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Zacks Small-Cap Research

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Chesapeake Financial Shares, Inc. (CPKF-OTC)

CPKF: First Quarter Earnings on Target

We have chosen the $30.00 midpoint of the range of values based upon CPKF's 2019 P/E of $28.00 and forward Price/Tangible Book Value of $32.00 as our new valuation.

Current Price (06/13/19)	$26.10
Valuation	**$30.00**

OUTLOOK

CPKF's first quarter net earnings rose $0.2 million, or 2%, year over year to $3.0 million, while 2019's first quarter diluted EPS increased by $0.02, or 2%, to $0.72 from $0.70 posted a year ago. This was a bit better than our estimate, which had called for a $0.1 million, or 1%, gain in net earnings to $2.9 million and diluted EPS of $0.71 (off by $0.01).The main factors behind the difference between actual results and our estimate were: (1) compensation costs were $0.3 million less than expected and (2) other miscellaneous expense was $0.2 million less than anticipated. These positives were offset by: (1) merchant card income that was $0.2 million short of our expectations; (2) net interest income that was $0.1 million less than we had estimated due to a lower-than-expected net interest margin; and (3) a $0.1 million net loss on OREO. The major reasons for the first quarter's 2% increase in net earnings versus the prior-year quarter were a $0.2 million, or 2%, advance in net revenues due to growth in net interest income and cash flow income, partly offset by a $0.1 million, or 2%, rise in total noninterest expense, primarily from greater compensation costs. We are maintaining our 2019 diluted EPS estimate at $2.63, a $0.02 increase from 2018's $2.61, and initiating our 2020 EPS estimate at $2.65, a $0.02 increase from our 2019 estimate. Competitive deposit pricing pressures that began in 2018's fourth quarter are expected to continue, reducing our NIM estimate by 10 basis points. CPKF expects several new hires to add to salaries. CPKF expects to add a full-service branch to its network later in 2019. On January 18, CPKF approved a 4% quarterly dividend increase to $0.145 per share. Notably, CPKF has increased the annual dividend payment every year for the past twenty-eight years since 1991. In 2019 for the twelfth consecutive year, CPKF was included in the American Banker magazine list of the "Top 200 Community Banks".

SUMMARY DATA

52-Week High	**$32.00**
52-Week Low	**$23.56**
One-Year Return (%)	**-6.96**
Beta	**0.54**
Average Daily Volume (sh)	**365**
Shares Outstanding (mil)	**4**
Market Capitalization ($mil)	**$107**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**3**
Insider Ownership (%)	**40**
Annual Cash Dividend	**$0.58**
Dividend Yield (%)	**2.22**
5-Yr. Historical Growth Rates	
Sales (%)	**5.0**
Earnings Per Share (%)	**9.4**
Dividend (%)	**5.3**
P/E using TTM EPS	**9.9**
P/E using 2019 Estimate	**9.9**
P/E using 2020 Estimate	**9.8**
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)
2017	10.4 A	11.1 A	11.4 A	11.2 A	44.1 A
2018	11.1 A	11.5 A	11.9 A	11.5 A	46.0 A
2019	11.3 A	11.9 E	12.3 E	12.2 E	47.7 E
2020					49.6 E

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

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2017	0.63 A	0.48 A	0.61 A	0.44 A	2.17 A
2018	0.70 A	0.69 A	0.77 A	0.45 A	2.61 A
2019	0.72 A	0.73 E	0.65 E	0.53 E	2.63 E
2020					2.65 E

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

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FIRST QUARTER

CPKF's first quarter net earnings rose $0.2 million, or 2%, year over year to $3.0 million, while 2019's first quarter diluted EPS increased by $0.02, or 2%, to $0.72 from $0.70 posted a year ago.

This was a bit better than our estimate, which had called for a $0.1 million, or 1%, gain in net earnings to $2.9 million and diluted EPS of $0.71 (off by $0.01).

The main factors behind the difference between actual results and our estimate were: (1) compensation costs were $0.3 million less than expected and (2) other miscellaneous expense was $0.2 million less than anticipated. These positives were offset by: (1) merchant card income that was $0.2 million short of our expectations; (2) net interest income that was $0.1 million less than we had estimated due to a lower-than-expected net interest margin; and (3) a $0.1 million net loss on OREO, which was not included our estimate.

We note that in last year's fourth quarter the Company changed its method of presenting merchant card income and expense from separate line items in noninterest income and noninterest expense, respectively, to a single line item, entitled merchant card income, net, in noninterest income. This change had no impact on the bottom line, though noninterest income and noninterest expense are lower than previously reported, both reduced by the amount of merchant card expense. All data in this report have been modified to conform to this new method of presentation.

The major reasons for the first quarter's 2% increase in net earnings versus the prior-year quarter were a $0.2 million, or 2%, advance in net revenues due to growth in net interest income (up $0.1 million) and cash flow income (up by $0.1 million), partly offset by a $0.1 million, or 2%, rise in total noninterest expense, primarily from greater compensation costs.

We are maintaining our 2019 diluted EPS estimate at $2.63, a $0.02 increase from 2018's $2.61, and initiating our 2020 EPS estimate at $2.65, a $0.02 increase from our 2019 estimate. We recognize that this is down from the prior two years' record earnings growth, but there are three factors contributing to this reality. First, competitive deposit pricing pressures that began in 2018's fourth quarter are expected to continue, reducing our 2019 NIM estimate by another 10 basis points, to 3.90% from 4.00%, following a 10 basis-point reduction last quarter (to 4.00% from 4.10%). Secondly, CPKF expects several new hires to add to compensation costs. Finally, the Company expects to add a full-service branch to its network later on this year in the fourth quarter, which will also increase expenses. Positively, loan growth is expected to be solid, at 8% in both 2019 and 2020.

On January 18, 2019, Chesapeake Financial Shares, Inc. approved a 4% quarterly dividend increase to $0.145 per share from $0.14 per share, effective March 1, 2019. Notably, CPKF has increased the annual dividend payment every year for the past twenty-eight years since 1991.

In 2019 for the twelfth 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 #107 in the nation out of approximately 601 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 10.59%.

Chesapeake Bank again garnered a top ranking in the American Banker's list of "Best Banks to Work for", moving up to a #25 spot in 2018, out of the 85 banks listed, from a #34 place in 2017.

In other news, the ABA (American Bankers Association) elected Jeffrey M. Szyperski as Chairman.

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 1%, year over year in the first quarter to $6.8 million ($0.1 million less than our estimate), as a 6% increase in average interest-earning assets was partly offset by a net interest margin of 3.89%, 17 basis points lower than the 4.06% earned in the year-ago quarter, and 11 basis points below our 4.00% estimate. We note that in 2018's first quarter, CPKF reduced the FTE adjustment due to a lower tax rate associated with the tax reform act. As a result, the net interest margin is also lower than that reported for years prior to 2018.

We have decreased our NIM estimate for 2019 to 3.90% from 4.00%, which follows a 10 basis-point reduction last quarter to 4.00% from 4.10%, due to competitive deposit pricing pressures that began in 2018's fourth quarter. Our initial 2020 NIM estimate is the same as that for 2019— 3.90%. 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, but could hurt should interest rates fall.

Noninterest Income

Noninterest income rose $0.1 million, or 3%, over year to $4.5 million ($0.3 million below our $4.8 million estimate), largely due to solid growth in cash flow income (up $0.1 million, or 9%), though most other line items also showed modest improvement. Negatively, there was a $0.1 million net loss on OREO, which we had not been expecting, which offset some of the revenue improvement CPKF experienced.

With expanded merchant card processing operations, we expect steady growth in this business throughout the next couple of years. Moreover, the cash flow business has been generateing solid receivables growth recently that should benefit revenues over the next couple of years.

Loss Provision

The loan loss provision was flat year over year at $175,000, and was $25,000 above our $150,000 estimate. Loan loss reserves rose $0.5 million year over year to $5.2 million (1.00% of loans), which was above the fourth quarter's loss reserve of $5.1 million, or 1.00% of loans, and above the $4.7 million (0.97% of loans) posted in the year-ago quarter.

Including the loss allowance for cash flow receivables, the total loss allowance rose $0.2 million to $6.8 million (1.22% of loans plus cash flow receivables) compared with $6.6 million (1.22% of loans plus cash flow receivables) at the end of the previous quarter, and was above the $6.4 million (1.24% of loans plus cash flow receivables) at the end of the comparable year-ago quarter.

As to other asset quality measures, CPKF recorded $33,000 of net charge-offs in the first quarter. This compares to net recoveries of $68,000 in the year-ago quarter and net recoveries of $75,000 for the full year in 2018.

We are increasing our estimate of the loss provision to $700,000 from $600,000 for 2019. This compares with an actual loan loss provision of $525,000 in 2018. Our initial estimate for the 2020 loss provision is $800,000.

We project that the total loss allowance will fall slightly to 1.16% of total loans plus receivables at yearend 2019 and to 1.09% at the end of 2020. This compares to 1.22% at the end of 2018.

Noninterest Expense

Noninterest expense advanced $0.1 million, or 2%, to $7.7 million ($0.5 million less than the $8.2 million we had projected) from the prior-year quarter, primarily stemming from a $0.2 million, or 4%, increase in compensation expense that was partly offset by a $0.1 million, or 4%, decline in other miscellaneous expenses.

The efficiency ratio deteriorated slightly, rising to 68.7% from 68.5% in the year-ago quarter, but was better than the fourth quarter's 81.7%.

We project that compensation costs will increase from $19.4 million actual in 2018 to $20.8 million in 2019 and $22.1 million in 2020. Our estimate of noncompensation costs is $13.7 million in 2019 and $14.0 million in 2020, compared to $13.9 million actual in 2018. In total, we believe that the efficiency ratio will worsen slightly, rising from 72.7% in 2018 to 73.0% in 2019 and 72.8% in 2020.

Income Taxes

The Company had a 12.6% effective tax rate in the first quarter, a 0.6-point increase from 12.0% in the year-ago quarter. This compares to our estimate of an effective tax rate of 13.0%.

We are maintaining our estimate of the effective tax rate for 2019 at 13%, and keeping it at 13% for 2020. This compares to a full-year effective tax rate of 11.3% in 2018.

Net Income

CPKF's first quarter net earnings rose $0.2 million, or 2%, year over year to $3.0 million, while 2019's first quarter diluted EPS increased by $0.02, or 2%, to $0.72 from $0.70 posted a year ago.

This was better than our estimate, which had called for a $0.1 million, or 1%, gain in net earnings to $2.9 million and diluted EPS of $0.71 (off by $0.01).

Profitability

CPKF posted a 12.5% ROE and 1.36% ROA for the first quarter of 2019, compared to 13.4% and 1.47%, respectively, in the prior-year quarter.

Loans and Asset Quality

Gross loans increased $36 million, or about 7%, year over year, and rose $12 million, or 2%, sequentially to $523 million.

By category, commercial and industrial rose $17.4 million, or 24%, to $90 million;1-4 family gained $4.9 million, or 4%, to $133 million; cash management receivables increased by $0.4 million, or 1%, to $35 million; and consumer rose by $0.2 million, or 2%, to $11 million. Negatively, construction and land development loans fell by $9.0 million, or 20%, to $36 million; commercial real estate loans decreased $0.2 million, or less than 1%, to $222 million; and other loans slumped by $2.8 million, or 5%, to $31 million.

We estimate combined loan and receivables growth of 8% in 2019 and 2020. This compares to actual growth of 4% in loans and receivables in full-year 2018.

Asset quality measures improved during the first quarter. Total nonperforming assets fell $1.0 million to $9.6 million from $10.6 million sequentially. Other real estate owned decreased $0.1 million to $2.6 million from $2.7 million. There was no change in restructured loans, which remained at zero. Nonaccrual loans decreased by $0.9 million to $7.0 million from $7.9 million.

In total, nonperforming assets (NPAs), including troubled debt restructurings that are current in payments,decreased 22 basis points to 1.71% of outstandings + OREO at March 31, 2019 from 1.93% of outstandings + OREO at December 31, 2018, but rose 19 basis points year over year from 1.52%.

The loss allowance as a percent of nonperforming assets increased to 71% from 63% sequentially, as there was improvement in nonperforming assets, while the loss reserve for loans plus cash flow receivables increased.

Liquidity and Funding

Cash and equivalents increased by $4 million to $52 million at the end of the first quarter, while the securities portfolio rose $10 million to $217 million. By category, the private-label mortgage securities portfolio increased $6 million to $42 million and the municipal securities portfolio rose by $7 million to $153 million, while US government-related securities fell $3 million to $22 million.

On a relative basis, the private-label mortgage securities portfolio was 19% of the entire available-for-sale securities portfolio, US government-related securities were 10%, and the municipal securities portfolio was 71%.

CPKF's liquidity ratios were slightly down compared to the previous quarter. At March 31, 2019, liquid assets represented 8% of total assets (9% at the end of the fourth quarter) and covered purchased funds by 146% (down from 155%), while loans plus receivables accounted for 62% of total assets (down from 64% at December 31, 2018).

Core deposits rose by $29 million sequentially to $731 million and funded 131% of loans and receivables.

Capital Adequacy and Dividends

The Company's capital adequacy ratios decreased slightly during the first quarter, as growth in risk-weighted assets outpaced growth in capital. The Tier 1 capital ratio fell 13 basis points sequentially to 14.91% at the end of 2019's first quarter from 15.04% at December, 2018, while the Total capital ratio declined 13 basis points, rising to 15.95% from 16.08%.

Total shareholders' equity gained $5.1 million during the first quarter, as a $2.2 million advance in retained earnings added to a $2.9 million gain in accmulated other comprehensive income.

Reflecting these factors plus an 11,000 increase in common shares outstanding, tangible book value per share rose during the first quarter, by $1.17 per share to $23.80 from $22.63. The total equity to total assets ratio improved slightly, increasing by 10 basis points to 10.95% from 10.85%, due to growth in total common shareholders' equity.

OVERVIEW

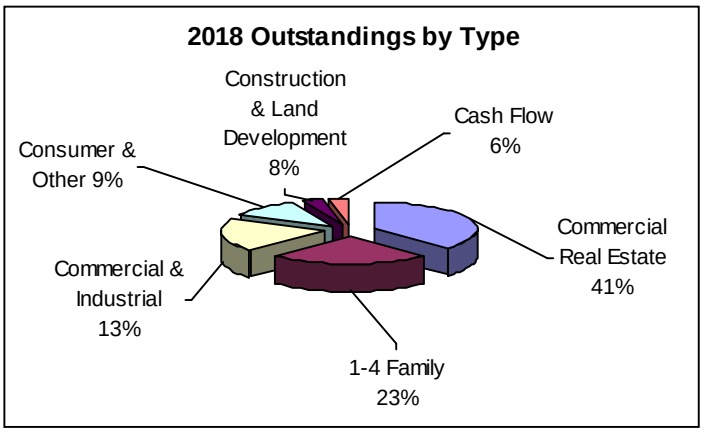
Chesapeake Financial Shares, Inc. (CPKF or the Company) is a financial holding company headquartered in Kilmarnock, Virginia, with $893 million in total assets at March 31, 2019. CPKF is predominantly a small business lender with 15 branch offices and one loan production office that serve customers in 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, an independent wealth management firm with trust powers that manages about $395 million in assets (at 2018 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, 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 2018, Chesapeake Payment Systems had 588 direct merchants in its system and processed over $527 million in merchant card transactions. In addition, Chesapeake Payment Systems has also partnered with four independent sales organizations (ISOs) to expand its processing footprint.

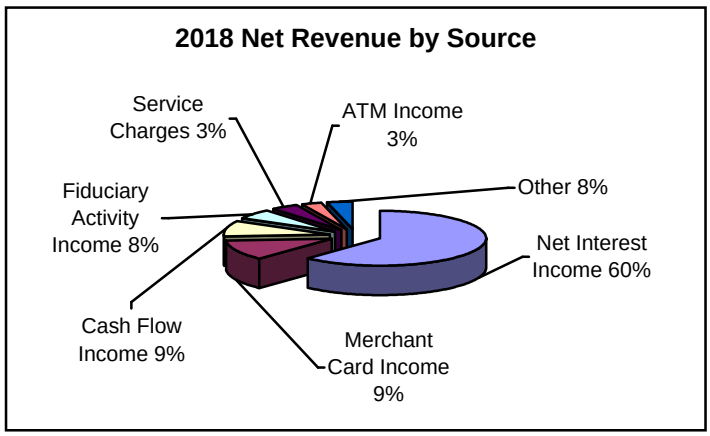
The Cash Flow program, which provides an attractive financing option to growing businesses, involves the purchase of the client company's accounts receivables. The Cash Flow program is currently offered in the Eastern half of the United States and had 67 customers at the end of 2018.

Through Chesapeake's secondary market mortgage banking operation, the Company services a $235 million loan portfolio (as of December 31, 2018) of residential mortgage loans for Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac), for which it earns a 25 basis-point fee (approximately $575,000 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 $582,000 to revenues in 2018 (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, 2018, the lending book consisted of commercial real estate (accounting for 41% of total gross outstandings), 1-4 family (23%), commercial and industrial (13%), consumer and other (9%), construction and land development (8%), 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, 2018, the liquidity portfolio, which consists of cash, short-term investments, federal funds sold, and US agency mortgage obligations, represented about 9% of total assets and 12% of the securities portfolio. In addition, the available-for-sale portfolio includes municipal and private label mortgage securities, which accounted for 71% and 17%, respectively, of the total. Core deposits represented 94% of total deposits at December 31, 2018, with certificates of deposit larger than $250,000 at 6%.



In 2018, net interest income contributed 60% of net revenue, with a significant 40% coming from noninterest income sources. Major contributors to noninterest income include merchant card income (9% of net revenues), cash flow income (9%), income from fiduciary activities (8%), ATM income (3%), and service charges on deposit accounts (3%).

VALUATION

CPKF stock is up 6.3% year to date, a slightly worse performance than the 6.9% median price increase for the small-cap bank industry, and also below the 15.4% price gain 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 8%, based upon our current CPKF EPS estimate for 2020. Assuming a small-cap bank industry valuation of 10.6 X for 2020, CPKF's target price based upon our 2019 EPS estimate is about $28.00.

Turning to Price/Tangible Book Value, CPKF is currently valued at 1.09X. Assuming an industry multiple of 1.22X based upon our estimated book value or CPKF twelve months out, our target price is about $32.00, which compares to CPKF's current book value of $23.80.

We have chosen the $30.00 midpoint of the range of values based upon CPKF's 2019 P/E of $28.00 and forward Price/Tangible Book Value of $32.00 as our new valuation.

Industry Comparables - Small-cap Banks

	Pr Chg YTD	EPS TTM*	EPS 2019E	EPS 2020E	ROE TTM*	ROE 5-Yr Avg	ROA TTM*	ROA 5-Yr Avg	Div Yld
Chesapeake Finc'l	**6.3**	**9.9**	**9.9**	**9.8**	**11.8**	**12.6**	**1.29**	**1.35**	**2.2**
S&P 500	15.4	19.1	17.3	16.4					1.9
Median	**6.9**	**11.7**	**11.0**	**10.6**	**10.4**	**9.3**	**1.11**	**0.97**	**2.4**
Average	7.5	12.6	11.3	10.4	11.0	9.2	1.2	0.9	2.4
High	23.4	38.2	15.9	13.1	22.2	16.7	2.4	1.7	4.5
Low	(16.8)	8.1	8.8	8.1	3.0	(1.4)	0.3	(0.2)	-----

*Trailing twelve months

Chesapeake Financial Shares, Inc.

Income Statement and Balance Sheet

(Dollars in millions, except per share data)

Summary Financial Data	12/14	12/15	12/16	12/17	12/18	12/19E	12/20E
Net interest income	23.1	23.4	24.4	26.0	27.4	27.9	29.4
Non-interest income	12.0	14.2	14.7	18.1	18.6	19.8	20.2
Total net revenue	35.1	37.6	39.1	44.1	46.0	47.7	49.6
Loan loss provision	0.6	0.2	0.5	0.9	0.5	0.7	0.8
Non-interest expense	27.9	29.5	30.4	31.8	33.3	34.5	36.1
Income taxes & other	0.8	1.2	1.2	2.5	1.4	1.6	1.6
Zacks adjusted income before NRI	5.8	6.7	7.0	8.9	10.8	10.9	11.1
GAAP net income	6.5	7.4	7.0	8.9	10.8	10.9	11.1
Diluted EPS before NRI	1.43	1.64	1.71	2.17	2.61	2.63	2.65
Reported EPS	1.62	1.82	1.71	2.17	2.61	2.63	2.65
Dividends per share	0.45	0.47	0.49	0.51	0.55	0.58	0.60
Liquid assets	62.8	43.2	40.6	50.6	73.1	75.3	76.5
Outstandings, gross	410.4	439.0	481.4	523.7	546.0	590.9	637.8
Total assets	663.2	679.1	720.8	785.2	854.8	920.5	957.9
Core deposits	480.5	489.1	522.3	632.4	702.0	753.0	783.6
Purchased funds	82.4	92.4	97.4	53.1	47.2	51.5	52.3
Long-term debt	20.6	21.1	16.1	5.2	5.2	5.0	5.0
Shareholders' equity	70.6	76.0	77.9	86.8	92.7	103.9	112.5
Profitability							
Return on avg assets	0.87%	0.99%	0.99%	1.16%	1.32%	1.22%	1.18%
Return on avg equity	9.14%	9.08%	8.89%	10.64%	12.07%	10.97%	10.21%
Net interest margin	4.60%	4.38%	4.38%	4.30%	4.10%	3.90%	3.90%
Loan loss provision % avg assets	0.09%	0.04%	0.08%	0.12%	0.06%	0.08%	0.09%
Noninterest income % avg assets	1.80%	2.11%	2.06%	2.34%	2.27%	2.20%	2.15%
Noninterest expense % avg assets	4.21%	4.38%	4.28%	4.11%	4.06%	3.84%	3.84%
Preprovision pretax income % avg assets	1.09%	1.21%	1.23%	1.59%	1.55%	1.47%	1.44%
Tangible efficiency ratio	79%	80%	78%	72%	73%	73%	73%
Payout ratio	28%	26%	29%	24%	21%	22%	23%
Asset Quality							
Net charge-offs % avg outstandings	0.11%	0.36%	0.18%	0.27%	0.02%	0.11%	0.13%
Allowance % outstandings	1.88%	1.51%	1.34%	1.17%	1.22%	1.16%	1.09%
NPAs % loans + OREO	4.20%	3.09%	2.21%	1.73%	1.93%	1.52%	1.28%
Allowance % NPAs	45%	49%	60%	68%	63%	76%	85%
Liquidity & Funding							
Liquid assets % purchased funds	76%	47%	42%	95%	155%	146%	146%
Core deposits % outstandings	117%	111%	108%	121%	129%	127%	123%
Liquid assets % assets	9%	6%	6%	6%	9%	8%	8%
Outstandings % assets	62%	65%	67%	67%	64%	64%	67%
Capital Adequacy							
Total equity % assets	10.65%	11.19%	10.81%	11.05%	10.85%	11.29%	11.75%
Tangible equity % assets	10.65%	11.19%	10.81%	11.05%	10.85%	11.29%	11.75%
Tier 1 capital ratio	14.69%	13.95%	14.16%	14.35%	15.04%		
Total capital ratio	15.94%	15.19%	15.30%	15.37%	16.08%		
Parent Company Statistics							
Interest coverage	27.3X	61.5X	9.6X	12.7X	8.2X	7.5X	7.5X
Interest & dividend coverage	3.7X	3.5X	0.5X	0.8X	0.6X	0.6X	0.6X
Short-term debt coverage	Lge	Lge	Lge	Lge	Lge	Lge	Lge
Total debt coverage	0.9X	1.1X	1.2X	2.8X	2.7X	2.7X	2.7X
Double leverage	109.3%	101.7%	102.6%	102.3%	102.6%	102.0%	104.1%

Chesapeake Financial Shares, Inc.

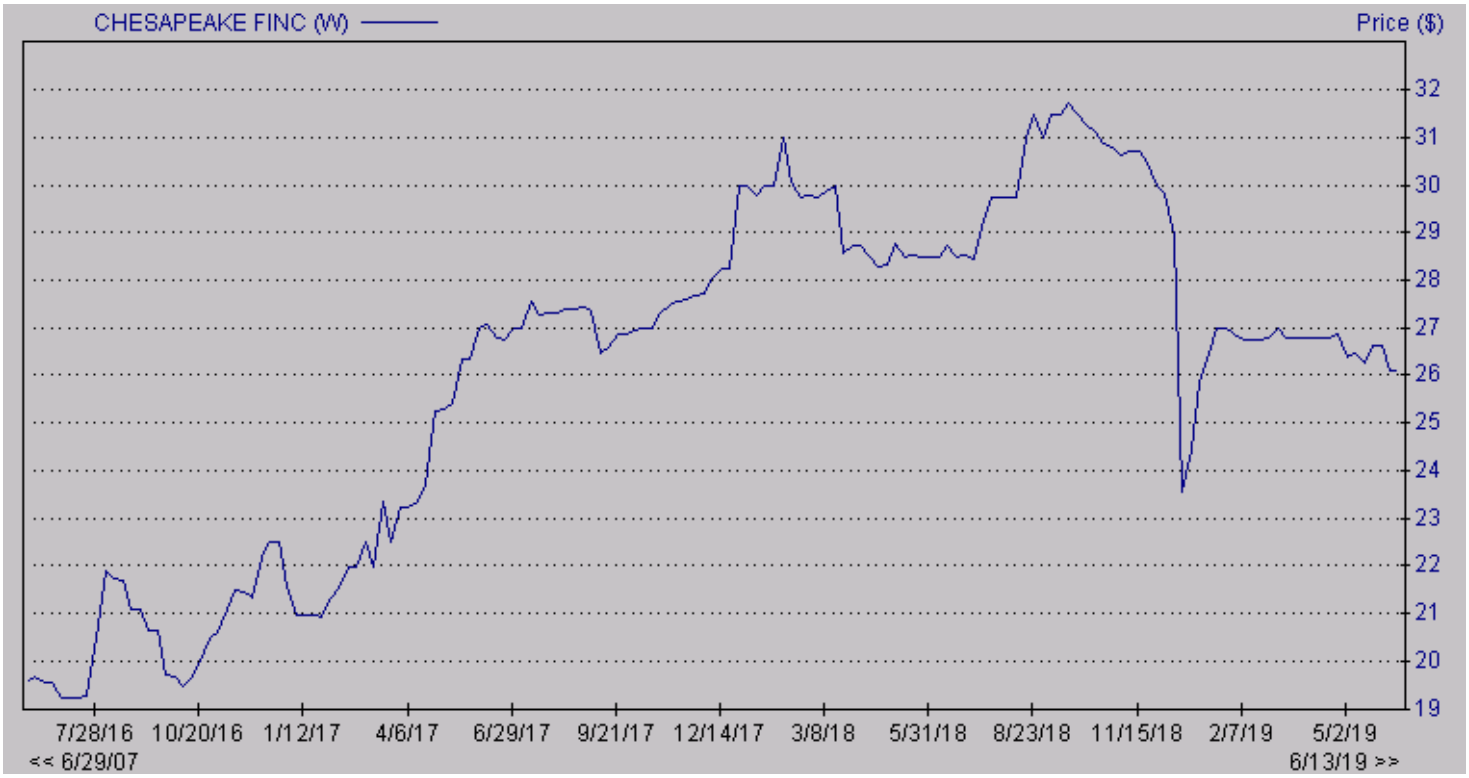
Income Statement and Balance Sheet

(Dollars in millions, except per share data)

	2018				2019			
Summary Financial Data	**Q1 A**	**Q2 A**	**Q3 A**	**Q4 A**	**Q1 A**	**Q2 E**	**Q3 E**	**Q4 E**
Net interest income	6.7	6.8	7.0	6.9	6.8	6.9	7.1	7.1
Non-interest income	4.4	4.7	4.9	4.6	4.5	5.0	5.2	5.1
Total net revenue	11.1	11.5	11.9	11.5	11.3	11.9	12.3	12.2
Loan loss provision	0.2	0.2	0.1	0.1	0.2	0.2	0.2	0.1
Non-interest expense	7.6	8.1	8.1	9.5	7.7	8.3	9.0	9.5
Income taxes & other	0.4	0.3	0.5	0.0	0.4	0.4	0.4	0.4
Zacks adjusted income before NRI	2.9	2.9	3.2	1.9	3.0	3.0	2.7	2.2
GAAP net income	2.9	2.9	3.2	1.9	3.0	3.0	2.7	2.2
Diluted EPS before NRI	0.70	0.69	0.77	0.45	0.72	0.73	0.65	0.53
Reported EPS	0.70	0.69	0.77	0.45	0.72	0.73	0.65	0.53
Dividends per share	0.13	0.14	0.14	0.14	0.15	0.15	0.15	0.15
Liquid assets	65.3	45.1	54.0	73.1	74.4	74.7	75.0	75.3
Outstandings, gross	518.7	527.3	541.6	546.0	557.9	568.5	579.3	590.9
Total assets	797.3	807.4	823.2	854.8	893.4	902.4	911.4	920.5
Core deposits	647.4	653.9	657.3	702.0	730.8	738.1	745.5	753.0
Purchased funds	49.5	51.1	63.3	47.2	50.8	51.0	51.3	51.5
Long-term debt	5.2	6.1	5.2	5.2	6.6	5.0	5.0	5.0
Shareholders' equity	87.0	89.0	89.9	92.7	97.8	100.2	102.3	103.9
Profitability								
Return on avg assets*	1.47%	1.43%	1.56%	0.88%	1.36%	1.35%	1.20%	0.97%
Return on avg equity *	13.43%	13.03%	14.22%	8.13%	12.49%	12.21%	10.76%	8.59%
Net interest margin*	4.06%	4.10%	4.15%	4.05%	3.89%	3.90%	3.90%	3.90%
Loan loss provision % avg assets*	0.09%	0.09%	0.06%	0.02%	0.08%	0.08%	0.08%	0.08%
Noninterest income % avg assets*	2.23%	2.35%	2.42%	2.19%	2.07%	2.21%	2.29%	2.21%
Noninterest expense % avg assets*	3.84%	4.03%	3.98%	4.52%	3.53%	3.68%	3.95%	4.17%
Preprovision pretax inc.% avg assets*	1.76%	1.71%	1.86%	0.96%	1.64%	1.63%	1.46%	1.16%
Tangible efficiency ratio	69%	70%	70%	82%	69%	69%	75%	79%
Payout ratio	18%	20%	18%	31%	20%	20%	22%	27%
Asset Quality								
Net charge-offs % avg outstandings*	(0.05)%	(0.01)%	0.13%	0.02%	0.02%	0.14%	0.14%	0.14%
Allowance % outstandings	1.24%	1.26%	1.22%	1.22%	1.22%	1.20%	1.18%	1.16%
NPAs % loans + OREO	1.52%	1.48%	1.37%	1.93%	1.71%	1.65%	1.58%	1.52%
Allowance % NPAs	81%	85%	89%	63%	71%	73%	74%	76%
Liquidity & Funding								
Liquid assets % purchased funds	132%	88%	85%	155%	146%	146%	146%	146%
Core deposits % outstandings	125%	124%	121%	129%	131%	130%	129%	127%
Liquid assets % assets	8%	6%	7%	9%	8%	8%	8%	8%
Outstandings % assets	65%	65%	66%	64%	62%	63%	64%	64%
Capital Adequacy								
Total equity % assets	10.91%	11.03%	10.92%	10.85%	10.95%	11.11%	11.23%	11.29%
Tangible equity % assets	10.91%	11.03%	10.92%	10.85%	10.95%	11.11%	11.23%	11.29%
Tier 1 capital ratio	14.86%	14.85%	14.96%	15.04%	14.91%			
Total capital ratio	15.94%	15.93%	16.02%	16.08%	15.95%			

*Annualized.

HISTORICAL STOCK PRICE



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