QCR HOLDINGS INC
Form 10-Q
August 08, 2011

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[ X ] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ending June 30, 2011

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to________

Commission file number 0-22208

QCR HOLDINGS, INC.
(Exact name of Registrant as specified in its charter)

| | |
|---|---|
| Delaware | 42-1397595 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer ID Number) |

3551 7th Street, Moline, Illinois 61265
(Address of principal executive offices)

(309) 736-3580
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for past 90 days. Yes [ X ] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Date File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [ X ] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "accelerated filer," "large accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large accelerated filer [ ] | Accelerated filer [ ] | Non-accelerated filer [ ] | Smaller reporting company [ X ] |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes [ ] No [ X ]

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date: As of August 1, 2011, the Registrant had outstanding 4,742,234 shares of common stock, $1.00 par value per share.

QCR HOLDINGS, INC. AND SUBSIDIARIES

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QCR HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (UNAUDITED)
As of June 30, 2011 and December 31, 2010

| | June 30, 2011 | December 31, 2010 |
|---|---|---|
| ASSETS | | |
| Cash and due from banks | $ 45,080,673 | $ 42,030,806 |
| Federal funds sold | 8,000,000 | 61,960,000 |
| Interest-bearing deposits at financial institutions | 27,292,995 | 39,745,611 |
| | | |
| Securities held to maturity, at amortized cost | 300,000 | 300,000 |
| Securities available for sale, at fair value | 513,604,726 | 424,546,767 |
| Total securities | 513,904,726 | 424,846,767 |
| | | |
| | | |
| Loans receivable held for sale | 2,251,437 | 14,084,859 |
| Loans/leases receivable held for investment | 1,181,642,522 | 1,158,453,744 |
| Gross loans/leases receivable | 1,183,893,959 | 1,172,538,603 |
| Less allowance for estimated losses on loans/leases | (19,802,632 ) | (20,364,656 ) |
| Net loans/leases receivable | 1,164,091,327 | 1,152,173,947 |
| | | |
| Premises and equipment, net | 30,533,692 | 31,118,744 |
| Goodwill | 3,222,688 | 3,222,688 |
| Accrued interest receivable | 6,555,243 | 6,435,989 |
| Bank-owned life insurance | 41,266,443 | 33,565,390 |
| Prepaid FDIC insurance | 4,303,530 | 5,361,314 |
| Restricted investment securities | 15,459,200 | 16,668,700 |
| Other real estate owned, net | 10,430,122 | 8,534,711 |
| Other assets | 8,347,704 | 10,970,549 |
| | | |
| Total assets | $ 1,878,488,343 | $ 1,836,635,216 |
| | | |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| LIABILITIES | | |
| Deposits: | | |
| Noninterest-bearing | $ 297,196,834 | $ 276,827,205 |
| Interest-bearing | 917,117,538 | 837,988,652 |
| Total deposits | 1,214,314,372 | 1,114,815,857 |
| | | |
| Short-term borrowings | 122,394,544 | 141,154,499 |
| Federal Home Loan Bank advances | 204,750,000 | 238,750,000 |
| Other borrowings | 140,916,051 | 150,070,785 |
| Junior subordinated debentures | 36,085,000 | 36,085,000 |
| Other liabilities | 22,703,622 | 23,188,367 |
| Total liabilities | 1,741,163,589 | 1,704,064,508 |
| | | |
| STOCKHOLDERS' EQUITY | | |

| | | | | |
|---|---|---|---|---|
| Preferred stock, $1 par value; shares authorized 250,000 June 2011 and December 2010 - 63,237 shares issued and outstanding | | 63,237 | | 63,237 |
| Common stock, $1 par value; shares authorized 20,000,000 June 2011 - 4,855,505 shares issued and 4,734,259 outstanding December 2010 - 4,732,428 shares issued and 4,611,182 outstanding | | 4,855,505 | | 4,732,428 |
| Additional paid-in capital | | 87,298,473 | | 86,478,269 |
| Retained earnings | | 43,096,853 | | 40,550,900 |
| Accumulated other comprehensive income | | 1,768,339 | | 704,165 |
| Noncontrolling interests | | 1,848,857 | | 1,648,219 |
| Less treasury stock, June 2011 and December 2010 - 121,246 common shares, at cost | | (1,606,510) | | (1,606,510) |
| Total stockholders' equity | | 137,324,754 | | 132,570,708 |
| Total liabilities and stockholders' equity | $ | 1,878,488,343 | $ | 1,836,635,216 |

See Notes to Consolidated Financial Statements

QCR HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
Three Months Ended June 30,

| | 2011 | 2010 |
|---|---|---|
| Interest and dividend income: | | |
| Loans/leases, including fees | $ 16,515,966 | $ 17,100,311 |
| Securities: | | |
| Taxable | 2,821,682 | 2,713,261 |
| Nontaxable | 259,813 | 227,574 |
| Interest-bearing deposits at financial institutions | 102,944 | 146,898 |
| Restricted investment securities | 137,965 | 107,108 |
| Federal funds sold | 23,706 | 63,947 |
| Total interest and dividend income | 19,862,076 | 20,359,099 |
| | | |
| Interest expense: | | |
| Deposits | 2,321,641 | 3,414,644 |
| Short-term borrowings | 68,911 | 149,403 |
| Federal Home Loan Bank advances | 1,978,499 | 2,313,970 |
| Other borrowings | 1,289,739 | 1,466,235 |
| Junior subordinated debentures | 252,231 | 483,755 |
| Total interest expense | 5,911,021 | 7,828,007 |
| | | |
| Net interest income | 13,951,055 | 12,531,092 |
| | | |
| Provision for loan/lease losses | 1,672,221 | 1,376,189 |
| Net interest income after provision for loan/lease losses | 12,278,834 | 11,154,903 |
| | | |
| Noninterest income: | | |
| Trust department fees | 894,733 | 729,262 |
| Investment advisory and management fees, gross | 550,243 | 471,799 |
| Deposit service fees | 856,661 | 860,318 |
| Gains on sales of loans, net | 755,128 | 553,178 |
| Securities gains | 148,602 | - |
| Losses on sales of other real estate owned, net | (107,656) | (102,102) |
| Earnings on bank-owned life insurance | 356,642 | 286,150 |
| Credit card issuing fees, net of processing costs | 77,336 | 110,431 |
| Other | 641,692 | 629,034 |
| Total noninterest income | 4,173,381 | 3,538,070 |
| | | |
| Noninterest expense: | | |
| Salaries and employee benefits | 7,355,533 | 7,068,315 |
| Occupancy and equipment expense | 1,368,293 | 1,365,326 |
| Professional and data processing fees | 1,136,978 | 1,125,582 |
| FDIC and other insurance | 687,587 | 883,965 |
| Loan/lease expense | 656,069 | 411,097 |
| Advertising and marketing | 334,354 | 243,214 |

| | | | | |
|---|---|---|---|---|
| Postage and telephone | | 231,515 | | 235,359 |
| Stationery and supplies | | 123,529 | | 123,885 |
| Bank service charges | | 177,478 | | 142,615 |
| Prepayment fees on Federal Home Loan Bank advances | | - | | - |
| Losses on lease residual values | | - | | - |
| Other-than-temporary impairment losses on securities | | 118,847 | | - |
| Other | | 365,364 | | 615,228 |
| Total noninterest expense | | 12,555,547 | | 12,214,586 |
| | | | | |
| Net income before income taxes | | 3,896,668 | | 2,478,387 |
| Federal and state income tax expense | | 1,123,454 | | 678,550 |
| Net income | $ | 2,773,214 | $ | 1,799,837 |
| Less: Net income attributable to noncontrolling interests | | 98,245 | | 62,336 |
| Net income attributable to QCR Holdings, Inc. | $ | 2,674,969 | $ | 1,737,501 |
| | | | | |
| | | | | |
| Less: Preferred stock dividends | | 1,035,742 | | 1,037,313 |
| Net income attributable to QCR Holdings, Inc. common stockholders | $ | 1,639,227 | $ | 700,188 |
| | | | | |
| Earnings per common share attributable to QCR Holdings, Inc. common shareholders | | | | |
| Basic | $ | 0.34 | $ | 0.15 |
| Diluted | $ | 0.34 | $ | 0.15 |
| | | | | |
| Weighted average common shares outstanding | | 4,847,740 | | 4,591,319 |
| Weighted average common and common equivalent shares outstanding | | 4,873,978 | | 4,649,413 |
| | | | | |
| Cash dividends declared per common share | $ | 0.04 | $ | 0.04 |

See Notes to Consolidated Financial Statements

QCR HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
Six Months Ended June 30,

| | | 2011 | | 2010 |
|---|---|---|---|---|
| Interest and dividend income: | | | | |
| Loans/leases, including fees | $ | 32,250,606 | $ | 34,613,800 |
| Securities: | | | | |
| Taxable | | 5,157,921 | | 5,175,941 |
| Nontaxable | | 499,159 | | 456,298 |
| Interest-bearing deposits at financial institutions | | 214,093 | | 291,816 |
| Restricted investment securities | | 301,485 | | 212,587 |
| Federal funds sold | | 90,044 | | 85,234 |
| Total interest and dividend income | | 38,513,308 | | 40,835,676 |
| | | | | |
| Interest expense: | | | | |
| Deposits | | 4,747,195 | | 6,789,653 |
| Short-term borrowings | | 182,577 | | 318,249 |
| Federal Home Loan Bank advances | | 4,121,875 | | 4,558,047 |
| Other borrowings | | 2,568,918 | | 2,855,354 |
| Junior subordinated debentures | | 732,886 | | 962,713 |
| Total interest expense | | 12,353,451 | | 15,484,016 |
| | | | | |
| Net interest income | | 26,159,857 | | 25,351,660 |
| | | | | |
| Provision for loan/lease losses | | 2,739,885 | | 2,979,418 |
| Net interest income after provision for loan/lease losses | | 23,419,972 | | 22,372,242 |
| | | | | |
| Noninterest income: | | | | |
| Trust department fees | | 1,845,535 | | 1,635,050 |
| Investment advisory and management fees, gross | | 1,081,461 | | 906,494 |
| Deposit service fees | | 1,729,333 | | 1,683,086 |
| Gains on sales of loans, net | | 1,514,821 | | 722,132 |
| Securities gains | | 1,028,914 | | - |
| Losses on sales of other real estate owned, net | | (132,754) | | (444,648) |
| Earnings on bank-owned life insurance | | 701,053 | | 620,656 |
| Credit card issuing fees, net of processing costs | | 218,496 | | 196,573 |
| Other | | 1,243,646 | | 1,050,364 |
| Total noninterest income | | 9,230,505 | | 6,369,707 |
| | | | | |
| Noninterest expense: | | | | |
| Salaries and employee benefits | | 14,829,036 | | 13,959,319 |
| Occupancy and equipment expense | | 2,657,748 | | 2,736,672 |
| Professional and data processing fees | | 2,261,500 | | 2,282,980 |
| FDIC and other insurance | | 1,570,317 | | 1,687,491 |
| Loan/lease expense | | 932,297 | | 980,112 |
| Advertising and marketing | | 559,083 | | 409,455 |

| | | | | |
|---|---|---|---|---|
| Postage and telephone | | 461,700 | | 498,099 |
| Stationery and supplies | | 258,172 | | 244,283 |
| Bank service charges | | 338,656 | | 259,383 |
| Prepayment fees on Federal Home Loan Bank advances | | 832,099 | | - |
| Losses on lease residual values | | - | | 617,000 |
| Other-than-temporary impairment losses on securities | | 118,847 | | - |
| Other | | 748,363 | | 981,714 |
| Total noninterest expense | | 25,567,818 | | 24,656,508 |
| | | | | |
| Net income before income taxes | | 7,082,659 | | 4,085,441 |
| Federal and state income tax expense | | 2,077,961 | | 1,070,671 |
| Net income | $ | 5,004,698 | $ | 3,014,770 |
| Less: Net income (loss) attributable to noncontrolling interests | | 204,769 | | (14,740 ) |
| Net income attributable to QCR Holdings, Inc. | $ | 4,799,929 | $ | 3,029,510 |
| | | | | |
| Less: Preferred stock dividends | | 2,068,113 | | 2,070,732 |
| Net income attributable to QCR Holdings, Inc. common stockholders | $ | 2,731,816 | $ | 958,778 |
| | | | | |
| Earnings per common share attributable to QCR Holdings, Inc. common shareholders | | | | |
| Basic | $ | 0.57 | $ | 0.21 |
| Diluted | $ | 0.57 | $ | 0.21 |
| | | | | |
| Weighted average common shares outstanding | | 4,759,728 | | 4,582,542 |
| Weighted average common and common equivalent shares outstanding | | 4,778,848 | | 4,615,866 |
| | | | | |
| Cash dividends declared per common share | $ | 0.04 | $ | 0.04 |

See Notes to Consolidated Financial Statements

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QCR HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)
Six Months Ended June 30, 2011 and 2010

| | Preferred Stock | Common Stock | Additional Paid-In Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Noncontrolling Interests | Treasury Stock | T |
|---|---|---|---|---|---|---|---|---|
| Balance December 31, 2010 | $63,237 | $4,732,428 | $86,478,269 | $40,550,900 | $704,165 | $1,648,219 | $(1,606,510) | $132 |
| Comprehensive income: | | | | | | | | |
| Net income | - | - | - | 2,124,960 | - | 106,524 | - | 2,2 |
| Other comprehensive loss, net of tax | - | - | - | - | (1,345,554) | - | - | (1,3 |
| Comprehensive income | | | | | | | | 885 |
| Preferred cash dividends declared and accrued | - | - | - | (915,462) | - | - | - | (91 |
| Discount accretion on cumulative preferred stock | - | - | 116,909 | (116,909) | - | - | - | - |
| Proceeds from issuance of 9,081 shares of common stock as a result of stock purchased under the Employee Stock Purchase Plan | - | 9,081 | 49,249 | - | - | - | - | 58, |
| Proceeds from issuance of 24,300 shares of common stock as a result of stock options exercised | - | 24,300 | 146,067 | - | - | - | - | 170 |
| Exchange of 2,171 shares of common stock in connection with stock options exercised | - | (2,171) | (14,070) | - | - | - | - | (16 |
| Stock compensation expense | - | - | 206,569 | | | | | 206 |
| Restricted stock awards | - | 69,924 | (69,924) | - | - | - | - | - |
| Other adjustments to noncontrolling interests | - | - | - | - | - | (2,065) | - | (2,0 |
| Balance March 31, 2011 | $63,237 | $4,833,562 | $86,913,069 | $41,643,489 | $(641,389) | $1,752,678 | $(1,606,510) | $132 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Comprehensive income: | | | | | | | | |
| Net income | - | - | - | 2,674,969 | - | 98,245 | - | 2,77 |
| Other comprehensive income, net of tax | - | - | - | - | 2,409,728 | - | - | 2,40 |
| Comprehensive income | | | | | | | | 5,18 |
| Common cash dividends declared, $0.04 per share | - | - | - | (185,863 ) | - | - | - | (18 |
| Preferred cash dividends declared and accrued | - | - | - | (915,462 ) | - | - | - | (91 |
| Discount accretion on cumulative preferred stock | - | - | 120,280 | (120,280 ) | - | - | - | - |
| Proceeds from issuance of 11,355 shares of common stock as a result of stock purchased under the Employee Stock Purchase Plan | - | 11,355 | 61,582 | - | - | - | - | 72,9 |
| Proceeds from issuance of 10,967 shares of common stock as a result of stock options exercised | - | 10,967 | 65,205 | - | - | - | - | 76,1 |
| Exchange of 379 shares of common stock in connection with stock options exercised | - | (379 ) | (3,033 ) | - | - | - | - | (3,4 |
| Stock compensation expense | - | - | 141,370 | | | | | 141 |
| Other adjustments to noncontrolling interests | - | - | - | - | - | (2,066 ) | - | (2,0 |
| Balance June 30, 2011 | $63,237 | $4,855,505 | $87,298,473 | $43,096,853 | $1,768,339 | $1,848,857 | $(1,606,510) | $137 |

| | Preferred Stock | Common Stock | Additional Paid-In Capital | Retained Earnings | Accumulated Other Comprehensive Income | Noncontrolling Interests | Treasury Stock | T |
|---|---|---|---|---|---|---|---|---|
| Balance December 31, 2009 | $38,805 | $4,674,536 | $82,194,330 | $38,458,477 | $135,608 | $1,699,630 | $(1,606,510) | $125, |
| Comprehensive income: | | | | | | | | |
| Net income | - | - | - | 1,292,009 | - | (77,076 ) | - | 1,214 |
| Other comprehensive income, net of tax | - | - | - | - | 1,663,236 | - | - | 1,663 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Comprehensive income | | | | | | | | 2,87 |
| Preferred cash dividends declared and accrued | - | - | - | (924,088 ) | - | - | - | (924 |
| Discount accretion on cumulative preferred stock | - | - | 109,331 | (109,331 ) | - | - | - | - |
| Proceeds from issuance of warrants to purchase 54,000 shares of common stock in conjunction with the issuance of Series A Subordinated Notes | - | - | 84,240 | - | - | - | - | 84,2 |
| Proceeds from issuance of 6,270 shares of common stock as a result of stock purchased under the Employee Stock Purchase Plan | - | 6,270 | 40,849 | - | - | - | - | 47,1 |
| Exchange of 367 shares of common stock in connection with payroll taxes for restricted stock | - | (367 ) | (2,730 ) | - | - | - | - | (3,09 |
| Stock compensation expense | - | - | 181,489 | | | | | 181, |
| Restricted stock awards | - | 23,598 | (23,598 ) | - | - | - | - | - |
| Other adjustments to noncontrolling interests | - | - | - | - | - | (2,065 ) | - | (2,06 |
| Balance March 31, 2010 | $38,805 | $4,704,037 | $82,583,911 | $38,717,067 | $1,798,844 | $1,620,489 | $(1,606,510) | $127, |
| Comprehensive income: | | | | | | | | |
| Net income | - | - | - | 1,737,501 | - | 62,336 | - | 1,79 |
| Other comprehensive income, net of tax | - | - | - | - | 2,043,708 | - | - | 2,04 |
| Comprehensive income | | | | | | | | 3,84 |
| Common cash dividends declared, $0.04 per share | - | - | - | (182,730 ) | - | - | - | (182 |
| Preferred cash dividends declared and accrued | - | - | - | (924,088 ) | - | - | - | (924 |
| Discount accretion on cumulative preferred stock | - | - | 113,225 | (113,225 ) | - | - | - | - |
| | 13,132 | - | (13,132 ) | - | - | - | - | - |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Exchange of 268 shares of Series B Non-Cumulative Perpetual Preferred Stock for 13,400 shares of Series E Non-Cumulative Perpetual Convertible Preferred Stock | | | | | | | | |
| Exchange of 300 shares of Series C Non-Cumulative Perpetual Preferred Stock for 7,500 shares of Series E Non-Cumulative Perpetual Convertible Preferred Stock | 7,200 | - | (7,200 ) | - | - | - | - | - |
| Proceeds from issuance of 4,100 shares of Series E Non-Cumulative Perpetual Convertible Preferred Stock | 4,100 | - | 3,199,333 | - | - | - | - | 3,20 |
| Proceeds from issuance of 9,629 shares of common stock as a result of stock purchased under the Employee Stock Purchase Plan | - | 9,629 | 62,733 | - | - | - | - | 72,3 |
| Proceeds from the issuance of 1,504 shares of common stock in connection with options exercised | - | 1,504 | 11,715 | - | - | - | - | 13,2 |
| Stock compensation expense | - | - | 112,693 | | | | | 112, |
| Other adjustments to noncontrolling interests | - | - | - | - | - | 4,706 | - | 4,70 |
| Balance June 30, 2010 | $63,237 | $4,715,170 | $86,063,278 | $39,234,525 | $3,842,552 | $1,687,531 | $(1,606,510) | $133, |

See Notes to Consolidated Financial Statements

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QCR HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
Six Months Ended June 30,

| | 2011 | 2010 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | $ 5,004,698 | $ 3,014,770 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 1,285,282 | 1,294,578 |
| Provision for loan/lease losses | 2,739,885 | 2,979,418 |
| Amortization of offering costs on subordinated debentures | 7,158 | 7,158 |
| Stock-based compensation expense | 397,927 | 371,436 |
| Losses on sales of other real estate owned, net | 132,754 | 444,648 |
| Amortization of premiums on securities, net | 1,704,629 | 1,804,503 |
| Securities gains | (1,028,914) | - |
| Other-than-temporary impairment losses on securities | 118,847 | - |
| Loans originated for sale | (43,161,215) | (49,278,922) |
| Proceeds on sales of loans | 56,509,458 | 50,299,970 |
| Gains on sales of loans, net | (1,514,821) | (722,132) |
| Prepayment fees on Federal Home Loan Bank advances | 832,099 | - |
| Losses on lease residual values | - | 617,000 |
| Increase in accrued interest receivable | (119,254) | (27,941) |
| Decrease in prepaid FDIC insurance | 1,057,784 | 1,199,523 |
| Increase in cash value of bank-owned life insurance | (701,053) | (620,656) |
| Decrease (increase) in other assets | 1,952,742 | (2,468,908) |
| (Decrease) increase in other liabilities | (537,175) | 526,158 |
| Net cash provided by operating activities | $ 24,680,831 | $ 9,440,603 |
| | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Net decrease (increase) in federal funds sold | 53,960,000 | (27,591,667) |
| Net decrease (increase) in interest-bearing deposits at financial institutions | 12,452,616 | (903,164) |
| Proceeds from sales of foreclosed assets | 2,618,237 | 1,674,345 |
| Activity in securities portfolio: | | |
| Purchases | (299,119,217) | (190,707,222) |
| Calls, maturities and redemptions | 162,834,446 | 140,067,000 |
| Paydowns | 2,430,154 | 234,858 |
| Sales | 45,725,084 | - |
| Activity in restricted investment securities: | | |
| Purchases | (57,300) | (1,371,950) |
| Redemptions | 1,266,800 | 94,500 |
| Activity in bank-owned life insurance: | | |
| Purchases | (7,000,000) | (3,150,000) |

| | | | | |
|---|---|---|---|---|
| Surrender of policy | | - | | 609,772 |
| Net (increase) decrease in loans/leases originated and held for investment | | (31,137,089) | | 25,831,974 |
| Purchase of premises and equipment | | (700,230) | | (1,843,505) |
| Net cash used in investing activities | $ | (56,726,499) | $ | (57,055,059) |
| | | | | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Net increase in deposit accounts | | 99,498,515 | | 30,933,114 |
| Net decrease in short-term borrowings | | (18,759,955) | | (17,864,384) |
| Activity in Federal Home Loan Bank advances: | | | | |
| Advances | | - | | 30,000,000 |
| Calls and maturities | | (19,000,000) | | (12,100,000) |
| Prepayments | | (15,832,099) | | - |
| Net (decrease) increase in other borrowings | | (9,154,734) | | 13,475,122 |
| Proceeds from issuance of Series A Subordinated Notes and detachable warrants to purchase 54,000 shares of common stock | | - | | 2,700,000 |
| Payment of cash dividends on common and preferred stock | | (2,014,345) | | (2,029,809) |
| Proceeds from issuance of Series E Noncumulative Convertible Perpetual Preferred Stock, net | | - | | 3,203,433 |
| Proceeds from issuance of common stock, net | | 358,153 | | 129,603 |
| Net cash provided by financing activities | $ | 35,095,535 | $ | 48,447,079 |
| | | | | |
| Net increase in cash and due from banks | | 3,049,867 | | 832,623 |
| Cash and due from banks, beginning | | 42,030,806 | | 35,878,046 |
| Cash and due from banks, ending | $ | 45,080,673 | $ | 36,710,669 |
| | | | | |
| Supplemental disclosure of cash flow information, cash payments for: | | | | |
| Interest | $ | 12,824,212 | $ | 15,759,012 |
| | | | | |
| Income/franchise taxes | $ | 1,162,609 | $ | 1,472,491 |
| | | | | |
| Supplemental schedule of noncash investing activities: | | | | |
| Change in accumulated other comprehensive income, unrealized gains on securities available for sale, net | $ | 1,064,174 | $ | 3,706,944 |
| | | | | |
| Transfers of loans to other real estate owned | $ | 4,646,402 | $ | 2,847,342 |

See Notes to Consolidated Financial Statements

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QCR HOLDINGS, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation: The interim unaudited consolidated financial statements contained herein should be read in conjunction with the audited consolidated financial statements and accompanying notes to the consolidated financial statements for the fiscal year ended December 31, 2010, including QCR Holdings, Inc.'s (the "Company") Form 10-K filed with the Securities and Exchange Commission on March 7, 2011. Accordingly, footnote disclosures, which would substantially duplicate the disclosures contained in the audited consolidated financial statements, have been omitted.

The financial information of the Company included herein has been prepared in accordance with U.S. generally accepted accounting principles for interim financial reporting and has been prepared pursuant to the rules and regulations for reporting on Form 10-Q and Rule 10-01 of Regulation S-X. Such information reflects all adjustments (consisting of normal recurring adjustments) that are, in the opinion of management, necessary for a fair presentation of the financial position and results of operations for the periods presented. Any differences appearing between the numbers presented in financial statements and management's discussion and analysis are due to rounding. The results of the interim period ended June 30, 2011, are not necessarily indicative of the results expected for the year ending December 31, 2011.

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries which include three state-chartered commercial banks: Quad City Bank & Trust Company ("QCBT"), Cedar Rapids Bank & Trust Company ("CRBT"), and Rockford Bank & Trust Company ("RB&T"). The Company also engages in direct financing lease contracts through its 80% equity investment by QCBT in m2 Lease Funds, LLC ("m2 Lease Funds"), and in real estate holdings through its 91% equity investment in Velie Plantation Holding Company, LLC ("VPHC"). All material intercompany transactions and balances have been eliminated in consolidation.

Reclassifications: Certain amounts in the prior year financial statements have been reclassified, with no effect on net income or stockholders' equity, to conform with current period presentation.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)-continued

Recent accounting developments: In April 2011, the Financial Accounting Standards Board ("FASB") issued ASU 2011-2, A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring. ASU 2011-2 amends ASC Topic 310, Receivables, by clarifying guidance for creditors in determining whether a concession has been granted and whether a debtor is experiencing financial difficulties. The amendments are effective for the first interim or annual period beginning on or after June 15, 2011, and should be applied retrospectively to the beginning of the annual period of adoption. The Company has evaluated the effect of ASU 2011-2 and believes adoption will not have a material impact on the consolidated financial statements.

In April 2011, FASB issued ASU No. 2011-03, Transfers and Servicing (Topic 860) - Reconsideration of Effective Control for Repurchase Agreements. ASU 2011-03 is intended to improve financial reporting of repurchase agreements and other agreements that both entitle and obligate a transferor to repurchase or redeem financial assets before their maturity. ASU 2011-03 removes from the assessment of effective control (i) the criterion requiring the transferor to have the ability to repurchase or redeem the financial assets on substantially the agreed terms, even in the event of default by the transferee, and (ii) the collateral maintenance guidance related to that criterion. ASU 2011-03 will be effective for the Company on January 1, 2012 and is not expected to have a significant impact on the Company's consolidated financial statements.

In May 2011, FASB issued ASU 2011-04, Fair Value Measurement (Topic 820) - Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRS. ASU 2011-04 amends Topic 820, Fair Value Measurements and Disclosures, to converge the fair value measurement guidance in U.S. generally accepted accounting principles and International Financial Reporting Standards. ASU 2011-04 clarifies the application of existing fair value measurement requirements, changes certain principles in Topic 820 and requires additional fair value disclosures. ASU 2011-04 is effective for annual periods beginning after December 15, 2011, and is not expected to have a significant impact on the Company's consolidated financial statements.

In June 2011, FASB issued ASU 2011-05, Comprehensive Income (Topic 220) - Presentation of Comprehensive Income. ASU 2011-05 amends Topic 220, Comprehensive Income, to require that all nonowner changes in stockholders' equity be presented in either a single continuous statement of comprehensive income or in two separate but consecutive statements. Additionally, ASU 2011-05 requires entities to present, on the face of the financial statements, reclassification adjustments for items that are reclassified from other comprehensive income to net income in the statement or statements where the components of net income and the components of other comprehensive income are presented. The option to present components of other comprehensive income as part of the statement of changes in stockholders' equity was eliminated. ASU 2011-05 is effective for annual periods beginning after December 15, 2011, and is not expected to have a significant impact on the Company's consolidated financial statements.

NOTE 2 – INVESTMENT SECURITIES

The amortized cost and fair value of investment securities as of June 30, 2011 and December 31, 2010 are summarized as follows:

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized (Losses) | Fair Value |
|---|---|---|---|---|
| June 30, 2011: | | | | |
| Securities held to maturity, other bonds | $ 300,000 | $ - | $ - | $ 300,000 |
| | | | | |
| Securities available for sale: | | | | |
| U.S. govt. sponsored agency securities | $ 403,338,170 | $ 1,901,993 | $ (1,474,226) | $ 403,765,937 |
| Residential mortgage-backed securities | 80,724,229 | 1,384,625 | (70,733) | 82,038,121 |
| Municipal securities | 25,254,632 | 954,386 | (9,069) | 26,199,949 |
| Trust preferred securities | 86,200 | - | (13,000) | 73,200 |
| Other securities | 1,343,556 | 184,912 | (949) | 1,527,519 |
| | $ 510,746,787 | $ 4,425,916 | $ (1,567,977) | $ 513,604,726 |
| | | | | |
| December 31, 2010: | | | | |
| Securities held to maturity, other bonds | $ 300,000 | $ - | $ - | $ 300,000 |
| | | | | |
| Securities available for sale: | | | | |
| U.S. govt. sponsored agency securities | $ 401,711,432 | $ 3,218,843 | $ (2,704,919) | $ 402,225,356 |
| Residential mortgage-backed securities | 64,912 | 5,526 | - | 70,438 |
| Municipal securities | 20,134,611 | 579,215 | (110,346) | 20,603,480 |
| Trust preferred securities | 86,200 | - | (8,200) | 78,000 |
| Other securities | 1,414,661 | 168,331 | (13,499) | 1,569,493 |
| | $ 423,411,816 | $ 3,971,915 | $ (2,836,964) | $ 424,546,767 |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)-continued

Gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position as of June 30, 2011 and December 31, 2010, are summarized as follows:

| | Less than 12 Months | | 12 Months or More | | Total | |
|---|---|---|---|---|---|---|
| | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses |
| June 30, 2011: | | | | | | |
| Securities available for sale: | | | | | | |
| U.S. govt. sponsored agency securities | $143,324,052 | $(1,474,226) | $- | $- | $143,324,052 | $(1,474,226) |
| Residential mortgage-backed securities | 8,430,313 | (70,733) | - | - | 8,430,313 | (70,733) |
| Municipal securities | 765,827 | (6,415) | 226,840 | (2,654) | 992,667 | (9,069) |
| Trust preferred securities | 73,200 | (13,000) | - | - | 73,200 | (13,000) |
| Other securities | - | - | 2,752 | (949) | 2,752 | (949) |
| | $152,593,392 | $(1,564,374) | $229,592 | $(3,603) | $152,822,984 | $(1,567,977) |
| December 31, 2010: | | | | | | |
| Securities available for sale: | | | | | | |
| U.S. govt. sponsored agency securities | $159,302,061 | $(2,704,919) | $- | $- | $159,302,061 | $(2,704,919) |
| Municipal securities | 4,333,786 | (47,884) | 678,378 | (62,462) | 5,012,164 | (110,346) |
| Trust preferred securities | 86,200 | (8,200) | - | - | 86,200 | (8,200) |
| Other securities | 226,250 | (12,671) | 2,872 | (828) | 229,122 | (13,499) |
| | $163,948,297 | $(2,773,674) | $681,250 | $(63,290) | $164,629,547 | $(2,836,964) |

At June 30, 2011, the investment portfolio included 337 securities. Of this number, 84 securities had current unrealized losses with aggregate depreciation less than 1% from the amortized cost basis. Of these 84, two had unrealized losses for twelve months or more. All of the debt securities in unrealized loss positions are considered acceptable credit risks. Based upon an evaluation of the available evidence, including the recent changes in market rates, credit rating information and information obtained from regulatory filings, management believes the declines in fair value for these debt securities are temporary. In addition, the Company does not intend to sell these securities and it is not more-likely-than-not that the Company will be required to sell these debt securities before their anticipated recovery. At June 30, 2011 and December 31, 2010, equity securities represented less than 1% of the total portfolio.

The Company did not recognize other-than-temporary impairment on any debt securities for the three and six months ended June 30, 2011 and 2010.

During the second quarter of 2011, the Company's evaluation determined that two privately held equity securities experienced declines in fair value that were other-than-temporary. As a result, the Company wrote down the value of these securities and recognized losses in the amount of $118,847. The Company did not recognize other-than-temporary impairment on any of its equity securities during the first quarter of 2011. Additionally, the

Company did not recognize other-than-temporary impairment on its equity securities for the three and six months ended June 30, 2010.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)-continued

All sales of securities, as applicable, for the three and six months ended June 30, 2011 and 2010, respectively, were from securities identified as available for sale. Information on proceeds received, as well as pre-tax gross gains from sales of those securities is as follows:

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | June 30, 2011 | June 30, 2010 | June 30, 2011 | June 30, 2010 |
| Proceeds from sales of securities | $8,331,005 | $- | $45,725,084 | $- |
| Pre-tax gross gains from sales of securities | 148,602 | - | 1,028,914 | - |

The amortized cost and fair value of securities as of June 30, 2011 by contractual maturity are shown below. A portion of the Company's U.S. government sponsored agency securities contain call options which allow the issuer, at its discretion, to call the security at predetermined dates prior to the contractual maturity date. Expected maturities of residential mortgage-backed securities may differ from contractual maturities because the residential mortgages underlying the residential mortgage-backed securities may be called or prepaid without any penalties. Therefore, these securities are not included in the maturity categories in the following table. Other securities are excluded from the maturity categories as there is no fixed maturity date.

| | | Amortized Cost | | Fair Value |
|---|---|---|---|---|
| Securities held to maturity: | | | | |
| Due after one year through five years | $ | 250,000 | $ | 250,000 |
| Due after five years | | 50,000 | | 50,000 |
| | $ | 300,000 | $ | 300,000 |
| | | | | |
| Securities available for sale: | | | | |
| Due in one year or less | $ | 6,707,952 | $ | 6,728,343 |
| Due after one year through five years | | 82,105,034 | | 82,544,254 |
| Due after five years | | 339,866,016 | | 340,766,489 |
| | $ | 428,679,002 | $ | 430,039,086 |
| Residential mortgage-backed securities | | 80,724,229 | | 82,038,121 |
| Other securities | | 1,343,556 | | 1,527,519 |
| | $ | 510,746,787 | $ | 513,604,726 |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)-continued

NOTE 3 – LOANS/LEASES RECEIVABLE

The composition of the loan/lease portfolio as of June 30, 2011 and December 31, 2010 is presented as follows:

| | As of June 30, 2011 | As of December 31, 2010 |
|---|---|---|
| Commercial and industrial loans | $ 368,565,026 | $ 365,625,271 |
| Commercial real estate loans | | |
| Owner-occupied commercial real estate | 163,115,026 | 141,411,027 |
| Commercial construction, land development, and other land | 62,027,603 | 65,529,058 |
| Other non owner-occupied commercial real estate | 334,634,433 | 346,777,179 |
| | 559,777,062 | 553,717,264 |
| | | |
| Direct financing leases * | 85,563,743 | 83,009,647 |
| Residential real estate loans ** | 86,058,931 | 82,196,622 |
| Installment and other consumer loans | 81,858,293 | 86,239,944 |
| | 1,181,823,055 | 1,170,788,748 |
| Plus deferred loan/lease orgination costs, net of fees | 2,070,904 | 1,749,855 |
| | 1,183,893,959 | 1,172,538,603 |
| Less allowance for estimated losses on loans/leases | (19,802,632) | (20,364,656) |
| | $ 1,164,091,327 | $ 1,152,173,947 |
| | | |
| * Direct financing leases: | | |
| Net minimum lease payments to be received | $ 97,603,108 | $ 94,921,417 |
| Estimated unguaranteed residual values of leased assets | 1,137,794 | 1,204,865 |
| Unearned lease/residual income | (13,177,159) | (13,116,635) |
| | 85,563,743 | 83,009,647 |
| Plus deferred lease origination costs, net of fees | 2,670,346 | 2,341,628 |
| | 88,234,089 | 85,351,275 |
| Less allowance for estimated losses on leases | (1,591,309) | (1,530,572) |
| | $ 86,642,780 | $ 83,820,703 |

**Includes residential real estate loans held for sale totaling $2,251,437 and $14,084,859 as of June 30, 2011 and December 31, 2010, respectively.

Management performs an evaluation of the estimated unguaranteed residual values of leased assets on an annual basis, at a minimum. The evaluation consists of discussions with reputable and current vendors and management's expertise and understanding of the current states of particular industries to determine informal valuations of the equipment. As necessary and where available, management will utilize valuations by independent appraisers. The large majority of leases with residual values contain a lease options rider which requires the lessee to pay the residual value directly, finance the payment of the residual value, or extend the lease term to pay the residual value. In these cases, the residual value is protected and the risk of loss is minimal.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)-continued

For the three and six months ended June 30, 2011, there were no losses on residual values. And, for the three months ended June 30, 2010, there were no losses on residual values. During the first quarter of 2010, the Company recognized losses totaling $617,000 in residual values for two direct financing equipment leases. At June 30, 2011, the Company had 45 leases remaining with residual values totaling $1,137,794 that were not protected with a lease end options rider. At December 31, 2010, the Company had 54 leases remaining with residual values totaling $1,204,865 that were not protected with a lease end options rider. Management has performed specific evaluations of these residual values and determined that the valuations are appropriate.

The aging of the loan/lease portfolio by classes of loans/leases as of June 30, 2011 is presented as follows:

| Classes of Loans/Leases | Current | 30-59 Days Past Due | 60-89 Days Past Due | Accruing Past Due 90 Days or More | Nonaccrual Loans/Leases | Total |
|---|---|---|---|---|---|---|
| Commercial and Industrial | $360,085,874 | $2,321,419 | $22,127 | $- | $6,135,606 | $368,565,026 |
| Commercial Real Estate | | | | | | |
| Owner-Occupied Commercial Real Estate | 160,349,706 | 960,665 | 315,262 | - | 1,489,393 | 163,115,026 |
| Commercial Construction, Land Development, and Other Land | 58,285,318 | - | - | - | 3,742,285 | 62,027,603 |
| Other Non Owner-Occupied Commercial Real Estate | 323,311,179 | 3,069,736 | 350,938 | - | 7,902,580 | 334,634,433 |
| Direct Financing Leases | 83,334,047 | 756,199 | 135,727 | - | 1,337,770 | 85,563,743 |
| Residential Real Estate | 84,843,567 | - | - | 122,567 | 1,092,797 | 86,058,931 |
| Installment and Other Consumer | 79,574,163 | 409,785 | 44,744 | 235,414 | 1,594,187 | 81,858,293 |
| | $1,149,783,854 | $7,517,804 | $868,798 | $357,981 | $23,294,618 | $1,181,823,055 |
| | | | | | | |
| As a percentage of total loan/lease portfolio | 97.29 % | 0.64 % | 0.07 % | 0.03 % | 1.97 % | 100.00 % |

The aging of the loan/lease portfolio by classes of loans/leases as of December 31, 2010 is presented as follows:

| Classes of Loans/Leases | Current | 30-59 Days Past Due | 60-89 Days Past Due | Accruing Past Due 90 Days or More | Nonaccrual Loans/Leases | Total |
|---|---|---|---|---|---|---|
| Commercial and Industrial | $353,437,063 | $300,224 | $203,722 | $- | $11,684,262 | $365,625,271 |
| Commercial Real Estate | | | | | | |
| Owner-Occupied Commercial Real Estate | 139,880,634 | 236,910 | - | 103,015 | 1,190,468 | 141,411,027 |
| Commercial Construction, Land Development, and Other Land | 55,552,352 | 746,545 | - | - | 9,230,161 | 65,529,058 |
| Other Non Owner-Occupied Commercial Real Estate | 335,171,858 | 275,000 | 546,019 | 70,125 | 10,714,177 | 346,777,179 |
| Direct Financing Leases | 79,708,979 | 1,605,836 | 92,244 | - | 1,602,588 | 83,009,647 |
| Residential Real Estate | 79,910,279 | 876,509 | - | 123,557 | 1,286,277 | 82,196,622 |
| Installment and Other Consumer | 84,214,010 | 101,770 | 182,349 | 23,139 | 1,718,676 | 86,239,944 |
| | $1,127,875,175 | $4,142,794 | $1,024,334 | $319,836 | $37,426,609 | $1,170,788,748 |
| | | | | | | |
| As a percentage of total loan/lease portfolio | 96.33 % | 0.35 % | 0.09 % | 0.03 % | 3.20 % | 100.00 % |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)-continued

Nonperforming loans/leases by classes of loans/leases as of June 30, 2011 is presented as follows:

| Classes of Loans/Leases | Accruing Past Due 90 Days or More | Nonaccrual Loans/Leases * | Troubled Debt Restructures - Accruing | Total Nonperforming Loans/Leases | Percentage of Total Nonperforming Loans/Leases | |
|---|---|---|---|---|---|---|
| Commercial and Industrial | $- | $ 6,135,606 | $ 1,051,818 | $ 7,187,424 | 26.38 | % |
| Commercial Real Estate | | | | | | |
| Owner-Occupied Commercial Real Estate | - | 1,489,393 | - | 1,489,393 | 5.47 | % |
| Commercial Construction, Land Development, and Other Land | - | 3,742,285 | 961,879 | 4,704,164 | 17.27 | % |
| Other Non Owner-Occupied Commercial Real Estate | - | 7,902,580 | 947,643 | 8,850,223 | 32.48 | % |
| Direct Financing Leases | - | 1,337,770 | 630,777 | 1,968,547 | 7.23 | % |
| Residential Real Estate | 122,567 | 1,092,797 | - | 1,215,364 | 4.46 | % |
| Installment and Other Consumer | 235,414 | 1,594,187 | - | 1,829,601 | 6.72 | % |
| | $357,981 | $ 23,294,618 | $ 3,592,117 | $ 27,244,716 | 100.00 | % |

*Nonaccrual loans/leases includes $10,995,684 of troubled debt restructures, including $1,675,015 in commercial and industrial loans, $8,435,229 in commercial real estate loans, $412,106 in direct financing leases, and $473,334 in installment and other consumer loans.

Nonperforming loans/leases by classes of loans/leases as of December 31, 2010 is presented as follows:

| Classes of Loans/Leases | Accruing Past Due 90 Days or More | Nonaccrual Loans/Leases ** | Troubled Debt Restructures - Accruing | Total Nonperforming Loans/Leases | Percentage of Total Nonperforming Loans/Leases | |
|---|---|---|---|---|---|---|
| Commercial and Industrial | $- | $ 11,684,262 | $ 180,228 | $ 11,864,490 | 28.83 | % |
| Commercial Real Estate | | | | | | |
| Owner-Occupied Commercial Real Estate | 103,015 | 1,190,468 | - | 1,293,483 | 3.14 | % |
| Commercial Construction, Land Development, and Other Land | - | 9,230,161 | 961,879 | 10,192,040 | 24.77 | % |
| Other Non Owner-Occupied Commercial Real Estate | 70,125 | 10,714,177 | 2,100,837 | 12,885,139 | 31.31 | % |
| Direct Financing Leases | - | 1,602,588 | 162,502 | 1,765,090 | 4.29 | % |
| Residential Real Estate | 123,557 | 1,286,277 | - | 1,409,834 | 3.43 | % |
| Installment and Other Consumer | 23,139 | 1,718,676 | - | 1,741,815 | 4.23 | % |

| | | | | | |
|---|---|---|---|---|---|
| | $319,836 | $ 37,426,609 | $ 3,405,446 | $ 41,151,891 | 100.00 % |

**Nonaccrual loans/leases includes $12,631,343 of troubled debt restructures, including $2,200,986 in commercial and industrial loans and $9,407,276 in commercial real estate loans.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)-continued

Changes in the allowance for estimated losses on loans/leases by portfolio segment for the three and six months ended June 30, 2011 and 2010, respectively, are presented as follows:

Three Months Ended June 30, 2011

| | Commercial and Industrial | Commercial Real Estate | Direct Financing Leases | Residential Real Estate | Installment and Other Consumer | Total |
|---|---|---|---|---|---|---|
| Balance, beginning | $8,454,099 | $8,631,699 | $1,467,934 | $706,305 | $1,469,979 | $20,730,016 |
| Provisions charged to expense | 224,974 | 865,054 | 123,221 | 50,770 | 408,202 | 1,672,221 |
| Loans/leases charged off | (1,593,901) | (921,407) | - | - | (176,397) | (2,691,705) |
| Recoveries on loans/leases previously charged off | 39,272 | 27,293 | 154 | - | 25,381 | 92,100 |
| Balance, ending | $7,124,444 | $8,602,639 | $1,591,309 | $757,075 | $1,727,165 | $19,802,632 |

Three Months Ended June 30, 2010

| | Commercial and Industrial | Commercial Real Estate | Direct Financing Leases | Residential Real Estate | Installment and Other Consumer | Total |
|---|---|---|---|---|---|---|
| Balance, beginning | $5,952,428 | $12,760,945 | $1,849,632 | $618,929 | $1,703,556 | $22,885,490 |
| Provisions charged to expense | 1,138,744 | 109,011 | 84,189 | (51,438) | 95,683 | 1,376,189 |
| Loans/leases charged off | (1,253,672) | (1,083,128) | (226,275) | - | (327,538) | (2,890,613) |
| Recoveries on loans/leases previously charged off | 38,008 | 121,039 | 216 | - | 30,634 | 189,897 |
| Balance, ending | $5,875,508 | $11,907,867 | $1,707,762 | $567,491 | $1,502,335 | $21,560,963 |

Six Months Ended June 30, 2011

| | Commercial and Industrial | Commercial Real Estate | Direct Financing Leases | Residential Real Estate | Installment and Other Consumer | Total |
|---|---|---|---|---|---|---|
| Balance, beginning | $7,548,922 | $9,087,315 | $1,530,572 | $748,028 | $1,449,819 | $20,364,656 |
| Provisions charged to expense | 1,216,493 | 392,902 | 303,885 | 9,047 | 817,558 | 2,739,885 |
| Loans/leases charged off | (1,790,617) | (921,537) | (243,446) | - | (617,032) | (3,572,632) |
| Recoveries on loans/leases previously charged off | 149,646 | 43,959 | 298 | - | 76,820 | 270,723 |
| Balance, ending | $7,124,444 | $8,602,639 | $1,591,309 | $757,075 | $1,727,165 | $19,802,632 |

| | Six Months Ended June 30, 2010 | | | | | |
|---|---|---|---|---|---|---|
| | Commercial and Industrial | Commercial Real Estate | Direct Financing Leases | Residential Real Estate | Installment and Other Consumer | Total |
| Balance, beginning | $5,425,624 | $12,665,721 | $1,681,376 | $685,732 | $2,046,281 | $22,504,734 |
| Provisions charged to expense | 2,194,316 | 515,868 | 258,419 | (118,241 ) | 129,056 | 2,979,418 |
| Loans/leases charged off | (1,841,703) | (1,398,979 ) | (232,843 ) | - | (790,089 ) | (4,263,614 ) |
| Recoveries on loans/leases previously charged off | 97,271 | 125,257 | 810 | - | 117,087 | 340,425 |
| Balance, ending | $5,875,508 | $11,907,867 | $1,707,762 | $567,491 | $1,502,335 | $21,560,963 |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)-continued

The allowance for estimated losses on loans/leases by impairment evaluation and by portfolio segment as of June 30, 2011 is presented as follows:

| | Commercial and Industrial | Commercial Real Estate | Direct Financing Leases | Residential Real Estate | Installment and Other Consumer | Total |
|---|---|---|---|---|---|---|
| Allowance for loans/leases individually evaluated for impairment | $2,412,174 | $2,329,093 | $460,000 | $20,750 | $358,504 | $5,580,521 |
| Allowance for loans/leases collectively evaluated for impairment | 4,712,270 | 6,273,546 | 1,131,309 | 736,325 | 1,368,661 | 14,222,111 |
| | $7,124,444 | $8,602,639 | $1,591,309 | $757,075 | $1,727,165 | $19,802,632 |
| | | | | | | |
| Loans/leases individually evaluated for impairment | $4,124,950 | $15,322,729 | $1,968,547 | $1,092,797 | $1,020,709 | $23,529,732 |
| Loans/leases collectively evaluated for impairment | 364,440,076 | 544,454,333 | 83,595,196 | 84,966,134 | 80,837,584 | 1,158,293,323 |
| | $368,565,026 | $559,777,062 | $85,563,743 | $86,058,931 | $81,858,293 | $1,181,823,055 |
| | | | | | | |
| Allowance as a percentage of loans/leases individually evaluated for impairment | 58.48 % | 15.20 % | 23.37 % | 1.90 % | 35.12 % | 23.72 % |
| Allowance as a percentage of loans/leases collectively evaluated for impairment | 1.29 % | 1.15 % | 1.35 % | 0.87 % | 1.69 % | 1.23 % |

| | | | | | | |
|---|---|---|---|---|---|---|
| | 1.93 % | 1.54 % | 1.86 % | 0.88 % | 2.11 % | 1.67 % |

The allowance for estimated losses on loans/leases by impairment evaluation and by portfolio segment as of December 31, 2010 is presented as follows:

| | Commercial and Industrial | Commercial Real Estate | Direct Financing Leases | Residential Real Estate | Installment and Other Consumer | Total |
|---|---|---|---|---|---|---|
| Allowance for loans/leases individually evaluated for impairment | $3,331,437 | $3,709,177 | $335,000 | $27,355 | $49,777 | $7,452,746 |
| Allowance for loans/leases collectively evaluated for impairment | 4,217,485 | 5,378,138 | 1,195,572 | 720,673 | 1,400,042 | 12,911,910 |
| | $7,548,922 | $9,087,315 | $1,530,572 | $748,028 | $1,449,819 | $20,364,656 |
| Loans/leases individually evaluated for impairment | $8,824,670 | $24,770,032 | $1,765,090 | $1,286,277 | $1,611,098 | $38,257,167 |
| Loans/leases collectively evaluated for impairment | 356,800,601 | 528,947,232 | 81,244,557 | 80,910,345 | 84,628,846 | 1,132,531,581 |
| | $365,625,271 | $553,717,264 | $83,009,647 | $82,196,622 | $86,239,944 | $1,170,788,748 |
| Allowance as a percentage of loans/leases individually evaluated for impairment | 37.75 % | 14.97 % | 18.98 % | 2.13 % | 3.09 % | 19.48 % |
| Allowance as a percentage of loans/leases collectively evaluated for impairment | 1.18 % | 1.02 % | 1.47 % | 0.89 % | 1.65 % | 1.14 % |
| | 2.06 % | 1.64 % | 1.84 % | 0.91 % | 1.68 % | 1.74 % |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)-continued

Information for impaired loans/leases by classes of financing receivable as of and for the six months ended June 30, 2011 is as follows:

| Classes of Loans/Leases | Recorded Investment | Unpaid Principal Balance | Related Allowance | Average Recorded Investment | Interest Income Recognized | Interest Income Recognized for Cash Payments Received |
|---|---|---|---|---|---|---|
| Impaired Loans/Leases with No Specific Allowance Recorded: | | | | | | |
| Commercial and Industrial | $623,595 | $1,951,223 | $- | $3,981,405 | $- | $ - |
| Commercial Real Estate | | | | | | |
| Owner-Occupied Commercial Real Estate | 1,593,926 | 1,593,926 | - | 1,812,067 | - | - |
| Commercial Construction, Land Development, and Other Land | - | - | - | 1,843,249 | - | - |
| Other Non Owner-Occupied Commercial Real Estate | 1,377,489 | 1,377,489 | - | 4,159,967 | - | - |
| Direct Financing Leases | 1,233,671 | 1,233,671 | - | 1,093,833 | - | - |
| Residential Real Estate | 953,132 | 953,132 | - | 1,044,298 | - | - |
| Installment and Other Consumer | 662,205 | 681,000 | - | 833,578 | - | - |
| | $6,444,018 | $7,790,441 | $- | $14,768,397 | $- | $ - |
| | | | | | | |
| Impaired Loans/Leases with Specific Allowance Recorded: | | | | | | |
| Commercial and Industrial | $3,501,355 | $3,757,355 | $2,412,174 | $3,010,033 | $15,961 | $ 15,961 |
| Commercial Real Estate | | | | | | |
| Owner-Occupied Commercial Real Estate | 440,800 | 440,800 | 200,800 | 358,436 | 42,405 | 42,405 |
| Commercial Construction, Land Development, and Other Land | 4,683,545 | 4,722,369 | 1,354,344 | 4,694,795 | - | - |
| Other Non Owner-Occupied Commercial Real Estate | 7,226,969 | 7,226,969 | 773,949 | 6,968,227 | - | - |
| Direct Financing Leases | 734,876 | 734,876 | 460,000 | 772,986 | - | - |
| Residential Real Estate | 139,665 | 174,343 | 20,750 | 141,877 | - | - |
| Installment and Other Consumer | 358,504 | 358,504 | 358,504 | 140,872 | - | - |

| | | | | | | |
|---|---|---|---|---|---|---|
| | $17,085,714 | $17,415,216 | $5,580,521 | $16,087,226 | $58,366 | $ 58,366 |
| | | | | | | |
| Total Impaired Loans/Leases: | | | | | | |
| Commercial and Industrial | $4,124,950 | $5,708,578 | $2,412,174 | $6,991,438 | $15,961 | $ 15,961 |
| Commercial Real Estate | | | | | | |
| Owner-Occupied Commercial Real Estate | 2,034,726 | 2,034,726 | 200,800 | 2,170,503 | 42,405 | 42,405 |
| Commercial Construction, Land Development, and Other Land | 4,683,545 | 4,722,369 | 1,354,344 | 6,538,044 | - | - |
| Other Non Owner-Occupied Commercial Real Estate | 8,604,458 | 8,604,458 | 773,949 | 11,128,194 | - | - |
| Direct Financing Leases | 1,968,547 | 1,968,547 | 460,000 | 1,866,819 | - | - |
| Residential Real Estate | 1,092,797 | 1,127,475 | 20,750 | 1,186,175 | - | - |
| Installment and Other Consumer | 1,020,709 | 1,039,504 | 358,504 | 974,450 | - | - |
| | $23,529,732 | $25,205,657 | $5,580,521 | $30,855,623 | $58,366 | $ 58,366 |

Impaired loans/leases for which no allowance has been provided have adequate collateral, based on management’s current estimates.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)-continued

Information for impaired loans/leases by classes of financing receivable for the three months ended June 30, 2011 is as follows:

| Classes of Loans/Leases | Average Recorded Investment | Interest Income Recognized | Interest Income Recognized for Cash Payments Received |
|---|---|---|---|
| Impaired Loans/Leases with No Specific Allowance Recorded: | | | |
| Commercial and Industrial | $ 1,455,378 | $ - | $ - |
| Commercial Real Estate | | | |
| Owner-Occupied Commercial Real Estate | 1,737,998 | - | - |
| Commercial Construction, Land Development, and Other Land | 184,693 | - | - |
| Other Non Owner-Occupied Commercial Real Estate | 3,840,268 | - | - |
| Direct Financing Leases | 1,052,176 | - | - |
| Residential Real Estate | 958,303 | - | - |
| Installment and Other Consumer | 668,265 | - | - |
| | $ 9,897,081 | $ - | $ - |
| | | | |
| Impaired Loans/Leases with Specific Allowance Recorded: | | | |
| Commercial and Industrial | $ 3,666,049 | $ 1,705 | $ 1,705 |
| Commercial Real Estate | | | |
| Owner-Occupied Commercial Real Estate | 370,843 | 18,145 | 18,145 |
| Commercial Construction, Land Development, and Other Land | 4,688,045 | - | - |
| Other Non Owner-Occupied Commercial Real Estate | 7,130,672 | - | - |
| Direct Financing Leases | 746,288 | - | - |
| Residential Real Estate | 140,332 | - | - |
| Installment and Other Consumer | 233,087 | - | - |
| | $ 16,975,316 | $ 19,850 | $ 19,850 |
| | | | |
| Total Impaired Loans/Leases: | | | |
| Commercial and Industrial | $ 5,121,427 | $ 1,705 | $ 1,705 |
| Commercial Real Estate | | | |
| Owner-Occupied Commercial Real Estate | 2,108,841 | 18,145 | 18,145 |
| Commercial Construction, Land Development, and Other Land | 4,872,738 | - | - |
| Other Non Owner-Occupied Commercial Real Estate | 10,970,940 | - | - |
| Direct Financing Leases | 1,798,464 | - | - |
| Residential Real Estate | 1,098,635 | - | - |
| Installment and Other Consumer | 901,352 | - | - |
| | $ 26,872,397 | $ 19,850 | $ 19,850 |

Impaired loans/leases for which no allowance has been provided have adequate collateral, based on management's current estimates.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)-continued

Information for impaired loans/leases by classes of financing receivable as of December 31, 2010 is as follows:

| Classes of Loans/Leases | Recorded Investment | Unpaid Principal Balance | Related Allowance |
|---|---|---|---|
| Impaired Loans/Leases with No Specific Allowance Recorded: | | | |
| Commercial and Industrial | $1,459,790 | $3,350,036 | $- |
| Commercial Real Estate | | | |
| Owner-Occupied Commercial Real Estate | 681,727 | 681,727 | - |
| Commercial Construction, Land Development, and Other Land | 2,538,621 | 2,872,083 | - |
| Other Non Owner-Occupied Commercial Real Estate | 2,942,189 | 3,792,226 | - |
| Direct Financing Leases | 953,994 | 953,994 | - |
| Residential Real Estate | 758,031 | 758,031 | - |
| Installment and Other Consumer | 1,561,322 | 1,561,322 | - |
| | $10,895,674 | $13,969,419 | $- |
| | | | |
| Impaired Loans/Leases with Specific Allowance Recorded: | | | |
| Commercial and Industrial | $7,364,880 | $7,866,634 | $3,331,436 |
| Commercial Real Estate | | | |
| Owner-Occupied Commercial Real Estate | 1,074,210 | 1,074,210 | 232,194 |
| Commercial Construction, Land Development, and Other Land | 7,660,458 | 7,660,458 | 1,818,193 |
| Other Non Owner-Occupied Commercial Real Estate | 9,872,826 | 10,091,777 | 1,658,791 |
| Direct Financing Leases | 811,096 | 811,096 | 335,000 |
| Residential Real Estate | 528,246 | 528,246 | 27,355 |
| Installment and Other Consumer | 49,777 | 49,777 | 49,777 |
| | $27,361,493 | $28,082,198 | $7,452,746 |
| | | | |
| Total Impaired Loans/Leases: | | | |
| Commercial and Industrial | $8,824,670 | $11,216,670 | $3,331,436 |
| Commercial Real Estate | | | |
| Owner-Occupied Commercial Real Estate | 1,755,937 | 1,755,937 | 232,194 |
| Commercial Construction, Land Development, and Other Land | 10,199,079 | 10,532,541 | 1,818,193 |
| Other Non Owner-Occupied Commercial Real Estate | 12,815,015 | 13,884,003 | 1,658,791 |
| Direct Financing Leases | 1,765,090 | 1,765,090 | 335,000 |
| Residential Real Estate | 1,286,277 | 1,286,277 | 27,355 |
| Installment and Other Consumer | 1,611,099 | 1,611,099 | 49,777 |
| | $38,257,167 | $42,051,617 | $7,452,746 |

Impaired loans/leases for which no allowance has been provided have adequate collateral, based on management’s current estimates.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)-continued

For each class of financing receivable, the following presents the recorded investment by credit quality indicator as of June 30, 2011:

| | | Commercial Real Estate | | | |
|---|---|---|---|---|---|
| | | | Non Owner-Occupied | | |
| Internally Assigned Risk Rating | Commercial and Industrial | Owner-Occupied Commercial Real Estate | Commercial Construction, Land Development, and Other Land | Other Commercial Real Estate | Total |
| Pass (Ratings 1 through 5) | $321,326,174 | $146,522,521 | $45,455,810 | $302,066,152 | $815,370,657 |
| Special Mention (Rating 6) | 16,986,901 | 1,606,351 | 9,489,259 | 13,310,115 | 41,392,626 |
| Substandard (Rating 7) | 28,841,825 | 14,986,154 | 7,082,534 | 19,258,166 | 70,168,679 |
| Doubtful (Rating 8) | 1,410,126 | - | - | - | 1,410,126 |
| | $368,565,026 | $163,115,026 | $62,027,603 | $334,634,433 | $928,342,088 |

| | As of June 30, 2011 | | | |
|---|---|---|---|---|
| Delinquency Status * | Direct Financing Leases | Residential Real Estate | Installment and Other Consumer | Total |
| Performing | $ 83,595,196 | $ 84,843,567 | $ 80,028,691 | $ 248,467,454 |
| Nonperforming | 1,968,547 | 1,215,364 | 1,829,602 | 5,013,513 |
| | $ 85,563,743 | $ 86,058,931 | $ 81,858,293 | $ 253,480,967 |

*Performing = loans/leases accruing and less than 90 days past due. Nonperforming = loans/leases on nonaccrual, accruing loans/leases that are greater than or equal to 90 days past due, or troubled debt restructures.

For each class of financing receivable, the following presents the recorded investment by credit quality indicator as of December 31, 2010:

| | | Commercial Real Estate | | | |
|---|---|---|---|---|---|
| | | | Non Owner-Occupied | | |
| Internally Assigned Risk Rating | Commercial and Industrial | Owner-Occupied Commercial Real Estate | Commercial Construction, Land Development, and Other Land | Other Commercial Real Estate | Total |
| Pass (Ratings 1 through 5) | $327,875,886 | $120,271,507 | $43,881,561 | $308,631,488 | $800,660,442 |

| | | | | | |
|---|---|---|---|---|---|
| Special Mention (Rating 6) | 10,457,805 | 7,510,519 | 10,338,187 | 15,244,142 | 43,550,653 |
| Substandard (Rating 7) | 27,270,474 | 13,629,001 | 11,309,310 | 22,901,549 | 75,110,334 |
| Doubtful (Rating 8) | 21,106 | - | - | - | 21,106 |
| | $365,625,271 | $141,411,027 | $65,529,058 | $346,777,179 | $919,342,535 |

| | As of December 31, 2010 | | | |
|---|---|---|---|---|
| Delinquency Status * | Direct Financing Leases | Residential Real Estate | Installment and Other Consumer | Total |
| Performing | $ 81,244,557 | $ 80,786,788 | $ 84,498,129 | $ 246,529,474 |
| Nonperforming | 1,765,090 | 1,409,834 | 1,741,815 | 4,916,739 |
| | $ 83,009,647 | $ 82,196,622 | $ 86,239,944 | $ 251,446,213 |

*Performing = loans/leases accruing and less than 90 days past due. Nonperforming = loans/leases on nonaccrual, accruing loans/leases that are greater than or equal to 90 days past due, or troubled debt restructures.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)-continued

For commercial and industrial and commercial real estate loans, the Company's credit quality indicator is internally assigned risk ratings. Each commercial loan is assigned a risk rating upon origination. The risk rating is reviewed every 15 months, at a minimum, and on an as needed basis depending on the specific circumstances of the loan.

For direct financing leases, residential real estate loans, and installment and other consumer loans, the Company's credit quality indicator is performance determined by delinquency status. Delinquency status is updated daily by the Company's loan system.

NOTE 4 – FEDERAL HOME LOAN BANK ADVANCES

The subsidiary banks are members of the Federal Home Loan Bank ("FHLB") of Des Moines or Chicago. As of June 30, 2011 and December 31, 2010, the subsidiary banks held $11,777,700 and $12,980,200, respectively, of FHLB stock, which is included in restricted investment securities on the consolidated balance sheet.

During the first quarter of 2011, the Company's largest subsidiary bank, QCBT, prepaid $15,000,000 of FHLB advances with a weighted average interest rate of 4.87% and a weighted average maturity of May 2012. In addition, QCBT modified $20,350,000 of fixed rate FHLB advances with a weighted average interest rate of 4.33% and a weighted average maturity of October 2013 into new fixed rate FHLB advances with a weighted average interest rate of 3.35% and a weighted average maturity of February 2014.

Maturity and interest rate information on FHLB advances for the Company as of June 30, 2011 and December 31, 2010 is as follows:

| | June 30, 2011 | | | |
|---|---|---|---|---|
| | Amount Due | Weighted Average Interest Rate at Quarter-End | Amount Due with Putable Option * | Weighted Average Interest Rate at Quarter-End |
| Maturity: | | | | |
| Year ending December 31: | | | | |
| 2011 | $5,000,000 | 1.64 % | $- | - % |
| 2012 | 19,400,000 | 3.94 | 5,000,000 | 4.93 |
| 2013 | 24,000,000 | 2.64 | - | - |
| 2014 | 23,850,000 | 3.37 | - | - |
| 2015 | 14,000,000 | 1.68 | - | - |
| Thereafter | 118,500,000 | 4.19 | 103,500,000 | 4.25 |
| Total FHLB advances | $204,750,000 | 3.78 | $108,500,000 | 4.28 |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)-continued

| | December 31, 2010 | | | |
|---|---|---|---|---|
| | Amount Due | Weighted Average Interest Rate at Year-End | Amount Due with Putable Option * | Weighted Average Interest Rate at Year-End |
| Maturity: | | | | |
| Year ending December 31: | | | | |
| 2011 | $19,000,000 | 2.99 % | $7,500,000 | 5.12 % |
| 2012 | 49,750,000 | 4.43 | 35,000,000 | 4.77 |
| 2013 | 24,000,000 | 2.64 | 2,000,000 | 3.48 |
| 2014 | 3,500,000 | 2.19 | - | - |
| 2015 | 14,000,000 | 1.68 | - | - |
| Thereafter | 128,500,000 | 4.11 | 118,500,000 | 4.13 |
| Total FHLB advances | $238,750,000 | 3.84 | $163,000,000 | 4.30 |

*Of the advances outstanding, a large portion have putable options which allow the FHLB, at its discretion, to terminate the advances and require the subsidiary banks to repay at predetermined dates prior to the stated maturity date of the advances.

Advances are collateralized by securities with a carrying value of $34,637,275 and $65,376,627 as of June 30, 2011 and December 31, 2010, respectively, and by loans pledged of $401,013,091 and $386,087,610, respectively, in aggregate. On pledged loans, the FHLB applies varying collateral maintenance levels from 125% to 333% based on the loan type.

NOTE 5 - EARNINGS PER SHARE

The following information was used in the computation of earnings per share on a basic and diluted basis:

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| Net income | $2,773,214 | $1,799,837 | $5,004,698 | $3,014,770 |
| Less: Net income (loss) attributable to noncontrolling interests | 98,245 | 62,336 | 204,769 | (14,740 ) |
| Net income attributable to QCR Holdings, Inc. | $2,674,969 | $1,737,501 | $4,799,929 | $3,029,510 |
| Less: Preferred stock dividends and discount accretion | 1,035,742 | 1,037,313 | 2,068,113 | 2,070,732 |
| Net income attributable to QCR Holdings, Inc. common stockholders | $1,639,227 | $700,188 | $2,731,816 | $958,778 |

| | | | | |
|---|---|---|---|---|
| Earnings per common share attributable to QCR Holdings, Inc. common stockholders | | | | |
| Basic | $0.34 | $0.15 | $0.57 | $0.21 |
| Diluted | $0.34 | $0.15 | $0.57 | $0.21 |
| | | | | |
| Weighted average common shares outstanding | 4,847,740 | 4,591,317 | 4,759,728 | 4,582,542 |
| Weighted average common shares issuable upon exercise of stock options | | | | |
| and under the employee stock purchase plan | 26,238 | 58,096 | 19,120 | 33,324 |
| Weighted average common and common equivalent shares outstanding | 4,873,978 | 4,649,413 | 4,778,848 | 4,615,866 |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)-continued

NOTE 6 – BUSINESS SEGMENT INFORMATION

Selected financial and descriptive information is required to be disclosed for reportable operating segments, applying a "management perspective" as the basis for identifying reportable segments. The management perspective is determined by the view that management takes of the segments within the Company when making operating decisions, allocating resources, and measuring performance. The segments of the Company have been defined by the structure of the Company's internal organization, focusing on the financial information that the Company's operating decision-makers routinely use to make decisions about operating matters.

The Company's primary segment, Commercial Banking, is geographically divided by markets into the secondary segments which are the three subsidiary banks wholly-owned by the Company: QCBT, CRBT, and RB&T. Each of these secondary segments offer similar products and services, but are managed separately due to different pricing, product demand, and consumer markets. Each offers commercial, consumer, and mortgage loans and deposit services.

The Company's Wealth Management segment represents the trust and asset management and investment management and advisory services offered at the Company's three subsidiary banks in aggregate. This segment generates income primarily from fees charged based on assets under administration for corporate and personal trusts, custodial services, and investments managed. No assets of the subsidiary banks have been allocated to the Wealth Management segment.

The Company's All Other segment includes the operations of all other consolidated subsidiaries and/or defined operating segments that fall below the segment reporting thresholds. This segment includes the corporate operations of the parent company and the 91% owned real estate holding operations of VPHC.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)-continued

Selected financial information on the Company's business segments is presented as follows for the three and six months ended June 30, 2011 and 2010.

| | Commercial Banking Quad City Bank & Trust | Cedar Rapids Bank & Trust | Rockford Bank & Trust | Wealth Management | All other | Intercompany Eliminations | Consolidated Total |
|---|---|---|---|---|---|---|---|
| Three Months Ended June 30, 2011 | | | | | | | |
| Total revenue | $11,887,135 | $7,308,909 | $3,386,900 | $1,444,978 | $3,938,351 | $(3,930,816) | $24,035,457 |
| Net interest income | $7,831,907 | $4,223,541 | $2,207,957 | $- | $(312,350) | $- | $13,951,055 |
| Net income attributable to QCR Holdings, Inc. | $2,259,488 | $1,355,089 | $66,276 | $192,264 | $2,677,173 | $(3,875,321) | $2,674,969 |
| Total assets | $1,030,910,790 | $573,534,805 | $280,132,269 | $- | $189,364,559 | $(195,454,080) | $1,878,488,343 |
| Provision for loan/lease losses | $638,221 | $410,000 | $624,000 | $- | $- | $- | $1,672,221 |
| Goodwill | $3,222,688 | $- | $- | $- | $- | $- | $3,222,688 |
| | | | | | | | |
| Three Months Ended June 30, 2010 | | | | | | | |
| Total revenue | $12,231,970 | $7,283,390 | $3,503,241 | $933,159 | $3,025,804 | $(3,080,395) | $23,897,169 |
| Net interest income | $7,152,812 | $4,055,122 | $1,931,519 | $- | $(608,361) | $- | $12,531,092 |
| Net income attributable to QCR Holdings, Inc. | $1,828,167 | $888,255 | $311,334 | $(111,907) | $1,824,882 | $(3,003,230) | $1,737,501 |
| Total assets | $1,004,181,077 | $552,959,177 | $280,691,996 | $- | $186,315,995 | $(188,433,110) | $1,835,715,135 |
| Provision for loan/lease losses | $326,189 | $1,050,000 | $- | $- | $- | $- | $1,376,189 |
| Goodwill | $3,222,688 | $- | $- | $- | $- | $- | $3,222,688 |
| | | | | | | | |
| Six Months Ended June 30, 2011 | | | | | | | |
| | $23,842,944 | $14,371,515 | $6,668,880 | $2,926,997 | $7,456,594 | $(7,523,117) | $47,743,813 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Total revenue | | | | | | | |
| Net interest income | $14,828,267 | $7,985,664 | $4,286,062 | $- | $(940,136 ) | $- | $26,159,857 |
| Net income attributable to QCR Holdings, Inc. | $3,922,793 | $2,589,513 | $289,407 | $483,652 | $4,861,431 | $(7,346,867 ) | $4,799,929 |
| Total assets | $1,030,910,790 | $573,534,805 | $280,132,269 | $- | $189,364,559 | $(195,454,080) | $1,878,488,343 |
| Provision for loan/lease losses | $1,077,885 | $785,000 | $877,000 | $- | $- | $- | $2,739,885 |
| Goodwill | $3,222,688 | $- | $- | $- | $- | $- | $3,222,688 |
| | | | | | | | |
| Six Months Ended June 30, 2010 | | | | | | | |
| Total revenue | $24,048,590 | $14,153,594 | $6,861,299 | $2,273,642 | $5,517,448 | $(5,649,190 ) | $47,205,383 |
| Net interest income | $14,618,543 | $8,023,541 | $3,890,837 | $- | $(1,181,261 ) | $- | $25,351,660 |
| Net income attributable to QCR Holdings, Inc. | $2,967,903 | $1,636,091 | $533,855 | $236,716 | $3,143,007 | $(5,488,062 ) | $3,029,510 |
| Total assets | $1,004,181,077 | $552,959,177 | $280,691,996 | $- | $186,315,995 | $(188,433,110) | $1,835,715,135 |
| Provision for loan/lease losses | $1,002,418 | $1,950,000 | $27,000 | $- | $- | $- | $2,979,418 |
| Goodwill | $3,222,688 | $- | $- | $- | $- | $- | $3,222,688 |

NOTE 7 – FAIR VALUE

The measurement of fair value under U.S. GAAP uses a hierarchy intended to maximize the use of observable inputs and minimize the use of unobservable inputs. This hierarchy includes three levels and is based upon the valuation techniques used to measure assets and liabilities. The three levels are as follows:

1. Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in markets;
2. Level 2 – Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument; and
3. Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)-continued

There were no transfers of assets or liabilities between Levels 1, 2, and 3 of the fair value hierarchy for the six months ended June 30, 2011 or 2010.

Assets measured at fair value on a recurring basis comprise the following at June 30, 2011 and December 31, 2010:

| | | Fair Value Measurements at Reporting Date Using | | |
|---|---|---|---|---|
| | Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| June 30, 2011: | | | | |
| Securities available for sale: | | | | |
| U.S. govt. sponsored agency securities | $403,765,937 | $- | $403,765,937 | $ - |
| Residential mortgage-backed securities | 82,038,121 | - | 82,038,121 | - |
| Municipal securities | 26,199,949 | - | 26,199,949 | - |
| Trust preferred securities | 73,200 | - | 73,200 | - |
| Other securities | 1,527,519 | 212,830 | 1,314,689 | - |
| | $513,604,726 | $212,830 | $513,391,896 | $ - |
| | | | | |
| December 31, 2010: | | | | |
| Securities available for sale: | | | | |
| U.S. govt. sponsored agency securities | $402,225,356 | $- | $402,225,356 | $ - |
| Residential mortgage-backed securities | 70,438 | - | 70,438 | - |
| Municipal securities | 20,603,480 | - | 20,603,480 | - |
| Trust preferred securities | 78,000 | - | 78,000 | - |
| Other securities | 1,569,493 | 209,680 | 1,359,813 | - |
| | $424,546,767 | $209,680 | $424,337,087 | $ - |

A small portion of the securities available for sale portfolio consists of common stock issued by various unrelated bank holding companies. The fair values used by the Company are obtained from an independent pricing service and represent quoted market prices for the identical securities (Level 1 inputs).

The large majority of the securities available for sale portfolio consists of U.S. government sponsored agency securities for which the Company obtains fair values from an independent pricing service. The fair values are determined by pricing models that consider observable market data, such as interest rate volatilities, LIBOR yield curve, credit spreads and prices from market makers and live trading systems (Level 2 inputs).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)-continued

Certain financial assets are measured at fair value on a non-recurring basis; that is, the assets are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment).

Assets measured at fair value on a non-recurring basis comprise the following at June 30, 2011 and December 31, 2010:

| | | Fair Value Measurements at Reporting Date Using | | |
|---|---|---|---|---|
| | Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| June 30, 2011: | | | | |
| Impaired loans/leases | $12,425,608 | $- | $- | $ 12,425,608 |
| Other real estate owned | 11,264,532 | - | - | 11,264,532 |
| | $23,690,140 | $- | $- | $ 23,690,140 |
| | | | | |
| December 31, 2010: | | | | |
| Impaired loans/leases | $21,501,447 | $- | $- | $ 21,501,447 |
| Other real estate owned | 9,217,488 | - | - | 9,217,488 |
| | $30,718,935 | $- | $- | $ 30,718,935 |

Impaired loans/leases are evaluated and valued at the time the loan/lease is identified as impaired, at the lower of cost or fair value and are classified as a Level 3 in the fair value hierarchy. Fair value is measured based on the value of the collateral securing these loans/leases. Collateral may be real estate and/or business assets, including equipment, inventory and/or accounts receivable, and is determined based on appraisals by qualified licensed appraisers hired by the Company. Appraised and reported values may be discounted based on management's historical knowledge, changes in market conditions from the time of valuation, and/or management's expertise and knowledge of the client and client's business. Other real estate owned in the table above consists of property acquired through foreclosures and settlements of loans. Property acquired is carried at the lower of the principal amount of loans outstanding, or the estimated fair value of the property, less disposal costs, and is classified as a Level 3 in the fair value hierarchy.

For the impaired loans/leases and other real estate owned, the Company records carrying value at fair value less disposal or selling costs. The amounts reported in the tables above are fair values before the adjustment for disposal or selling costs.

There have been no changes in valuation techniques used for any assets measured at fair value during the six months ended June 30, 2011 or 2010.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)-continued

The following table presents the carrying values and estimated fair values of financial assets and liabilities carried on the Company's consolidated balance sheets, including those financial assets and liabilities that are not measured and reported at fair value on a recurring basis or non-recurring basis:

| | As of June 30, 2011 | | As of December 31, 2010 | |
|---|---|---|---|---|
| | Carrying Value | Estimated Fair Value | Carrying Value | Estimated Fair Value |
| Cash and due from banks | $ 45,080,673 | $ 45,080,673 | $ 42,030,806 | $ 42,030,806 |
| Federal funds sold | 8,000,000 | 8,000,000 | 61,960,000 | 61,960,000 |
| Interest-bearing deposits at financial institutions | 27,292,995 | 27,292,995 | 39,745,611 | 39,745,611 |
| Investment securities: | | | | |
| Held to maturity | 300,000 | 300,000 | 300,000 | 300,000 |
| Available for sale | 513,604,726 | 513,604,726 | 424,546,767 | 424,546,767 |
| Loans/leases receivable, net | 1,164,091,327 | 1,181,811,000 | 1,152,173,947 | 1,169,015,000 |
| Accrued interest receivable | 6,555,243 | 6,555,243 | 6,435,989 | 6,435,989 |
| Deposits | 1,214,314,372 | 1,217,916,000 | 1,114,815,857 | 1,118,245,000 |
| Short-term borrowings | 122,394,544 | 122,394,544 | 141,154,499 | 141,154,499 |
| Federal Home Loan Bank advances | 204,750,000 | 220,286,000 | 238,750,000 | 254,307,000 |
| Other borrowings | 140,916,051 | 152,907,000 | 150,070,785 | 161,454,000 |
| Accrued interest payable | 1,696,887 | 1,696,887 | 2,167,648 | 2,167,648 |

The methodologies for estimating the fair value of financial assets and liabilities that are measured at fair value on a recurring or non-recurring basis are discussed above. For certain financial assets and liabilities, carrying value approximates fair value due to the nature of the financial instrument. These instruments include: cash and due from banks, federal funds sold, interest-bearing deposits at financial institutions, accrued interest receivable and payable, demand and other non-maturity deposits, and short-term borrowings. The Company used the following methods and assumptions in estimating the fair value of the following instruments:

Loans/leases receivable: The fair values for variable rate loans equal their carrying values. The fair values for all other types of loans/leases are estimated using discounted cash flow analyses, using interest rates currently being offered for loans/leases with similar terms to borrowers with similar credit quality. The fair value of loans held for sale is based on quoted market prices of similar loans sold on the secondary market.

Deposits: The fair values disclosed for demand and other non-maturity deposits equal their carrying amounts, which represent the amount payable on demand. Fair values for time deposits are estimated using a discounted cash flow calculation that applies interest rates currently being offered on time deposits to a schedule of aggregate expected monthly maturities on time deposits.

Federal Home Loan Bank advances: The fair value of these instruments is estimated using discounted cash flow analyses, based on the Company's current incremental borrowing rates for similar types of borrowing arrangements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)-continued

Other borrowings: The fair value for the wholesale repurchase agreements and fixed rate other borrowings is estimated using rates currently available for debt with similar terms and remaining maturities. The fair value for variable rate other borrowings is equal to its carrying value.

Junior subordinated debentures: It is not practicable to estimate the fair value of the Company’s junior subordinated debentures as instruments with similar terms are not readily available in the market place.

Commitments to extend credit: The fair value of these instruments is not material.

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Item 2

## MANAGEMENT'S DISCUSSION AND ANALYSIS
## OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

QCR Holdings, Inc. is the parent company of Quad City Bank & Trust, Cedar Rapids Bank & Trust, and Rockford Bank & Trust.

Quad City Bank & Trust and Cedar Rapids Bank & Trust are Iowa-chartered commercial banks, and Rockford Bank & Trust is an Illinois-chartered commercial bank. All are members of the Federal Reserve System with depository accounts insured to the maximum amount permitted by law by the Federal Deposit Insurance Corporation ("FDIC").

- Quad City Bank & Trust commenced operations in 1994 and provides full-service commercial and consumer banking, and trust and asset management services, to the Quad City area and adjacent communities through its five offices that are located in Bettendorf and Davenport, Iowa and Moline, Illinois. Quad City Bank & Trust also provides leasing services through its 80%-owned subsidiary, m2 Lease Funds, located in Brookfield, Wisconsin. In addition, Quad City Bank & Trust owns 100% of Quad City Investment Advisors, LLC (formerly known as CMG Investment Advisors, LLC), which is an investment management and advisory company.

- Cedar Rapids Bank & Trust commenced operations in 2001 and provides full-service commercial and consumer banking, and trust and asset management services, to Cedar Rapids, Iowa and adjacent communities through its main office located on First Avenue in downtown Cedar Rapids, Iowa and its branch facility located on Council Street in northern Cedar Rapids. Cedar Rapids Bank & Trust also provides residential real estate mortgage lending services through its 50%-owned joint venture, Cedar Rapids Mortgage Company.

- Rockford Bank & Trust commenced operations in January 2005 and provides full-service commercial and consumer banking, and trust and asset management services, to Rockford, Illinois and adjacent communities through its main office located in downtown Rockford and its branch facility on Guilford Road at Alpine Road in Rockford.

The Company engages in real estate holdings through its 91% equity investment in Velie Plantation Holding Company, LLC, based in Moline, Illinois.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - continued

OVERVIEW

The Company recognized net income of $2.8 million for the quarter ended June 30, 2011, and net income attributable to QCR Holdings, Inc. of $2.7 million, which excludes the net income attributable to noncontrolling interests of $98 thousand. After preferred stock dividends and discount accretion of $1.0 million, the Company reported net income attributable to common stockholders of $1.6 million, or diluted earnings per common share of $0.34. For the same period in 2010, the Company recognized net income of $1.8 million and net income attributable to QCR holdings, Inc. of $1.7 million excluding the net income attributable to noncontrolling interests of $62 thousand. After preferred stock dividends and discount accretion of $1.0 million, the Company reported net income attributable to common stockholders of $700 thousand, or diluted earnings per common share of $0.15.

For the six months ended June 30, 2011, the Company reported net income of $5.0 million, and net income attributable to QCR Holdings, Inc. of $4.8 million, which excludes the net income attributable to noncontrolling interests of $205 thousand. After preferred stock dividends and discount accretion of $2.1 million, the Company reported net income attributable to common stockholders of $2.7 million, or diluted earnings per common share of $0.57. For the same period in 2010, the Company recognized net income and net income attributable to QCR Holdings, Inc. of $3.0 million with a small net loss attributable to noncontrolling interests of $15 thousand. After preferred stock dividends and discount accretion of $2.1 million, the Company reported net income attributable to common stockholders of $959 thousand, or diluted earnings per common share of $0.21.

Following is a table that represents the various net income measurements for the three and six months ended June 30, 2011 and 2010, respectively.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| Net income | $2,773,214 | $1,799,837 | $5,004,698 | $3,014,770 |
| Less: Net income (loss) attributable to noncontrolling interests | 98,245 | 62,336 | 204,769 | (14,740 ) |
| Net income attributable to QCR Holdings, Inc. | $2,674,969 | $1,737,501 | $4,799,929 | $3,029,510 |
| | | | | |
| Less: Preferred stock dividends and discount accretion | 1,035,742 | 1,037,313 | 2,068,113 | 2,070,732 |
| Net income attributable to QCR Holdings, Inc. common stockholders | $1,639,227 | $700,188 | $2,731,816 | $958,778 |
| | | | | |
| Diluted earnings per common share | $0.34 | $0.15 | $0.57 | $0.21 |
| | | | | |
| Weighted average common and common equivalent shares outstanding | 4,873,978 | 4,649,413 | 4,778,848 | 4,615,866 |

Following is a table that represents the major income and expense categories.

| | Three Months Ended | Six Months Ended |
|---|---|---|

| | June 30, 2011 | March 31, 2011 | June 30, 2010 | June 30, 2011 | June 30, 2010 |
|---|---|---|---|---|---|
| Net interest income | $13,951,055 | $12,208,802 | $12,531,092 | $26,159,857 | $25,351,660 |
| Provision for loan/lease losses | (1,672,221) | (1,067,664) | (1,376,189) | (2,739,885) | (2,979,418) |
| Noninterest income | 4,173,381 | 5,057,124 | 3,538,070 | 9,230,505 | 6,369,707 |
| Noninterest expense | (12,555,547) | (13,012,271) | (12,214,586) | (25,567,818) | (24,656,508) |
| Federal and state income tax | (1,123,454) | (954,507) | (678,550) | (2,077,961) | (1,070,671) |
| Net income | $2,773,214 | $2,231,484 | $1,799,837 | $5,004,698 | $3,014,770 |

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MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - continued
NET INTEREST INCOME

Net interest income, on a tax equivalent basis, increased $1.4 million, or 11%, to $14.1 million for the quarter ended June 30, 2011, from $12.6 million for the second quarter of 2010. For the second quarter of 2011, average earning assets increased slightly while average interest-bearing liabilities declined $73.0 million, or 5%, when compared with average balances for the second quarter of 2010. Offsetting this decline, average noninterest-bearing deposits grew $86.6 million, or 40%, from the second quarter 2010 to the same period of 2011. A comparison of yields, spread and margin from the second quarter of 2011 to the second quarter of 2010 is as follows (on a tax equivalent basis):

- The average yield on interest-earning assets decreased 13 basis points.
- The average cost of interest-bearing liabilities decreased 43 basis points.
- The net interest spread improved 30 basis points from 2.60% to 2.90%.
- The net interest margin improved 31 basis points from 2.90% to 3.21%.

Net interest income, on a tax equivalent basis, increased $839 thousand, or 3%, to $26.4 million for the six months ended June 30, 2011, from $25.6 million for the first six months of 2010. For the first half of 2011, average earning assets increased $51.0 million, or 3%, while average interest-bearing liabilities declined $37.6 million, or 3%, when compared with average balances for the first half of 2010. Offsetting this decline and primarily funding the growth in average earning assets, average noninterest-bearing deposits grew $86.8 million, or 41%, from the first half of 2010 to the same period of 2011. A comparison of yields, spread and margin from the first half of 2011 to the first half of 2010 is as follows (on a tax equivalent basis):

- The average yield on interest-earning assets decreased 40 basis points.
- The average cost of interest-bearing liabilities decreased 38 basis points.
- The net interest spread declined 2 basis points from 2.68% to 2.66%.
- The net interest margin improved 1 basis point from 2.98% to 2.99%.

The Company's management closely monitors and manages net interest margin. From a profitability standpoint, an important challenge for the Company's subsidiary banks and majority-owned leasing company is the improvement of their net interest margins. Management continually addresses this issue with pricing and other balance sheet management strategies, including, but not limited to, the use of alternative funding sources.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - continued

For example, the Company's largest subsidiary bank, QCBT, executed a balance sheet restructuring during the first quarter of 2011. Specifically, the bank utilized excess liquidity and prepaid $15.0 million of FHLB advances with a weighted average interest rate of 4.87% and a weighted average maturity of May 2012. The fees for prepayment totaled $832 thousand. The Company sold $37.4 million of government sponsored agency securities and recognized pre-tax gains of $880 thousand which more than offset the prepayment fees. The proceeds from the sales of the government sponsored agency securities were reinvested into government guaranteed residential mortgage-backed securities with reduced risk-weighting for regulatory capital purposes and yields that were comparable to the sold securities. The resulting impacts were significant and include:

- Significantly reduced interest expense and improved net interest margin in subsequent quarters
- Stronger regulatory capital
- Reduced reliance on wholesale funding

Separately, during the first quarter of 2011, QCBT modified $20.4 million of fixed rate FHLB advances with a weighted average interest rate of 4.33% and a weighted average maturity of October 2013 into new fixed rate advances with a weighted average interest rate of 3.35% and a weighted average maturity of February 2014. The modification reduces interest expense and improves net interest margin, and minimizes the exposure to rising rates through duration extension of fixed rate liabilities.

The Company's average balances, interest income/expense, and rates earned/paid on major balance sheet categories, as well as the components of change in net interest income, are presented in the following tables:

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MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - continued

| | For the three months ended June 30, 2011 Average Balance | 2011 Interest Earned or Paid | 2011 Average Yield or Cost | 2010 Average Balance | 2010 Interest Earned or Paid | 2010 Average Yield or Cost |
|---|---|---|---|---|---|---|
| | (dollars in thousands) | | | | | |
| ASSETS | | | | | | |
| Interest earning assets: | | | | | | |
| Federal funds sold | $37,408 | $24 | 0.26 % | $80,638 | $64 | 0.32 % |
| Interest-bearing deposits at financial institutions | 27,510 | 103 | 1.50 % | 24,549 | 147 | 2.40 % |
| Investment securities (1) | 503,583 | 3,209 | 2.55 % | 395,713 | 3,050 | 3.08 % |
| Restricted investment securities | 15,465 | 138 | 3.57 % | 18,087 | 107 | 2.37 % |
| Gross loans/leases receivable (2) (3) (4) | 1,170,682 | 16,516 | 5.64 % | 1,225,503 | 17,100 | 5.58 % |
| Total interest earning assets | $1,754,648 | 19,990 | 4.56 % | $1,744,490 | 20,468 | 4.69 % |
| Noninterest-earning assets: | | | | | | |
| Cash and due from banks | $43,598 | | | $33,497 | | |
| Premises and equipment | 30,684 | | | 31,803 | | |
| Less allowance for estimated losses on loans/leases… | (19,736 ) | | | (22,276 ) | | |
| Other | 73,058 | | | 72,130 | | |
| Total assets | $1,882,252 | | | $1,859,644 | | |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | | | | |
| Interest-bearing liabilities: | | | | | | |
| Interest-bearing demand deposits | $503,030 | 1,006 | 0.80 % | $377,621 | 917 | 0.97 % |
| Savings deposits | 38,426 | 16 | 0.17 % | 40,031 | 29 | 0.29 % |
| Time deposits | 362,254 | 1,300 | 1.44 % | 511,648 | 2,469 | 1.93 % |
| Short-term borrowings | 131,253 | 69 | 0.21 % | 135,080 | 149 | 0.44 % |
| Federal Home Loan Bank advances | 209,889 | 1,978 | 3.77 % | 234,671 | 2,314 | 3.94 % |
| Junior subordinated debentures | 36,085 | 252 | 2.79 % | 36,085 | 484 | 5.37 % |
| Other borrowings (4) | 141,486 | 1,290 | 3.65 % | 160,309 | 1,466 | 3.66 % |
| Total interest-bearing liabilities | $1,422,423 | 5,911 | 1.66 % | $1,495,445 | 7,828 | 2.09 % |
| Noninterest-bearing demand deposits | $301,155 | | | $214,523 | | |
| Other noninterest-bearing liabilities | 24,131 | | | 19,217 | | |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Total liabilities | $1,747,709 | | | | | $1,729,185 | | | | |
| Stockholders' equity | 134,543 | | | | | 130,459 | | | | |
| Total liabilities and stockholders' equity | $1,882,252 | | | | | $1,859,644 | | | | |
| Net interest income | | | $14,079 | | | | | $12,640 | | |
| Net interest spread | | | | 2.90 | % | | | | 2.60 | % |
| Net interest margin | | | | 3.21 | % | | | | 2.90 | % |
| Ratio of average interest-earning assets to average interest-bearing liabilities | 123.36 | % | | | | 116.65 | % | | | |

(1) Interest earned and yields on nontaxable investment securities are determined on a tax equivalent basis using a 34% tax rate for each period presented.

(2) Loan/lease fees are not material and are included in interest income from loans/leases receivable in accordance with accounting and regulatory guidance.

(3) Non-accrual loans/leases are included in the average balance for gross loans/leases receivable in accordance with accounting and regulatory guidance.

(4) In accordance with ASC 860, effective January 1, 2010, the Company accounts for some participations sold, including sales of SBA-guaranteed portions of loans during the recourse period, as secured borrowings. As such, these amounts are included in the average balance for gross loans/leases receivable and other borrowings. For the three months ended June 30, 2011 and 2010, this totaled $1.3 million and $17.7 million, respectively.

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