a gain in noninterest income on the back of strong 17%-plus increases in trust department fees and investment management & advisory fees and an almost 700% surge in gains on SBA loan sales. These were partly offset by an 8% rise in compensation expense, a 36% jump in the loan loss provision from an exceptionally low level last year, and a $258,000 negative swing in losses on other real estate owned. An $858,000 gain on the sale of the credit card business was mostly offset by $614,000 of expenses related to the CNB acquisition and the sale of the credit card business. In addition, there was a 130 basis-point drop in the effective tax rate to 25.4% and preferred dividends fell $0.1 million from a year ago, reflecting changes in QCRH's capital structure.

Nonperforming loans tumbled during the quarter by $5.7 million, or a whopping 22%, to $19.7 million as a slew of restructured loans returned to fully performing status. Foreclosed assets dropped $0.2 million, or 5%, to $3.96 million, due to the sale of several properties. As a percentage of total loans and OREO, total nonperforming assets fell 46 basis points sequentially to 1.83% from 2.29% at the end of the fourth quarter and 136 basis points year over year from 3.19%.

For 2013, we are reducing our 2013 diluted EPS estimate by a dime to $2.00 from $$2.10 due to the shortfall in the first quarter caused by $614,000 in one-time costs ($0.09 per share on an after-tax basis) from the CNB acquisition and credit card business sale. Our 2013 diluted EPS estimate corresponds to an 8% gain over 2012's $1.85.

Our initial estimate for 2014 is for an 8% advance in diluted EPS to $2.15.

We note that the CNB acquisition is on track to close by May 13, as previously announced, and our projections include CNB from mid-May. A primary driver of profitability for the combined company going forward is the opportunity for substantial cost savings, which QCRH estimates will run at 20% of CNB's cost base, or $2 million annually ($0.5 million per quarter), about 75% of which is expected to be realized in 2013's fourth quarter (about $375,000) and 100% beginning in 2014's first quarter (the full $500,000 per quarter). QCRH expects costs savings to be realized by eliminating duplicate overhead and technology expenses. In addition, we would not be surprised to see some branch closings, given QCRH's preference for running a lean branch structure (QCRH has 10 branches for $2.1 billion in assets, while CNB has 8 branches for $290 million in assets). QCRH estimates the transaction will add $0.11-0.13 to 2014 EPS, assuming conversion of the Series E preferred stock.

Our estimates exclude a couple of items that are part of the acquisition and offer QCRH downside protection, including a $400,000 bump-up in the CNB loan loss reserve and a $1.0 million addition to the litigation reserve at CNB. However, our 2013 EPS estimate includes the $858,000 gain on the sale of the credit card business and the $614,000 of expenses related to the CNB acquisition and the sale of the credit card business.

Our EPS estimates assume no conversion of the Series E preferred stock. Assuming the Series E preferred stock were converted during 2013's third quarter, our diluted EPS estimates for 2013 and 2014 would be $1.90 and $1.80, respectively.

Below, we discuss first quarter results more fully. Details of our projections are shown at the back of the report. For a full discussion of the CNB acquisition, please see our report dated February 26, 2013.

Net Interest Income

Net interest income was flat year over year at $14.2 million. A 6% gain in average interest-earning assets was partly offset by a 7 basis-point decline in the net interest margin to 3.02%. This reflected a 33 basis-point decrease in the yield on average-interest-earnings assets to 3.90% that was only partly offset by a 27 basis-point drop in average deposit costs to 0.51% and a 12 basis-point fall in borrowing costs to 2.37%.

The yield on the loan and lease receivables portfolio fell 58 basis points year over year to 4.84%, 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 dropped only 8 basis points, as QCRH limited the decline in yield on the securities portfolio by increasing 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 was about $0.2 million lower than our $14.4 million estimate, as growth in loans fell short of our estimate while the 3.02% NIM was 2 basis points higher.

We expect that the addition of CNB's higher margin loan portfolio (estimated at a 3.9-4.0% NIM) will more than offset future competitive pricing pressures. Moreover, this will be enhanced by the shift in QCRH's balance sheet into higher yield loans, away from lower yield securities. We are using a 3.07% estimate for all of 2013 (up 7 basis points from 3.00% previously) and a 3.00% estimate for 2014. This compares to the 3.10% that was actually posted in 2012.

Noninterest Income

Noninterest income jumped 32% year over year to $5.2 million (and was $0.1 million higher than our estimate). Strong growth in trust department fees and investment management & advisory fees (up 18% and 17%, respectively, due to the addition of new clients and the higher stock market and activity levels) an almost 700% surge in gains on SBA loan sales, and an $858,000 gain on the sale of the credit card business was partially offset a $258,000 negative swing in losses on other real estate owned to a loss of $447,000 from a loss of $189,000 in the year-ago quarter.

For 2013, we raising our estimate of noninterest income by about $0.8 million, primarily due to higher than previously expected growth in trust department fees (up $0.4 million from our previous estimate) and gains on loan sales largely (up $0.4 million). For 2014, our initial estimate for noninterest income is $21.9 million, a 4% gain over our 2013 estimate.

Loan Loss Provision

The loan loss provision rose 36% year over year to $1.1 million from an unusually low $0.8 million in the prior-year quarter, and matched our estimate.

Going forward, our estimate for the loan loss provision for 2013 is $4.6 million, which is up 5% from 2012's $4.4 million, primarily reflecting growth in the QCRH loan portfolio in 2013. We expect a very low level of loss provisions at CNB in 2013 since the loan portfolio should be written down to realizable value prior to acquisition, pursuant to purchase accounting adjustments. In 2014, our initial estimate calls for a 17% increase in the loan loss provision to $5.4 million as provisions revert to normal.

Noninterest Expense

Noninterest expense rose 10% year over year to $14.0 million, about $0.4 million above our estimate, largely due to the inclusion of $614,000 of expenses related to the CNB acquisition and the sale of the credit card business.

Though most line items decreased year over year, certain expense categories edged up: compensation expense climbed 8% to $8.7 million; occupancy and equipment expense rose by 6% to $1.5 million; and bank service charges jumped 38% to $0.28 million, stemming from increased volumes of correspondent banking business. In addition, other expense leapt 141% to $1.0 million, including expenses related to the CNB acquisition and the sale of the credit card business

The Company's efficiency ratio deteriorated moderately, increasing 190 basis points to 72.0% compared to 70.1% in 2012's first quarter.

We expect operating efficiency to worsen in 2013 primarily due to the CNB acquisition, and have estimated an efficiency ratio of 72.2% in full-year 2013, which compares to 70.5% actually reported in 2012. Once all expense cuts related to the CNB acquisition have been implemented in 2014, we estimate a 90 basis-point improvement in the efficiency ratio to 71.3%.

Income Taxes

The Company's effective tax rate was 25.4% in the first quarter, compared to 26.7% in the year-ago quarter and our 25.0% estimate. We are raising our estimated effective tax rate for 2013 to 25.1% from 25.0%, and increasing it 40 basis points to 25.5% in 2014. This compares to a 25.7% tax rate that was actually posted in 2012.

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 first quarter net earnings attributable to common shareholders of $2.45 million, or $0.49 per diluted share, up 7% from $2.30 million ($0.48 diluted EPS) reported in the year-ago quarter. This compares to our $2.77 million net income estimate ($0.57 diluted EPS).

Profitability

QCRH posted a 9.3% ROE and 0.62% ROA for the first quarter of 2013, compared to a 9.0% ROE and 0.65% ROA for the first quarter of 2012.

Loans and Asset Quality

Loans advanced $5 million sequentially to $1,292 million during the first quarter after the sale of the $10 million credit card portfolio. Pre-sale, the increase was about $15 million, or 1%. This represents the eighth consecutive quarter of loan growth. Sequentially, total commercial and industrial loans rose $4 million (by 1%) to $398 million. Commercial real estate increased $5 million, or 1%, to $599 million, while direct financing leases jumped $6 million, or 6%, to $110 million. Residential real estate was flat at $116 million, while consumer loans fell $10 million to $66 million following the sale of the credit card portfolio.

Including loans from the CNB acquisition (over $200 million at the date of purchase), we estimate that loans will increase 21% year over year to 1,554 million for the combined company. Our initial estimate of loan growth in 2014 is 5%. This compares to year-over-year growth of 7% in 2012.

Nonperforming loans tumbled during the quarter by $5.7 million, or a whopping 22%, to $19.7 million as a slew of restructured loans returned to fully performing status. Foreclosed assets dropped $0.2 million, or 5%, to $3.96 million, due to the the write-down in carrying value of existing OREO properties. As a percentage of total loans and OREO, total nonperforming assets fell 46 basis points sequentially to 1.83% from 2.29% at the end of the fourth quarter and 136 basis points year over year from 3.19%.

We expect asset quality to show improvement in 2013 and 2014 as the Company works though problem assets, though there may be a bit of a hiccup immediately after the CNB acquisition (CNB has about $6.5 million of nonperforming assets), with the estimated NPA ratio falling from 2.29% at yearend 2012 to 1.81% by the end of 2013 and 1.58% at yearend 2014.

The loan loss allowance as a percent of nonperforming assets increased sequentially to 88% at the end of the quarter from 67% at December 31, 2012. This was the result of a higher loan loss allowance that increased to $20.8 million, or 1.61% of gross loans, from $19.9 million, or 1.55% of gross loans, plus a lower level of problem loans.

Liquidity and Funding

During the first quarter, QCRH decreased cash and short-investments by $43 million and increased the securities portfolio by $90 million.

Within the securities porttfolio, there were only modest shifts from the previous quarter. Sequentially, US Agency securitiesrose 19% to $403 million, or 58% of the total securities portfolio, while municipal securities rose 14% to $111 million, or 17% of the securities portfolio, and residential mortgage-backed securities gained 7% to $175 million, or 25% of total securities.

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. At March 31, 2013, noninterest-bearing demand deposits represented 35% of total deposits of $1.4 billion (up from 33% at December 31, 2012), while interest-bearing demand deposits were 41% (43% before), time deposits were 21% (unchanged), and brokered deposits were 3% (also unchanged).

Capital Adequacy and Dividends

The Company's capital adequacy ratios deteriorated during the quarter, as growth in risk assets outpaced the increase in common equity. The Tier 1 capital ratio tumbled 8 basis points to 11.19% at the end of 2013's first quarter from 11.27% at December 31, 2012, and the Total capital ratio dropped 10 basis point to 12.61% from 12.71%. In addition, tangible common equity to tangible assets shed 1 basis point, falling to 3.93% at March 31, 2013.

Tangible book value per share increased during the first quarter, by $0.30 per share, rising to $17.04 from $16.74.

On November 8, 2012, QCRH announced its regular semi-annual cash dividend of $0.04 per share paid on January 7, 2013 to stockholders of record on December 22, 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. We expect tangible common equity to drop to 3.75% immediately after the CNB acquisition (from 3.93% at the end of the first quarter), before rising to 3.87% at the end of 2013 and to 4.13% at yearend 2014.

We note that the Company's Series E Preferred Stock is perpetually convertible into shares of common stock at a per share conversion price of $12.15, subject to antidilution adjustments. In addition, QCRH can exercise a conversion option on or after the third anniversary of the issue date (i.e., June 30, 2013) at the same $12.15 conversion price if the Company's common stock price equals or exceeds $17.22 (compared to the current stock price of $15.90) for at least 20 trading days in a period of 30 consecutive trading days. Moreover, QCRH has the right, at any time after the fifth anniversary of the issuance date, to redeem all, but not less than all, of the shares of Series E Preferred Stock, for an amount per share equal to $1,000 plus any declared but unpaid dividends for the then-current dividend period. Assuming

conversion of the Series E Preferred, QCRH's tangible common equity would increase to 5.25% of total tangible assets on a pro forma basis.

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 $2.1 billion in total assets at March 31, 2013 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.

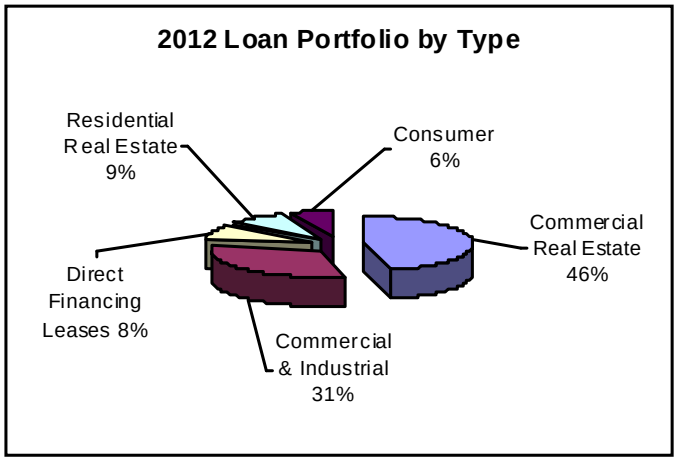
By far the largest of these subsidiaries is QCBT, which accounts for $1.2 billion, or approximately 56%, of QCRH's total assets, and is also the oldest of its subsidiaries, having begun operations in January 1994. Its five offices are located in Bettendorf and Davenport, Iowa and Moline, Illinois. CRBT, begun in June 2001, is the next largest with $600 million of total assets, or about 29% 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 $320 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 $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; (2) a 100% 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 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. In 2008, these were reported as discontinued operations in the Company's financial statements (we have not adjusted prior-year financial data for these changes).

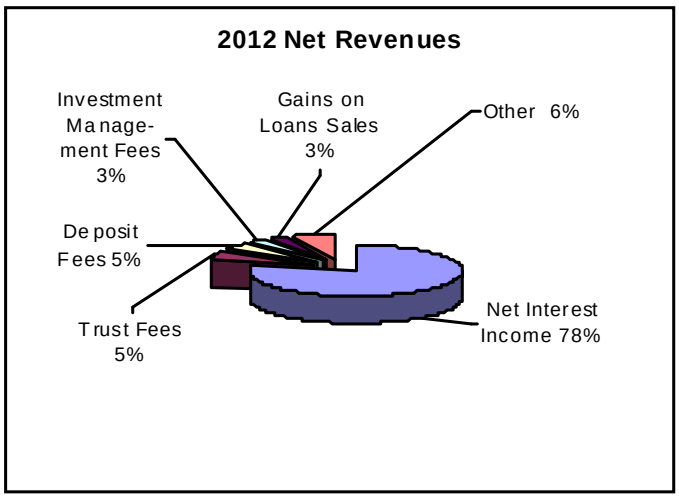
The $1.3 billion loan portfolio has a concentration in commercial real estate, accounting for 46% of total loans at December 31, 2012, of which about 60% is nonowner-occupied, 30% is owner-occupied, and 10% is construction and land development. The rest of the lending book consists of commercial and industrial (accounting for 31% of total gross loans), direct financing leases (8%), residential real estate (9%), and consumer (6%). Most loans are secured, usually by real estate, inventory, accounts receivable, equipment, machinery, or corporate assets.



The liquidity portfolio, consisting of cash, short-term investments, and US agency/residential mortgage-backed securities (RMBS) obligations, represents 29% of total assets, while gross loans and leases account for 61%. Noninterest-bearing demand deposits accounted for 33% of total deposits of $1.4 billion at December 31, 2012, with interest-bearing demand and savings deposits at 43%, time deposits at 21%, and brokered time deposits at 3%.

In 2012, net interest income contributed 78% of net revenue. Other significant revenue sources include deposit service fees (5% of net revenues), trust department fees (5%), gains on loan sales (3%), investment management and advisory fees (3%), and other (6%).

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 2012 through growth in retained earnings and conversion of the Series E preferred to common equity; (2) funding the redemption of the remaining $30 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 62 basis points in 2012, by driving down the efficiency ratio to the 60%-plus area from 70% in 2012; (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 21.0% year to date and has outperformed the S&P 500’s 11.0% advance by a wide margin, and it has also beaten the industry’s median price increase of 8.8%, as shown in the following table. Just as important, the stock was up 45.3% in 2012.

At its current price, QCRH is trading at a discount to the industry median P/E of 40% in 2013, based upon our diluted EPS estimate for 2014.

Turning to Price/Tangible Book Value, QCRH is valued at 0.95X versus the industry median of 1.04X. This represents a 9% discount to the median, about 5 points better than its historical average. However, we believe that CPKF should be trading at a minimum of 1.0X Price/Tangible Book Value. 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 1.0X ratio to estimated book value for QCRH twelve months out results in a price of approximately $17.50. When combined with the dividend yield, this represents a total return of roughly 10%, in line with our expectations for gains in the broader market index over the next year.

Thus, we are maintaining our recommendation at Neutral and our $17.50 twelve-month target price.

Industry Comparables- Small-Cap Banks

		Price / Earnings Ratios				Return on Equity		Return on Assets		
	Pr Chg YTD	TTM* EPS	2013E	2014E	Price/ Book	TTM*	5-Yr Avg	TTM*	5-Yr Avg	Div Yld
QCR Holdings	**21.0**	**8.6**	**8.0**	**7.4**	**0.95**	**9.0**	**5.9**	**0.62**	**0.36**	**0.5**
S&P 500	11.0	16.3	14.7	13.8	4.4	26.4	-----	9.3	-----	2.0
Median	**8.8**	**13.8**	**12.1**	**12.3**	**1.04**	**7.8**	**3.9**	**0.73**	**0.34**	**0.5**
Average	15.9	15.9	14.3	12.3	1.0	7.5	1.6	0.7	0.3	1.2
High	87.9	44.6	51.4	21.1	1.9	14.6	14.3	1.6	2.0	4.6
Low	(12.3)	5.3	6.8	6.4	0.5	(1.6)	(78.4)	(0.1)	(2.4)	-----

*Trailing twelve months

QCR Holdings, Inc.

Income Statement and Balance Sheet

(Dollars in millions, except per share data)

Summary Financial Data	12/08	12/09	12/10	12/11	12/12	12/13 E	12/14 E
Net interest income	45.0	50.4	49.9	54.1	57.6	64.0	68.6
Non-interest income	13.6	15.6	15.4	17.5	16.7	20.2	20.9
Total net revenue	58.6	66.0	65.3	71.6	74.3	84.2	89.5
Loan loss provision	9.2	17.0	7.5	6.6	4.4	4.6	5.4
Non-interest expense	42.3	46.7	48.5	51.0	52.3	60.7	63.8
Income taxes & other	3.9	4.4	6.8	8.4	8.5	7.8	7.7
Zacks adjusted income before NRI	3.2	(2.1)	2.5	5.6	9.1	11.1	12.6
GAAP net income	4.9	(2.1)	2.5	4.4	9.1	11.1	12.6
Diluted EPS before NRI	0.69	(0.46)	0.53	1.17	1.85	2.00	2.15
Reported EPS	1.06	(0.46)	0.53	0.92	1.85	1.90	1.81
Dividends per share	0.08	0.08	0.08	0.08	0.08	0.08	0.08
Liquid assets	287.8	417.3	546.0	638.5	612.7	713.6	720.8
Loans & leases, gross	1,214.7	1,244.3	1,172.5	1,200.7	1,287.4	1,553.6	1,632.7
Total assets	1,605.6	1,779.6	1,836.6	1,966.6	2,093.7	2,490.6	2,563.6
Core deposits	711.3	761.5	844.2	960.9	1,129.5	1,474.8	1,538.5
Purchased funds	367.6	340.9	307.1	263.6	266.2	265.0	265.0
Long-term debt	310.4	378.8	388.5	358.1	355.0	359.7	350.0
Shareholders' equity	90.6	123.9	130.9	142.4	140.4	144.1	143.4
Profitability							
Return on avg assets	0.32%	0.10%	0.36%	0.51%	0.62%	0.60%	0.60%
Return on avg equity	5.66%	1.43%	5.03%	7.09%	8.90%	9.96%	10.63%
Net interest margin	3.32%	3.15%	2.92%	3.08%	3.10%	3.07%	3.00%
Loan loss provision % avg assets	0.59%	0.98%	0.41%	0.35%	0.22%	0.20%	0.21%
Noninterest income % avg assets	0.88%	0.91%	0.84%	0.92%	0.82%	0.86%	0.83%
Noninterest expense % avg assets	2.73%	2.71%	2.64%	2.67%	2.58%	2.60%	2.53%
Preprovision pretax income % avg assets	1.04%	1.12%	0.91%	1.08%	1.09%	1.00%	1.02%
Tangible efficiency ratio	73%	72%	74%	73%	70%	72%	71%
Payout ratio	8%	(18)%	15%	9%	4%	4%	4%
Asset Quality							
Net charge-offs % avg loans	0.24%	1.00%	0.79%	0.70%	0.27%	0.22%	0.24%
Allowance % loans	1.47%	1.81%	1.74%	1.56%	1.55%	1.64%	1.66%
NPAs % loans & related assets	2.08%	3.22%	4.24%	3.35%	2.29%	1.81%	1.58%
Allowance % NPAs	70%	56%	41%	46%	67%	91%	105%
Liquidity & Funding							
Liquid assets % purchased funds	78%	122%	178%	242%	230%	269%	272%
Core deposits % loans	59%	61%	72%	80%	88%	95%	94%
Liquid assets % assets	18%	23%	30%	32%	29%	29%	28%
Loans % assets	76%	70%	64%	61%	61%	62%	64%
Capital Adequacy							
Total equity % assets	5.64%	6.96%	7.13%	7.24%	6.71%	5.79%	5.59%
Tangible equity % assets	5.46%	6.79%	6.97%	7.09%	6.56%	5.67%	5.47%
Tier 1 capital ratio	8.36%	11.14%	12.12%	12.24%	11.27%		
Total capital ratio	10.39%	12.52%	13.70%	13.84%	12.71%		
Parent Company Statistics							
Interest coverage	3.1X	1.4X	0.7X	2.8X	5.5X	2.0X	2.0X
Interest & dividend coverage	1.8X	0.5X	0.3X	0.8X	1.4X	0.9X	1.0X
Short-term debt coverage	2.0X	N/A	N/A	N/A	N/A	N/A	N/A
Total debt coverage	0.2X	N/A	N/A	N/A	N/A	N/A	N/A
Double leverage	146.1%	133.4%	132.5%	128.9%	130.8%	135.1%	144.7%

QCR Holdings, Inc.

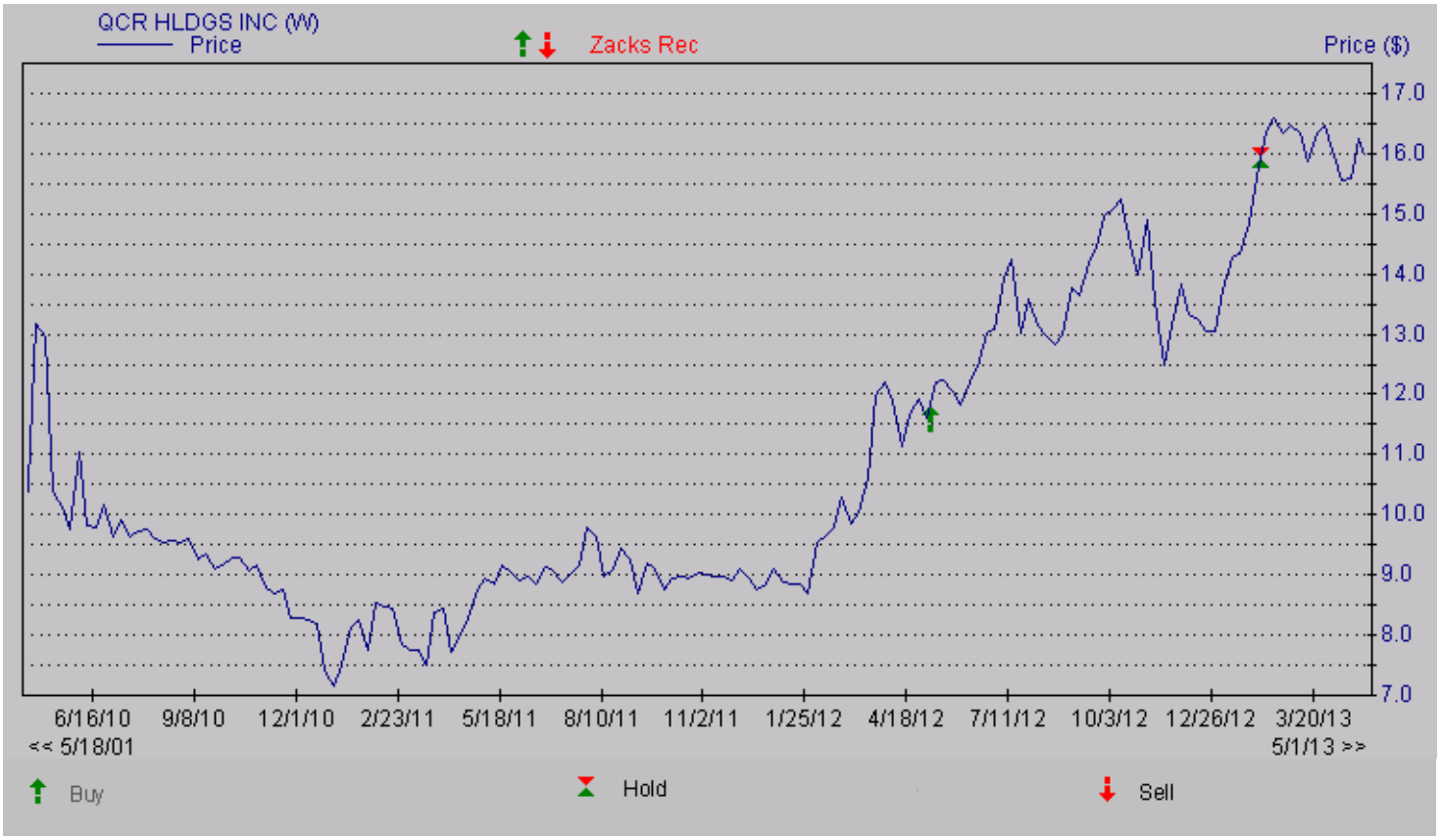
Income Statement and Balance Sheet

(Dollars in millions, except per share data)

	2012				2013			
Summary Financial Data	**Q1 A**	**Q2 A**	**Q3 A**	**Q4 A**	**Q1 P**	**Q2 E**	**Q3 E**	**Q4 E**
Net interest income	14.2	14.5	14.6	14.3	14.2	15.7	16.8	17.2
Non-interest income	4.0	4.1	4.1	4.5	5.2	4.8	5.1	5.2
Total net revenue	18.2	18.6	18.7	18.8	19.4	20.5	21.9	22.4
Loan loss provision	0.8	1.0	1.5	1.1	1.1	1.2	1.2	1.3
Non-interest expense	12.7	13.1	13.0	13.4	14.0	14.9	16.1	15.8
Income taxes & other	2.4	2.4	2.0	1.9	1.8	1.9	1.8	2.1
Zacks adjusted income before NRI	2.3	2.1	2.2	2.4	2.5	2.5	2.8	3.3
GAAP net income	2.3	2.1	2.2	2.4	2.5	2.5	2.8	3.3
Diluted EPS before NRI	0.48	0.44	0.44	0.49	0.49	0.46	0.47	0.57
Reported EPS	0.48	0.44	0.44	0.49	0.49	0.46	0.47	0.57
Dividends per share	-----	0.04	-----	0.04	-----	0.04	-----	0.04
Liquid assets	625.4	639.1	594.7	612.7	645.7	710.1	711.9	713.6
Loans & leases, gross	1,211.7	1,213.3	1,244.3	1,287.4	1,291.8	1,515.4	1,534.4	1,553.6
Total assets	1,993.0	2,043.4	2,023.9	2,093.7	2,144.0	2,451.2	2,470.9	2,490.6
Core deposits	1,052.2	1,070.9	1,098.7	1,129.5	1,175.9	1,438.6	1,456.6	1,474.8
Purchased funds	266.2	265.2	266.2	266.2	266.2	265.0	265.0	265.0
Long-term debt	354.4	357.5	349.0	355.0	358.0	359.7	359.7	359.7
Shareholders' equity	143.5	136.9	139.0	140.4	142.2	139.8	141.8	144.1
Profitability								
Return on avg assets*	0.65%	0.61%	0.60%	0.63%	0.62%	0.58%	0.56%	0.65%
Return on avg equity *	9.00%	8.54%	8.78%	9.28%	9.25%	9.47%	9.85%	11.23%
Net interest margin	3.09%	3.16%	3.16%	3.02%	3.02%	3.05%	3.10%	3.10%
Loan loss provision % avg assets*	0.16%	0.21%	0.29%	0.22%	0.20%	0.20%	0.19%	0.20%
Noninterest income % avg assets*	0.79%	0.81%	0.81%	0.87%	0.99%	0.83%	0.82%	0.83%
Noninterest expense % avg assets*	2.54%	2.61%	2.57%	2.60%	2.65%	2.59%	2.62%	2.54%
Preprovision pretax inc.% avg assets*	1.08%	1.09%	1.13%	1.05%	1.03%	0.98%	0.93%	1.07%
Tangible efficiency ratio	70%	71%	70%	71%	72%	73%	74%	70%
Payout ratio	-----	9%	-----	8%	-----	9%	-----	7%
Asset Quality								
Net charge-offs % avg loans*	0.19%	0.44%	0.26%	0.17%	0.07%	0.31%	0.26%	0.23%
Allowance % loans	1.57%	1.54%	1.56%	1.55%	1.61%	1.65%	1.64%	1.64%
NPAs % loans & related assets	3.19%	2.98%	2.33%	2.29%	1.83%	1.96%	1.87%	1.81%
Allowance % NPAs	49%	51%	67%	67%	88%	84%	87%	91%
Liquidity & Funding								
Liquid assets % purchased funds	235%	241%	223%	230%	243%	268%	269%	269%
Core deposits % loans	87%	88%	88%	88%	91%	95%	95%	95%
Liquid assets % assets	31%	31%	29%	29%	30%	29%	29%	29%
Loans % assets	61%	59%	61%	61%	60%	62%	62%	62%
Capital Adequacy								
Total equity % assets	7.20%	6.70%	6.87%	6.71%	6.63%	5.70%	5.74%	5.79%
Tangible equity % assets	7.05%	6.55%	6.72%	6.56%	6.49%	5.58%	5.62%	5.67%
Tier 1 capital ratio	12.27%	11.52%	11.52%	11.27%	11.19%			
Total capital ratio	13.87%	13.14%	12.98%	12.71%	12.61%			

*Annualized.

HISTORICAL ZACKS RECOMMENDATIONS



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