Zacks Small-Cap Research

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Chesapeake Financial Shares, Inc. (CPKF-OTC)

CPKF: Raising Our 2017 EPS Estimate by a Dime to $1.95 and Initiating 2018 EPS at $2.07

We have chosen the $30.50 midpoint of the range of values based upon CPKF's 2018 P/E of $31.50 and forward Price/Tangible Book Value of $29.50 as our new valuation.

Current Price (07/20/17)	$27.30
Valuation	**$30.50**

OUTLOOK

CPKF's first quarter net earnings rose $0.6 million year over year, or 32%, to $2.6 million, while 2017's first quarter diluted EPS increased by $0.15, or 32%, to $0.63 from $0.48 posted a year ago. It was CPKF's best quarter since we began covering the Company. This was much better than our estimate, which had called for a $0.1 million gain in net earnings to $2.0 million (off by $0.6 million) and a $0.02 advance in diluted EPS to $0.50 (off by $0.13). The primary factors behind the difference between reported results and our estimate were: (1) merchant card income was $0.8 million higher than our estimate; (2) income from fiduciary activities was $0.3 million better than we had expected; and (3) other miscellaneous income was $0.2 million more than our projection. This was partly offset by merchant card expense that was $0.5 million worse than our estimate. The major reasons for the first quarter's $0.6 million increase in net earnings versus the prior-year quarter were a $1.7 million, or 16%, advance in net revenues due to higher net interest income, merchant card income and other income, partly offset by an $0.8 million, or 10%, rise in total noninterest expense from greater merchant card expense. CPKF earlier announced a 4.2% dividend increase to a $0.125 quarterly rate, having increased its annual dividend payment every year for the past twenty-five years since 1991. In 2017 for the tenth consecutive year, CPKF has been included in the American Banker magazine listing of the "Top 200 Community Banks" in the United States. The bank ranked at #123 in the nation out of approximately 669 publicly traded banks and thrifts with less than $2 billion in assets in the study, up from #148, when CPKF first broke into the rankings in 2008.

SUMMARY DATA

52-Week High	**$28.99**
52-Week Low	**$19.25**
One-Year Return (%)	**43.65**
Beta	**-0.02**
Average Daily Volume (sh)	**277**
Shares Outstanding (mil)	**4**
Market Capitalization ($mil)	**$108**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**0**
Insider Ownership (%)	**40**
Annual Cash Dividend	**$0.50**
Dividend Yield (%)	**1.83**
5-Yr. Historical Growth Rates	
Sales (%)	**4.5**
Earnings Per Share (%)	**N/A**
Dividend (%)	**8.2**
P/E using TTM EPS	**14.8**
P/E using 2017 Estimate	**14.0**
P/E using 2018 Estimate	**13.2**
Zacks Rank	**N/A**

Risk Level	**Average**
Type of Stock	**Small-Value**
Industry	**Banks-Southeast**
Zacks Rank in Industry	**N/A**

ZACKS ESTIMATES

Net Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2015	9.8 A	10.6 A	11.1 A	10.8 A	42.3 A
2016	10.5 A	11.2 A	11.9 A	11.9 A	45.5 A
2017	12.3 A	12.4 E	12.5 E	12.6 E	49.8 E
2018					51.7 E

Earnings per Share*
(EPS is operating earnings before nonrecurring items)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2015	0.47 A	0.54 A	0.40 A	0.22 A	1.64 A
2016	0.48 A	0.46 A	0.43 A	0.33 A	1.71 A
2017	0.63 A	0.56 E	0.42 E	0.33 E	1.95 E
2018					2.07 E

*Quarterly EPS may not add to total due changes in average diluted shares.

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FIRST QUARTER

We are increasing our 2017 diluted EPS estimate— by a dime to $1.95 from $1.85, primarily to reflect better growth in merchant card income than we had originally expected. This represents a $0.24, or 14% increase over 2016's diluted EPS of $1.71. Our initial EPS estimate for 2018 is $2.07, a $0.12, or 6%, increase over our 2017 estimate. We expect strong loan growth and robust advances in merchant card income from higher volumes to drive these gains.

As to merchant card, CPKF recently added a few new high-volume merchants that process several million dollars of card volume per month, as well as raising the volume limits for certain other merchants. Thus, we expect steady growth in this business throughout the next couple of years. Moreover, additional upside is possible should CPKF add more merchants or ISO relationships later on.

We estimate that loan growth of 9% in 2017 and 8% in 2018 (mainly due to higher growth expectations for commercial real estate) will offset a declining net interest margin (down about 13 basis points to 4.25% in 2017—the same as our prior 4.25% estimate—and a further 5 basis-point decrease to 4.20% in 2018). Higher expenses related to the expansion of the merchant card business will temper these gains.

CPKF's first quarter net earnings rose $0.6 million year over year, or 32%, to $2.6 million, while 2017's first quarter diluted EPS increased by $0.15, or 32%, to $0.63 from $0.48 posted a year ago. It was CPKF's best quarter since we began covering the Company.

This was much better than our estimate, which had called for a $0.1 million gain in net earnings to $2.0 million (off by $0.6 million) and a $0.02 advance in diluted EPS to $0.50 (off by $0.13).

The primary factors behind the difference between reported results and our estimate were: (1) merchant card income was $0.8 million higher than our estimate; (2) income from fiduciary activities was $0.3 million better than we had expected; and (3) other miscellaneous income was $0.2 million more than our projection. This was partly offset by merchant card expense that was $0.5 million worse than our estimate.

The major reasons for the first quarter's $0.6 million increase in net earnings versus the prior-year quarter were a $1.7 million, or 16%, advance in net revenues due to higher net interest income (up $0.1 million) and larger noninterest income (up $1.6 million from merchant card income and other miscellaneous income), partly offset by an $0.8 million, or 10%, rise in total noninterest expense, mostly from greater merchant card expense.

On July 15, 2016, CPKF's Board of Directors approved a 4.2% increase in the quarterly dividend to $0.125 from $0.12, payable on September 15, 2016. Notably, CPKF has increased the annual dividend payment every year for the past twenty-five years since 1991.

In 2017 for the tenth consecutive year, Chesapeake Financial Shares, Inc. has been included in the American Banker magazine listing of the "Top 200 Community Banks" in the United States. The bank ranked at #123 in the nation out of approximately 669 publicly traded banks and thrifts with less than $2 billion in assets in the study, up from #148, when CPKF first broke into the rankings in 2008. The ranking is based on a three-year average of return on average equity (ROAE), which for CPKF was 9.94%.

Below, we discuss first quarter results more fully. Our projections are shown at the back of the report.

Net Interest Income

Net interest income increased $0.1 million, or 3%, year over year in the first quarter to $6.2 million (the same as our estimate), as an 8% increase in average interest-earning assets was partly offset by a net interest margin of 4.26% that was 20 basis points lower than the 4.46% earned in the year-ago quarter,

but was 1 basis point above our 4.25% NIM estimate. Our initial estimate for 2018 calls for a 5-basis point decrease to a 4.20% NIM.

We are maintaining our NIM estimate for 2017 at 4.25%, down from the 4.38% reported for 2016. The 2017 decrease reflects rising deposit costs due to expected higher interest rates, with loan rates somewhat constrained by floors in CPKF's lending agreements with customers.

We note that CPKF's balance sheet was asset sensitive at the end of the first quarter, which will likely expand the net interest margin in a rising interest-rate environment.

Noninterest Income

Noninterest income increased $1.6 million, or 35%, year over year to $6.0 million ($1.3 million more than the $4.7 million we had projected), largely due to strong growth in merchant card income (up $0.9 million, or 45%) and a $0.4 million, or 115%, gain in other miscellaneous income, principally the result of several accounting adjustments.

CPKF recently expanded its merchant card processing operations. Thus, we expect steady growth in this business throughout the next couple of years.

Loss Provision

The loan loss provision increased by $113,000 to $175,000 from $62,000 in the year-ago quarter and was $25,000 above our estimate. Loan loss reserves rose $0.1 million to $5.2 million (1.11% of loans), which was above the fourth quarter's loss reserve of $5.0 million, or 1.11%, of loans, as well as the $5.1 million (1.19% of loans) posted in the year-ago quarter.

Including the loss allowance for cash flow receivables, the total loan loss allowance rose to $6.7 million (1.34% of loans plus cash flow receivables) from $6.3 million (1.40% of loans plus cash flow receivables) at the end of the comparable year-ago quarter and, and was up $0.2 million from the $6.4 million (1.34% of loans plus cash flow receivables) at the end of the previous quarter.

As to other asset quality measures, CPKF recorded net recoveries of $2,000 in the first quarter. This compares to net charge-offs of $494,000 in the year-ago quarter and net charge-offs of $1,428,000 for the full year in 2016.

We are estimating that the loss provision will increase by $375,000 to $925,000 in 2017 from $550,000 actual in 2016 and will remain flat at $925,000 in 2018.

We project that the total loss allowance will fall from 1.34% of total loans plus receivables at the end of 2016 to 1.31% at yearend 2017 and 1.26% at the end of 2018.

Noninterest Expense

Noninterest expense advanced $0.8 million, or 10%, to $8.8 million ($0.5 million more than the $8.3 million we had projected) from the prior-year quarter, primarily reflecting greater merchant card expense (up $0.6 million, or 45%).

The efficiency ratio improved, falling to 72.0% from 75.6% in the year-ago quarter and from the fourth quarter's 87.5%.

We project that compensation costs will increase from $17.8 million actual in 2016 to $18.5 million in 2017 and $19.1 million in 2018. Our estimate of noncompensation costs is $20.4 million in 2017 and $21.1 million in 2018, compared to $18.9 million actual in 2016.

In total, we believe that the efficiency ratio will improve, falling from 81.0% in 2016 to an estimated 78.4% in 2017 and 77.8% in 2018, as the Company maintains tight control over operating costs.

Income Taxes
The Company had a 20.6% effective tax rate in the first quarter, an increase from 18.1% in the year-ago quarter. This compares to our estimate of an effective tax rate of 18.0%.

We are increasing our estimate of the effective tax rate in 2017 to 18.9% from 18.0%, with our initial estimate for 2018 at 18.5%. This compares to a full-year effective tax rate of 14.1% in 2016.

Net Income
CPKF's first quarter net earnings rose $0.6 million year over year, or 32%, to $2.6 million, while 2017's first quarter diluted EPS increased by $0.15, or 32%, to $0.63 from $0.48 posted a year ago. It was CPKF's best quarter since we began covering the Company.

This was much better than our estimate, which had called for a $0.1 million gain in net earnings to $2.0 million (off by $0.6 million) and a $0.02 advance in diluted EPS to $0.50 (off by $0.13).

Profitability
CPKF posted a 13.1% ROE and 1.42% ROA for the first quarter of 2017, compared to 10.3% and 1.15%, respectively, in the prior-year quarter.

Loans and Asset Quality
Gross loans increased $39 million, or 9%, year over year, and $14 million, or 3%, sequentially to $468 million.

By category, commercial and industrial rose $6.9 million, or 13%, to $59 million; commercial real estate increased $4.1 million, or 2%, to $185 million; 1-4 family loans grew $2.8 million, or 2% to $126 million; construction and land development loans rose $1.4 million, or 3%, to $53 million; and consumer loans and other loans advanced $0.3 million, or 13%, to $9 million. Negatively, cash management receivables decreased $1.0 million, or 4%, to $27 million and other loans declined $1.0 million, or 3%, to $35 million.

We estimate loan growth of 9% in 2017 and 8% in 2018, mainly due to strong growth expectations for commercial real estate. This compares to actual growth of 10% in full-year 2016.

Asset quality measures overall were marginally worse in the first quarter, with total nonperforming assets rising to $11.0 million from $10.7 million sequentially. Nonaccrual loans rose by $0.4 million, or 7%, to $6.7 million, while restructured loans decreased $57,000, or 2%, to $3.0 million and other real estate owned was flat at $1.2 million.

In total, nonperforming assets (NPAs), including troubled debt restructurings that are current in payments, rose 1 basis point to 2.22% of outstandings + OREO at March 31, 2017 from 2.21% of outstandings + OREO at December 31, 2016, but decreased 55 basis points year over year from 2.77%.

The loss allowance as a percent of nonperforming assets was flat sequentially at 47%, as an increase in nonperforming assets was offset by a rise in the loss reserve for loans and cash flow receivables.

Liquidity and Funding
Cash and equivalents increased by $4 million to $13 million at the end of the first quarter, while the securities portfolio rose $9 million, or 5%, to $194 million. By category, the municipal securities portfolio grew by $7 million to $136 million and US government-related securities rose $4 million to $32 million, while the private-label mortgage securities portfolio decline $3 million to $26 million.

On a relative basis, the private-label mortgage securities portfolio was 13% of the entire available-for-sale securities portfolio, US government-related securities were 16%, and the municipal securities portfolio was 71%.

CPKF's liquidity ratios were mixed compared to the previous quarter, in part reflecting a change in the definition of core deposits (i.e., to those greater than $250,000 from those greater than $100,000) due to changes in federal reporting standards. At March 31, 2017, liquid assets represented 6% of total assets (6% at the end of the fourth quarter) and covered purchased funds by 98% (up from 42%), while loans plus receivables accounted for 66% of total assets (flat with 66% at December 31, 2016).

Core deposits rose by $63.3 million sequentially, due to the change in federal reporting standards, to $586 million and funded 118% of loans and receivables.

Capital Adequacy and Dividends

The Company's capital adequacy ratios improved during the first quarter. The Tier 1 capital ratio rose 15 basis points sequentially to 14.31% at the end of 2017's first quarter from 14.16% at December 31, 2016, while the Total capital ratio increased 18 basis points, advancing to 15.48% from 15.30%.

Total shareholders' equity gained $2.8 million during the first quarter, as a $2.0 million advance in retained earnings added to a $0.7 million increase in unrealized gains on securities available for sale and $0.1 million of other capital increases.

Reflecting these factors plus a 5,000 increase in common shares outstanding, tangible book value per share increased during the first quarter, by $0.69 per share to $20.03 from $19.34. The total equity to total assets ratio rose, increasing by 3 basis points to 10.84% from 10.81%, as the gain in total common shareholders' equity outpaced growth in total assets.

OVERVIEW

Chesapeake Financial Shares, Inc. (CPKF or the Company) is a financial holding company headquartered in Kilmarnock, Virginia, with $744 million in total assets at March 31, 2017. CPKF is predominantly a small business lender with 14 branch offices and one loan production office that serve customers in the eastern region of Virginia between the Potomac and James Rivers. CPKF, which began as Lancaster National Bank on April 13, 1900, has a long history and strong ties with the communities it serves.

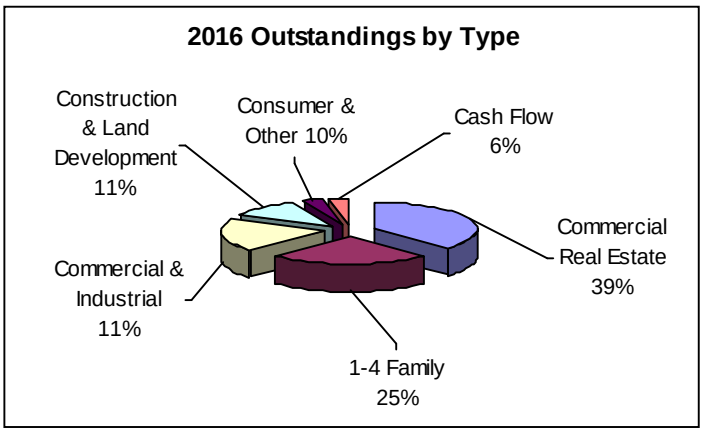
Operations are carried on through Chesapeake Bank, a state-chartered bank as well as Federal Reserve and FDIC member bank, and Chesapeake Wealth Management (formerly Chesapeake Investment Group, Inc.), an independent wealth management firm that manages about $400 million in assets (at 2016 yearend) through its subsidiaries involved in asset management (Chesapeake Wealth Management is a registered investment adviser), brokerage, and trust services. Other activities of the Company include Chesapeake Payment Systems, Cash Flow program, Clear Sky accounts, and its secondary market mortgage banking operation.

Chesapeake Payment Systems offers merchant processing services such as credit card and debit card processing, electronic benefits transfers, and loyalty and gift card processing to companies involved in travel, entertainment, restaurant, hospitality, retail, mail order, and e-commerce. At yearend 2016, Chesapeake Payment Systems had 543 direct merchants in its system and processed over $260 million in merchant card transactions. In addition, Chesapeake Payment Systems has also partnered with three independent sales organizations (ISOs) to expand its processing footprint.

The Cash Flow program, which provides an attractive financing option to growing businesses, involves the purchase of the client company's accounts receivables. The Cash Flow program is currently offered in the Eastern half of the United States and had 74 customers at the end of 2016.

Clear Sky accounts, which offer internet-based retail deposit services for checking and saving accounts and certificates of deposit (CDs), expands CPKF's retail deposit base geographically. At December 31, 2016, Clear Sky deposits totalled $26.6 million.

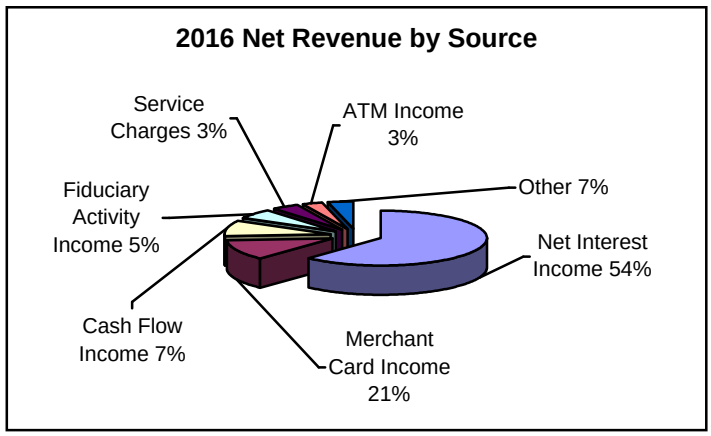
Through Chesapeake's secondary market mortgage banking operation, the Company services a $223 million loan portfolio (as of December 31, 2016) of residential mortgage loans for Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac), for which it earns a 25 basis-point fee (approximately $546,000 annually) on the outstanding loan portfolio balance. Additionally, CPKF earns a pare-off fee for residential mortgage loans that are originated and closed with FHLMC, which added $626,000 to revenues in 2016 (both types of fees are included in other noninterest income in the Company's financial statements).



The lending portfolio is dominated by real estate loans, as shown in the chart at left. At December 31, 2016, the lending book consisted of commercial real estate (accounting for 39% of total gross outstandings), 1-4 family (25%), commercial and industrial (11%), construction and land development (11%), consumer and other (10%), and cash flow (6%). A majority of loans are secured, usually by real estate, inventory, accounts receivable, equipment, machinery, or corporate assets.

At December 31, 2016, the liquidity portfolio, which consists of cash, short-term investments, federal funds sold, and US agency mortgage obligations, represented about 6% of total assets and 15% of the securities portfolio. In addition, the available-for-sale portfolio includes municipal and private label mortgage securities, which accounted for 70% and 15%, respectively, of the total. Core deposits represented 86% of total deposits at December 31, 2016, with certificates of deposit larger than $100,000 at 14%.

In 2016, net interest income contributed 54% of net revenue, with a significant 46% coming from noninterest income sources. Major contributors to noninterest income include merchant card income (21% of net revenues), cash flow income (7%), income from fiduciary activities (5%), service charges on deposit accounts (3%), and ATM income (3%).



VALUATION

CPKF stock is up 26.4% year to date, much better than the 6.5% median price gain for the small-cap bank industry, as well as the 10.5% price increase for the S&P 500, as shown in the following table.

At its current price, CPKF is trading at a discount to the industry median P/E of 13% in 2018, based upon our current CPKF EPS estimate for 2018. Assuming a small-cap bank industry valuation of 15.2X for 2018, CPKF's target price based upon our 2018 EPS estimate is about $31.50.

Turning to Price/Tangible Book Value, CPKF is currently valued at 1.34X. Assuming a similar multiple based upon our estimated book value twelve months out, our target price is about $29.50, which compares to CPKF's current book value of $20.03.

We have chosen the $30.50 midpoint of the range of values based upon CPKF's 2018 P/E of $31.50 and forward Price/Tangible Book Value of $29.50 as our new valuation.

Industry Comparables - Small-cap Banks

	Pr Chg YTD	EPS TTM*	EPS 2017E	EPS 2018E	ROE TTM*	ROE 5-Yr Avg	ROA TTM*	ROA 5-Yr Avg	Div Yld
Chesapeake Finc'l	**26.4**	**14.8**	**14.0**	**13.2**	**9.6**	**13.3**	**1.06**	**1.34**	**1.8**
S&P 500	10.5	23.3	19.0	17.7			8.3		2.0
Median	**6.5**	**17.7**	**16.9**	**15.2**	**9.0**	**9.1**	**0.94**	**0.89**	**1.8**
Average	6.9	18.7	16.7	14.8	8.4	8.4	0.8	0.8	1.7
High	35.3	75.0	19.1	18.0	18.3	13.9	2.0	1.3	3.7
Low	(16.6)	11.3	13.0	10.9	(30.5)	(6.2)	(2.9)	(0.7)	-----

*Trailing twelve months

Chesapeake Financial Shares, Inc.

Income Statement and Balance Sheet

(Dollars in millions, except per share data)

Summary Financial Data	12/12	12/13	12/14	12/15	12/16	12/17E	12/18E
Net interest income	23.1	23.3	23.1	23.4	24.5	25.6	26.6
Non-interest income	15.0	15.7	14.6	18.9	21.0	24.2	25.1
Total net revenue	38.1	39.0	37.7	42.3	45.5	49.8	51.7
Loan loss provision	0.6	1.1	0.6	0.2	0.5	0.9	0.9
Non-interest expense	27.8	29.8	30.5	34.1	36.7	38.9	40.2
Income taxes & other	2.0	1.5	0.8	1.3	1.3	1.9	2.0
Zacks adjusted income before NRI	7.7	6.6	5.8	6.7	7.0	8.1	8.7
GAAP net income	7.7	7.4	6.5	7.4	7.0	8.1	8.7
Diluted EPS before NRI	1.94	1.66	1.43	1.64	1.71	1.95	2.07
Reported EPS	1.94	1.84	1.62	1.82	1.71	1.95	2.07
Dividends per share	0.38	0.43	0.45	0.47	0.49	0.51	0.53
Liquid assets	92.1	89.9	62.8	43.2	40.6	48.7	49.5
Outstandings, gross	397.6	401.0	410.4	439.0	481.4	525.2	568.5
Total assets	667.7	661.8	663.2	679.1	720.8	767.2	798.3
Core deposits	459.0	467.2	480.5	489.1	522.3	603.7	628.2
Purchased funds	118.4	105.3	82.4	92.4	97.4	49.7	50.5
Long-term debt	26.0	25.9	20.6	21.1	16.1	15.0	15.0
Shareholders' equity	60.9	61.8	70.6	76.0	77.9	84.6	91.1
Profitability							
Return on avg assets	1.19%	1.01%	0.87%	0.99%	0.99%	1.08%	1.11%
Return on avg equity	14.87%	10.74%	9.14%	9.08%	8.89%	9.83%	9.81%
Net interest margin	4.60%	4.60%	4.60%	4.38%	4.38%	4.25%	4.20%
Loan loss provision % avg assets	0.09%	0.17%	0.09%	0.04%	0.08%	0.12%	0.12%
Noninterest income % avg assets	2.33%	2.40%	2.20%	2.80%	2.96%	3.23%	3.21%
Noninterest expense % avg assets	4.32%	4.55%	4.61%	5.08%	5.17%	5.19%	5.13%
Preprovision pretax income % avg assets	1.60%	1.41%	1.09%	1.21%	1.23%	1.45%	1.48%
Tangible efficiency ratio	71%	75%	81%	82%	81%	78%	78%
Payout ratio	19%	23%	28%	26%	29%	26%	26%
Asset Quality							
Net charge-offs % avg outstandings	0.18%	0.29%	0.14%	0.26%	0.31%	0.12%	0.15%
Allowance % outstandings	1.88%	1.75%	1.88%	1.51%	1.34%	1.31%	1.26%
NPAs % loans + OREO	4.93%	5.20%	4.20%	3.09%	2.21%	1.90%	1.51%
Allowance % NPAs	32%	30%	37%	40%	47%	69%	83%
Liquidity & Funding							
Liquid assets % purchased funds	78%	85%	76%	47%	42%	98%	98%
Core deposits % outstandings	115%	117%	117%	111%	108%	115%	111%
Liquid assets % assets	14%	14%	9%	6%	6%	6%	6%
Outstandings % assets	60%	61%	62%	65%	67%	68%	71%
Capital Adequacy							
Total equity % assets	9.12%	9.34%	10.65%	11.19%	10.81%	11.03%	11.41%
Tangible equity % assets	9.12%	9.34%	10.65%	11.19%	10.81%	11.03%	11.41%
Tier 1 capital ratio	13.55%	14.23%	14.69%	13.95%	14.16%		
Total capital ratio	14.80%	15.48%	15.94%	15.19%	15.30%		
Parent Company Statistics							
Interest coverage	4.4X	9.2X	27.3X	61.5X	9.6X	7.5X	7.5X
Interest & dividend coverage	1.5X	1.5X	3.7X	3.5X	0.5X	1.2X	1.1X
Short-term debt coverage	Lge	Lge	Lge	Lge	Lge	Lge	Lge
Total debt coverage	0.9X	1.0X	0.9X	1.1X	1.2X	0.9X	0.9X
Double leverage	121.7%	119.7%	109.3%	101.7%	102.6%	104.0%	106.2%

Chesapeake Financial Shares, Inc.

Income Statement and Balance Sheet

(Dollars in millions, except per share data)

	2016				2017			
Summary Financial Data	**Q1 A**	**Q2 A**	**Q3 A**	**Q4 A**	**Q1 A**	**Q2 E**	**Q3 E**	**Q4 E**
Net interest income	6.1	6.1	6.1	6.2	6.3	6.4	6.4	6.5
Non-interest income	4.4	5.1	5.8	5.7	6.0	6.0	6.1	6.1
Total net revenue	10.5	11.2	11.9	11.9	12.3	12.4	12.5	12.6
Loan loss provision	0.1	0.4	0.1	0.1	0.2	0.3	0.3	0.3
Non-interest expense	8.0	8.6	9.7	10.4	8.8	9.3	10.1	10.7
Income taxes & other	0.4	0.3	0.3	0.0	0.7	0.5	0.3	0.2
Zacks adjusted income before NRI	2.0	1.9	1.8	1.4	2.6	2.3	1.8	1.4
GAAP net income	2.0	1.9	1.8	1.4	2.6	2.3	1.8	1.4
Diluted EPS before NRI	0.48	0.46	0.43	0.33	0.63	0.56	0.42	0.33
Reported EPS	0.48	0.46	0.43	0.33	0.63	0.56	0.42	0.33
Dividends per share	0.12	0.12	0.13	0.13	0.13	0.13	0.13	0.13
Liquid assets	48.1	48.9	52.2	40.6	48.1	48.3	48.5	48.7
Outstandings, gross	450.7	463.9	476.6	481.4	494.9	504.8	514.9	525.2
Total assets	692.7	707.6	718.9	720.8	744.6	752.1	759.6	767.2
Core deposits	504.3	504.8	518.8	522.3	585.9	591.8	597.7	603.7
Purchased funds	90.0	100.2	86.3	97.4	49.1	49.3	49.5	49.7
Long-term debt	15.4	15.3	25.3	16.1	21.0	15.0	15.0	15.0
Shareholders' equity	77.6	80.9	80.8	77.9	80.7	82.6	83.8	84.6
Profitability								
Return on avg assets*	1.15%	1.09%	1.00%	0.76%	1.42%	1.25%	0.93%	0.71%
Return on avg equity *	10.26%	9.61%	8.80%	6.93%	13.12%	11.50	8.46%	6.46%
Net interest margin*	4.46%	4.42%	4.30%	4.30%	4.26%	4.25%	4.25%	4.25%
Loan loss provision % avg assets*	0.04%	0.21%	0.04%	0.03%	0.10%	0.13%	0.13%	0.13%
Noninterest income % avg assets*	2.57%	2.90%	3.26%	3.17%	3.29%	3.23%	3.23%	3.18%
Noninterest expense % avg assets*	4.68%	4.90%	5.44%	5.78%	4.81%	4.96%	5.37%	5.60%
Preprovision pretax inc.% avg assets*	1.44%	1.50%	1.22%	0.81%	1.88%	1.66%	1.27%	1.00%
Tangible efficiency ratio	76%	77%	83%	88%	72%	75%	82%	85%
Payout ratio	25%	26%	29%	37%	20%	22%	31%	40%
Asset Quality								
Net charge-offs % avg outstandings*	0.42%	0.80%	0.11%	(0.11)%	(0.00)%	0.16%	0.16%	0.15%
Allowance % outstandings	1.40%	1.24%	1.31%	1.34%	1.34%	1.33%	1.32%	1.31%
NPAs % loans + OREO	2.77%	2.45%	2.23%	2.21%	2.22%	2.11%	2.00%	1.90%
Allowance % NPAs	41%	43%	45%	47%	47%	63%	66%	69%
Liquidity & Funding								
Liquid assets % purchased funds	54%	49%	60%	42%	98%	98%	98%	98%
Core deposits % outstandings	112%	109%	109%	108%	118%	117%	116%	115%
Liquid assets % assets	7%	7%	7%	6%	6%	6%	6%	6%
Outstandings % assets	65%	66%	66%	67%	66%	67%	68%	68%
Capital Adequacy								
Total equity % assets	11.20%	11.43%	11.24%	10.81%	10.84%	10.98%	11.03%	11.03%
Tangible equity % assets	11.20%	11.43%	11.24%	10.81%	10.84%	10.98%	11.03%	11.03%
Tier 1 capital ratio	14.09%	14.31%	14.28%	14.16%	14.31%			
Total capital ratio	15.25%	15.36%	15.41%	15.30%	15.48%			

*Annualized.

HISTORICAL STOCK PRICE



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