Zacks Small-Cap Research

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Chesapeake Financial Shares, Inc. (CPKF - OTC)

CPKF: Second Quarter Results – Outperform

Current Recommendation	**Outperform**
Prior Recommendation	Neutral
Date of Last Change	05/26/2011
Current Price (08/01/11)	$11.61
Twelve-Month Target Price	**$14.50**

OUTLOOK

We are maintaining our outperform recommendation on Chesapeake Financial Shares, Inc. (CPKF), as it remains undervalued relative to historical norms. CPKF reported 2011 second quarter net earnings of $2.1 million, up 55% from the $1.3 million reported in the year-ago quarter, while diluted EPS increased 57% to $0.63 from $0.40. The primary reason for this improvement was a $1.1 million positve swing in securities gains and losses to a gain of $0.5 million in 2011 from a loss of $0.6 million in the year-ago quarter, as CPKF harvested gains after repositioning its municipal securities portfolio. Excluding gains and losses on securities and on other real estate owned in both quarters, net income was flat year over year at $1.8 million. That said, CPKF surprised on the upside in a number of key fee income categories, including income from fiduciary activities, merchant card income, and cash flow income. We are raising our 2011 diluted EPS estimate to $1.94 from $1.80, which represents a 15% gain from the $1.69 earned in 2010 and reflects the overage in the second quarter of $0.14 (actual results came in at $0.63 versus our $0.49 estimate). We have also increased our 2012 EPS estimate to $2.05 from $1.90, a 6% gain over our 2011 estimate, with the improvement primarily the result of a 28% decline in the loan loss provision. We have raised our target price to $14.50 and changed the holding period to twelve months from six months.

SUMMARY DATA

52-Week High	**$14.15**
52-Week Low	**$10.89**
One-Year Return (%)	**4.77**
Beta	**0.15**
Average Daily Volume (sh)	**551**
Shares Outstanding (mil)	**3**
Market Capitalization ($mil)	**$38**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**0**
Insider Ownership (%)	**40**
Annual Cash Dividend	**$0.40**
Dividend Yield (%)	**3.45**
5-Yr. Historical Growth Rates	
Net Revenue (%)	**8.1**
Earnings Per Share (%)	**10.5**
Dividend (%)	**7.2**
P/E using TTM EPS	**5.8**
P/E using 2011 Estimate	**6.0**
P/E using 2012 Estimate	**5.7**
Zacks Rank	**3**

Risk Level	**Average**
Type of Stock	**Small-Value**
Industry	**Banks-Southeast**
Zacks Rank in Industry	**44 of 73**

ZACKS ESTIMATES

Net Revenue

(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2009	7.5 A	8.0 A	8.6 A	8.9 A	33.0 A
2010	8.2 A	8.6 A	10.1 A	9.1 A	36.1 A
2011	8.9 A	9.4 A	9.0 E	9.1 E	36.4 E
2012					37.1 E

Earnings per Share

(EPS is operating earnings before nonrecurring items)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2009	0.28 A	0.34 A	0.44 A	0.38 A	1.48 A
2010	0.35 A	0.40 A	0.59 A	0.31 A	1.69 A
2011	0.47 A	0.63 A	0.52 E	0.32 E	1.94 E
2012					2.05 E

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

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SECOND QUARTER RESULTS

CPKF reported 2011 second quarter net earnings of $2.1 million, up 55% from the $1.3 million reported in the year-ago quarter, while diluted EPS increased 57% to $0.63 from $0.40, with the better EPS performance reflecting share buybacks. Our second quarter diluted EPS estimate was $0.49.

The primary reason for this improvement was a $1.1 million positve swing in securities gains and losses to a gain of $0.5 million in 2011 from a loss of $0.6 million in the year-ago quarter, as CPKF harvested gains after repositioning its municipal securities portfolio. This compares to our estimate of a $0.1 milllion loss for 2011's second quarter. Excluding gains and losses on securities and on other real estate owned in both quarters, net income was flat year over year at $1.8 million.

That said, CPKF surprised on the upside in a number of key fee income categories, including income from fiduciary activities ($0.5 million versus our estimate of $0.45 million), merchant card income ($1.06 million versus our $0.9 million estimate), and cash flow income ($0.95 million compared to our $0.85 million estimate as the Company experienced cash flow asset growth for the first time since the third quarter of 2009).

We are raising our 2011 diluted EPS estimate to $1.94 from $1.80, which represents a 15% gain from the $1.69 earned in 2010. This reflects the overage in the second quarter of $0.14 (actual results came in at $0.63 versus our $0.49 estimate); our third and fourth quarter EPS estimates remain $0.52 and $0.32, respectively.

We have also increased our 2012 EPS estimate to $2.05 from $1.90, a 6% gain over our 2011 estimate, with the improvement primarily the result of a 28% decline in the loan loss provision.

We note that US Banker ranked CPKF 20th (up from 32nd about a year ago) out of all banks nationally with less than $2 billion in total assets, which includes approximately 6,000 banks, and #1 of all banks in Virginia. This ranking was based upon three-year average returns on equity, which for Chesapeake Financial was 13.40%. The Company has steadily risen through the rankings in the past four years, reflecting its solid financial performance during this difficult banking environment.

More recently, Jeffrey M. Szyperski, Chairman, President & CEO, Chesapeake Bank, has been named Chairman-Elect of the Virginia Bankers Association. As Chairman-Elect, he is slated to become the Association's Chairman in 2011.

Below we discuss 2011 second quarter results in more depth.

Net Interest Income

Net interest income fell 2% year over year and 8% sequentially to $5.4 million (versus our $5.6 million estimate), reflecting a decline in average outstandings, as loans and receivables decreased more than 3% year over year and 1% sequentially due to weak demand, as well as drop in the net interest margin. The net interest margin fell 20 basis points year over year and 35 basis points sequentially to 4.33% (versus our 4.50% estimate), as CPKF funded $10 million in longer dated (10-12 year maturities) brokered certificates of deposit, incurring extra one-time fees to do so, but also locking in attractive low long-term rates. Since the Company did this again in the third quarter, we are reducing our third quarter net interest margin estimate to 4.40% from 4.50% previously.

Noninterest Income

Noninterest income jumped 32% year over year to $4.1 million, primarily due to a $1.1 million positve swing in securities gains and losses to a gain of $0.5 million in 2011 from a loss of $0.6 million in the year-ago quarter. Excluding this item, noninterest income was down 2% as strong growth in ATM and merchant card income (up 9% and 8%, respectively) was offset by losses from OREO expense and a

19% decline in service charges on deposit accounts as the Company continues to experience the negative impact of changes in federal regulations, along with the rest of the industry.

Looking forward, merchant card income is expected to continue to benefit from the addition of a new service to its line-up. CPKF has become the middleman for independent sales organization (ISOs) that need bank processing for card transactions. CPKF is now providing this service to one company, and hopes to add one more company by the end of the year.

Loss Provision

The loan loss provision grew by one-third to $0.2 million (and compares to our $0.1 million estimate), as the Company continued to strengthen loan loss reserves. CPKF increased its loan loss reserves to $6.5 million (1.83% of loans) from $5.5 million (1.49% of loans) at the end of the comparable year-ago quarter, though there was modest deterioration on a sequential basis from the $6.7 million (1.87% of loans) at the end of the previous quarter. CPKF charged off $412,000 of loans in the second quarter. This compares to net recoveries of loan losses of $2,000 in the prior-year quarter and of net charge-offs of $1.5 million for full-year 2010.

Noninterest Expense

Noninterest expense fell 1% year over year to $6.5 million (the same as our estimate), as the Company maintained tight control over operating expenses that lead to an 8-point improvement in the efficiency ratio, which dropped to 69% from 77% in the year-ago quarter.

Net Income

CPKF posted net earnings of $2.1 million (or $0.63 per diluted share), up 55% from the $1.3 million ($0.40 per diluted share) earned in the year-ago quarter. This compares to our $1.6 million net income estimate ($0.49 per diluted share).

Profitability

CPKF posted a 18.3% ROE and 1.35% ROA for the second quarter of 2011, compared to 14.2% and 0.88%, respectively, in the prior-year quarter, largely due to growth in net income

Loans and Asset Quality

Gross loans outstanding dropped almost $4 million, or 1%, sequentially to $355 million and about $13 million from the comparable prior-year quarter, reflecting weak loan demand.

Positively, cash flow receivables rose $2 million, or 11% sequentially, to $21 million, the first growth in this segment since the third quarter of 2009. In addition, commercial & industrial loans rose 4.5% sequentially to $55 million. Moreover, CPKF recently added a new business development officer in North Carolina to market its cash flow lending product and will be opening a commercial loan production office in Richmond, Virginia in mid-August, both of which should contribute to additional lending growth in the second half of of 2011.

Combined growth in these two categories offset most of the decline in the Company's real estate and consumer portfolios during the quarter. As a result, we are increasing our estimate of 2011 loan and receivables growth to up 0.5% from down 2.5%.

Asset quality measures deteriorated on a sequential basis, with nonperforming assets (NPAs) increasing to 2.38% of outstandings + OREO at June 30, 2011 from 1.92% of outstandings + OREO at March 31, 2011. Nonaccrual loans and receivables rose by 11% to $4.6 million at the end of June from $4.1 million at March 2011 quarterend, as improvement in the investor-owned commercial real esate portfolio was more than offset was by deterioration in the 1-4 family residential portfolio.

Other real estate owned (OREO) jumped 42% sequentially to $4.5 million, as CPKF took over certain properties from a borrower that had defaulted on these loans (this also contributed to the high level of

charge-offs during the quarter when these properties were written down to fair value). In total, there was a net gain in nonperforming assets of $1.8 million, or 24%, to $9.1 million.

The loss allowance as a percent of nonperforming assets decreased to 85% at the end of the quarter from 109% at the end of March 2011, reflecting an increase in nonperforming assets and a slight drop in loan loss reserves. Thus, the combined loss allowance for both loans and cash flow receivables increased to $7.8 million, or 2.06% of gross outstandings, from $7.9 million, or 2.11% of gross outstandings, at the end of the March quarter.

Liquidity and Funding

CPKF increased cash by roughly $12 million sequentially during the second quarter, and increased the securities portfolio by over $5 million. The Company continues to emphasize investing in municipal securities, which account for 46% of total securities (up 4 points from 42% a year ago), and US agency mortgage securities, which account for 35% of total securities (up 4 points from 31% a year ago), while pulling back from private-label mortgage securities, which now represent 19% of the total securities portfolio, down 8 points from 27% at the end of June 2010.

The Company repositioned the municipal securities portfolio by selling $15 million of taxable municipals and investing the proceeds in tax-exempt obligations, which contributed to the large securities gain during the second quarter. CPKF's liquidity ratios were better than those a year ago, primarily reflecting the increase in cash and US agency mortgage securities.

Capital Adequacy and Dividends

The Company's capital adequacy ratios deteriorated during the quarter due to a sharp jump in risk-weighted assets as several below-investment-grade, private-label mortgage securities required higher capital charges than before. The Tier 1 capital ratio dropped 35 basis points sequentially to 12.04% at the end of 2011's second quarter from 12.39% at March 31, 2011, and the Total capital ratio decreased 46 basis points to 13.30% from 13.76%. Importantly, both of these remain well above the well-capitalized standard as established by federal regulators.

Total shareholders' equity increased $3.0 million during the first quarter, due to a combination of $1.7 million growth in retained earnings and a $1.3 million positive swing in accumulated comprehensive income to $1.6 million at the end of the second quarter from $0.3 million at the end of the first quarter. This was the result of gains in the fair value of the securities portfolio. Reflecting these factors, tangible book value per share also increased during the first quarter, by $0.90 per share to $14.25 from $13.34.

CPKF has taken a number of steps to increase returns to shareholders, including two recent dividend hikes totalling almost 9% and a stock split. The Company raised the quarterly dividend rate by 4.3% in April to $0.10 from $0.096, which followed a 4.5% dividend increase in March. In addition, the Company had a 6-for-5 stock split that occurred in April.

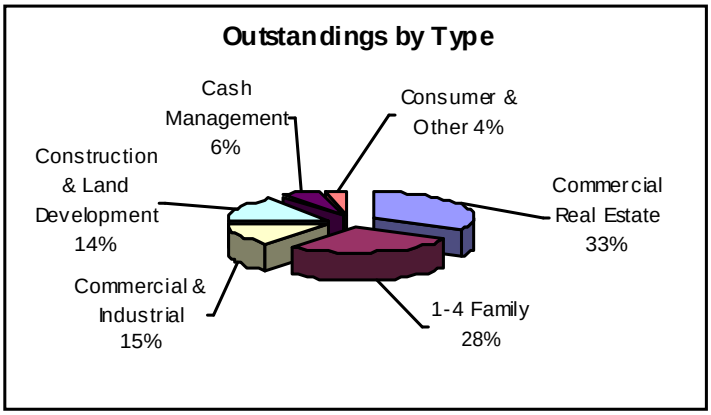
OVERVIEW

Chesapeake Financial Shares, Inc. (CPKF or the Company) is a bank holding company headquartered in Kilmarnock, Virginia, with $620 million in total assets at June 30, 2011. CPKF is predominantly a small business lender with 11 branch offices that serve customers in the eastern region of Virginia between the Potomac and James Rivers. These offices are located in Kilmarnock, Lively, Irvington, Mathews, Hayes, and Gloucester, with four branches in Williamsburg. 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 Investment Group, Inc. (CIG), an independent wealth management firm that manages about $319 million in assets (as of the end of the second quarter) through its subsidiaries involved in asset management (CIG 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 2010, Chesapeake Payment Systems had 678 merchants in its system and processed over $125 million in merchant card transactions.

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 has approximately 80 customers.

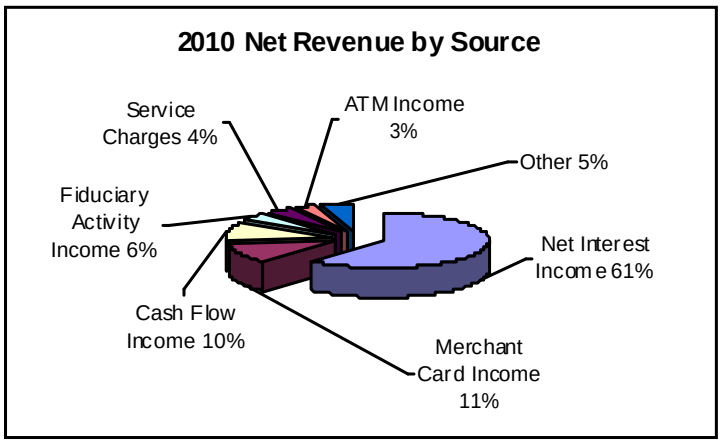


Clear Sky accounts, which offer internet-based retail deposit services for checking and saving accounts and certificates of deposit (CDs), expands CPKF's retail deposit base geographically. At 2010 yearend, Clear Sky deposits totalled $50 million, with customers in all 50 states.

Through Chesapeake's secondary market mortgage banking operation, the Company services a $176 million loan portfolio (as of June 30, 2011) of residential mortgage loans for Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac), for which it earns a 25 basis-point fee (approximately $425,000 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 $550,000 to revenues in 2010 (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 above. At June 30, 2011, the lending book consisted of commercial real estate (accounting for 33% of total gross outstandings), 1-4 family (28%), commercial and industrial (15%), construction and land development (14%), cash flow (6%), and consumer and other (4%). A majority of loans are secured, usually by real estate, inventory, accounts receivable, equipment, machinery, or corporate assets.

The liquidity portfolio, consisting of cash, short-term investments, federal funds sold, US Treasuries, and US agency mortgage obligations, represent about 14% of total assets and 35% of the securities portfolio. In addition, the available-for-sale portfolio includes municipal and private label mortgage securities, which currently account for 46% and 19%, respectively, of the total. Core deposits represented 79% of total deposits at June 30, 2011, with certificates of deposit larger than $100,000 at 21%.



In 2010, net interest income contributed 61% of net revenue, with a significant 39% coming from noninterest income sources. Major contributors to noninterest income include merchant card income (11% of net revenues), cash flow income (10%), income from fiduciary activities (6%), service charges on deposit accounts (4%), and ATM income (3%).

VALUATION

CPKF stock has underperformed the industry, with a year-to-date price gain of 3.2% compared to a median increase of 5.2% for banks in the Zacks small-cap bank index, as shown in the following table. At its current price, CPKF is trading at discounts to the industry median P/E of 54% in 2011 (versus 49% at the time of our last report on July 19, 2011) and of 47% in 2012 (compared to 45% at July 19, 2011), based upon our CPKF EPS estimates. This is in excess of the average 43% P/E discount for CPKF, based upon 5-year historical P/E averages.

Turning to Price/Tangible Book Value, CPKF is valued at 0.86X versus the industry median of 0.85X. This represents a 1 ½% premium, well below the average historical premium of 26% for CPKF since the end of 2005. We believe a higher premium is justified given CPKF's strong performance throughout the financial crisis, as well as our expectations for continued growth in EPS in 2011 and 2012, its strong profitability measures, and its solid dividend yield.

Applying the historical premium of 26% to our estimated book value for CPKF twelve months out results in a price target of approximately $14.50. Combined with the dividend yield, this represents a total return of over 28%, well above our expectations for gains in the broader market index over the next year. Therefore, we are maintaining our recommendation on CPKF at Outperform.

Industry Comparables- Small-cap Banks

		Price / Earnings Ratios					Return on Equity		Return on Assets		
	Pr Chg YTD	TTM* EPS	2011E	2012E	5-Yr Avg	Price/ Book	TTM*	5-Yr Avg	TTM*	5-Yr Avg	Div Yld
Chesapeake Finc'l	**3.2**	**5.8**	**6.0**	**5.7**	**9.5**	**0.86**	**14.1**	**14.0**	**0.96**	**0.91**	**3.4**
S&P 500	2.3	17.5	13.4	12.3	18.0	3.7	25.9	-----	10.0	-----	2.0
Median	**5.2**	**13.7**	**13.0**	**10.7**	**16.7**	**0.85**	**5.3**	**4.6**	**0.45**	**0.33**	**-----**
Average	7.9	15.0	15.9	30.0	20.5	0.7	4.0	2.9	0.46	0.34	1.4
High	77.4	29.8	40.7	461.0	43.6	1.4	20.9	13.3	2.19	2.48	6.5
Low	(25.6)	5.9	5.2	6.6	12.3	0.3	(36.8)	(30.8)	(1.40)	(1.74)	-----

*Trailing twelve months

Chesapeake Financial Shares, Inc.

Income Statement and Balance Sheet

(Dollars in millions, except per share data)

Summary Financial Data	12/06	12/07	12/08	12/09	12/10	12/11 E	12/12 E
Net interest income	14.3	14.5	16.5	18.9	21.8	22.3	22.7
Non-interest income	11.6	13.5	15.0	14.1	13.8	14.1	14.4
Total net revenue	25.9	28.0	31.5	33.0	35.6	36.4	37.1
Loan loss provision	0.8	0.2	0.4	0.9	2.5	1.4	1.0
Non-interest expense	19.6	21.8	25.0	25.9	26.2	26.7	27.1
Income taxes & other	1.5	1.7	1.5	1.4	1.5	2.0	2.2
Zacks adjusted income before NRI	4.0	4.3	4.6	4.8	5.4	6.3	6.8
GAAP net income	4.0	4.3	4.6	4.8	5.4	6.3	6.8
Diluted EPS before NRI	1.12	1.24	1.34	1.48	1.69	1.94	2.05
Reported EPS	1.12	1.24	1.34	1.48	1.69	1.94	2.05
Dividends per share	0.27	0.29	0.34	0.35	0.36	0.40	0.40
Liquid assets	52.9	58.4	45.4	57.8	73.2	90.2	93.8
Outstandings, gross	319.4	361.6	396.2	391.3	382.3	384.1	399.7
Total assets	418.1	483.0	538.0	586.7	607.7	632.1	657.8
Core deposits	295.2	308.8	317.0	370.0	396.2	423.7	440.9
Purchased funds	73.7	80.0	115.9	126.7	121.7	111.4	115.9
Long-term debt	11.6	44.4	65.5	47.4	40.0	40.0	40.0
Shareholders' equity	31.0	33.7	30.6	35.3	41.1	48.7	54.1
Profitability							
Return on avg assets	0.98%	0.97%	0.89%	0.84%	0.90%	1.02%	1.05%
Return on avg equity	13.58%	13.68%	13.51%	13.14%	13.03%	13.79%	13.11%
Net interest margin	4.20%	4.10%	4.00%	4.10%	4.40%	4.48%	4.45%
Loan loss provision % avg assets	0.21%	0.04%	0.08%	0.16%	0.41%	0.23%	0.16%
Noninterest income % avg assets	2.88%	3.01%	2.91%	2.45%	2.28%	2.29%	2.23%
Noninterest expense % avg assets	4.86%	4.87%	4.84%	4.51%	4.31%	4.32%	4.21%
Preprovision pretax income % avg assets	1.54%	1.39%	1.26%	1.24%	1.56%	1.58%	1.54%
Tangible efficiency ratio	76%	78%	79%	78%	73%	73%	73%
Payout ratio	24%	23%	25%	24%	21%	20%	20%
Asset Quality							
Net charge-offs % avg outstandings	0.28%	0.04%	0.27%	0.34%	0.48%	0.30%	0.28%
Allowance % outstandings	1.55%	1.50%	1.43%	1.59%	1.90%	2.02%	1.98%
NPAs % loans + OREO	1.00%	0.61%	0.35%	1.20%	2.00%	2.02%	1.74%
Allowance % NPAs	154%	245%	411%	131%	94%	100%	113%
Liquidity & Funding							
Liquid assets % purchased funds	72%	73%	39%	46%	60%	81%	81%
Core deposits % outstandings	92%	85%	80%	95%	104%	110%	110%
Liquid assets % assets	13%	12%	8%	10%	12%	14%	14%
Outstandings % assets	76%	75%	74%	67%	63%	61%	61%
Capital Adequacy							
Total equity % assets	7.41%	6.97%	5.68%	6.01%	6.76%	7.70%	8.22%
Tangible equity % assets	7.41%	6.97%	5.68%	6.01%	6.76%	7.70%	8.22%
Tier 1 capital ratio	11.10%	10.80%	10.60%	10.10%	12.07%		
Total capital ratio	12.50%	15.50%	12.50%	11.70%	13.54%		
Parent Company Statistics							
Interest coverage	0.8X	0.4X	0.6X	0.8X	2.6X	1.0X	1.0X
Interest & dividend coverage	0.5X	0.3X	0.3X	0.4X	1.1X	0.4X	0.4X
Short-term debt coverage	Lge	Lge	Lge	Lge	Lge	Lge	Lge
Total debt coverage	1.0X	1.0X	0.9X	0.8X	0.8X	1.1X	1.4X
Double leverage	127.3%	133.2%	139.8%	142.1%	134.7%	126.8%	126.5%

Chesapeake Financial Shares, Inc.

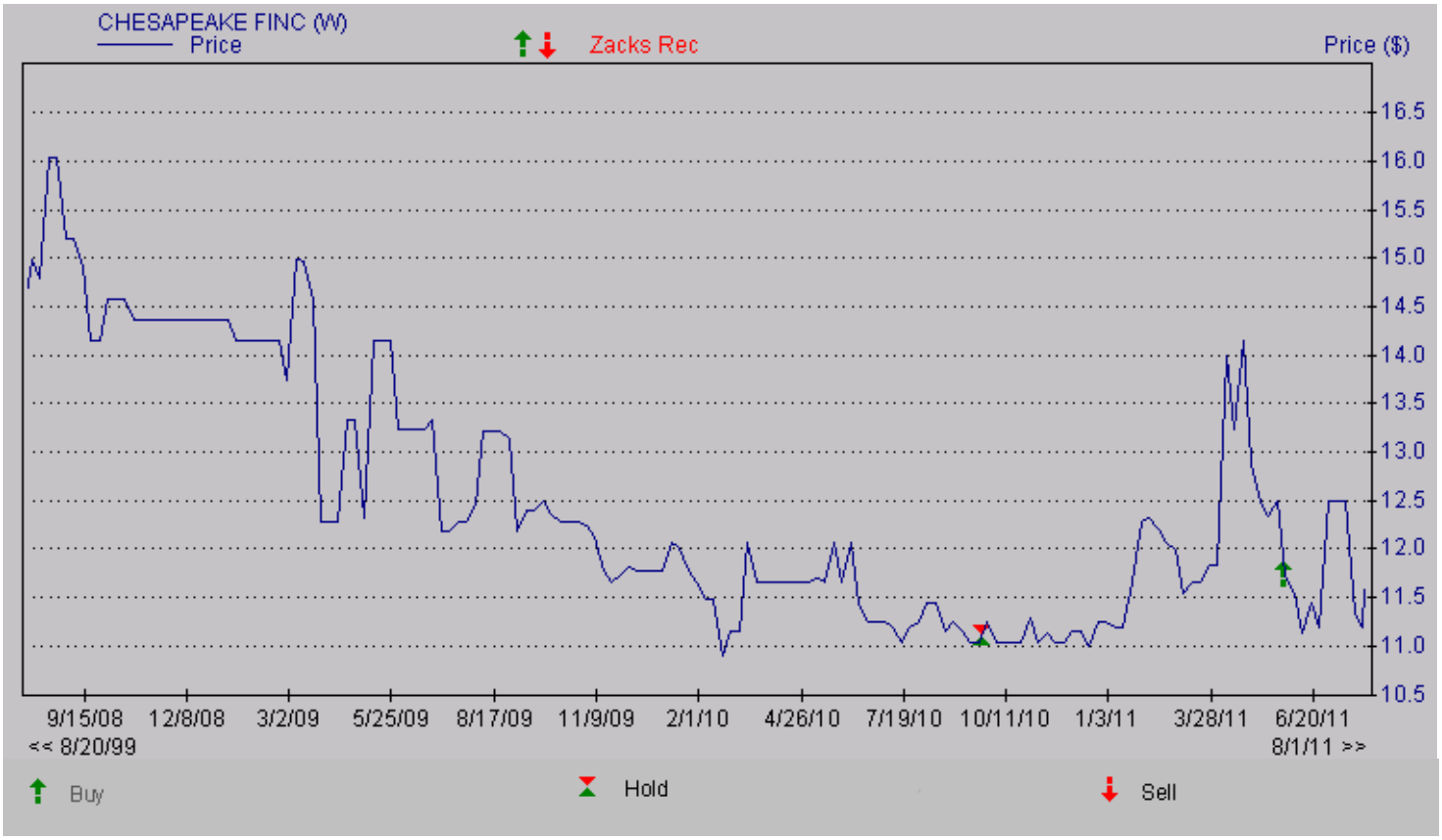
Income Statement and Balance Sheet

(Dollars in millions, except per share data)

	2010				2011			
Summary Financial Data	**Q1 A**	**Q2 A**	**Q3 A**	**Q4 A**	**Q1 A**	**Q2 A**	**Q3 E**	**Q4 E**
Net interest income	5.2	5.5	5.6	5.5	5.8	5.4	5.5	5.6
Non-interest income	3.0	3.1	4.6	3.2	3.0	4.0	3.5	3.5
Total net revenue	8.2	8.6	10.2	8.7	8.9	9.4	9.0	9.1
Loan loss provision	0.2	0.2	1.2	0.9	0.6	0.2	0.1	0.5
Non-interest expense	6.4	6.6	6.3	6.9	6.2	6.5	6.7	7.2
Income taxes & other	0.4	0.5	0.8	(0.1)	0.5	0.6	0.5	0.4
Zacks adjusted income before NRI	1.2	1.3	1.9	1.0	1.5	2.1	1.7	1.0
GAAP net income	1.2	1.3	1.9	1.0	1.5	2.1	1.7	1.0
Diluted EPS before NRI	0.42	0.48	0.71	0.38	0.47	0.63	0.52	0.32
Reported EPS	0.42	0.48	0.71	0.38	0.47	0.63	0.52	0.32
Dividends per share	0.10	0.10	0.11	0.11	0.10	0.10	0.10	0.10
Liquid assets	74.9	73.1	69.2	73.2	68.9	88.4	89.3	90.2
Outstandings, gross	391.5	388.4	387.3	382.3	376.8	376.5	380.3	384.1
Total assets	608.5	604.3	605.1	607.7	602.7	619.6	625.8	632.1
Core deposits	388.6	391.9	390.1	396.2	397.2	415.3	419.5	423.7
Purchased funds	125.4	119.9	117.9	121.7	115.8	112.5	111.9	111.4
Long-term debt	44.5	41.4	40.5	40.0	40.0	39.9	40.0	40.0
Shareholders' equity	36.9	38.2	42.4	41.1	43.6	46.6	47.9	48.7
Profitability								
Return on avg assets*	0.78%	0.88%	1.29%	0.67%	1.01%	1.35%	1.08%	0.66%
Return on avg equity *	12.87%	14.16%	19.29%	9.68%	14.40%	18.28%	14.22%	8.64%
Net interest margin*	4.36%	4.53%	4.54%	4.42%	4.68%	4.33%	4.40%	4.50%
Loan loss provision % avg assets*	0.16%	0.10%	0.78%	0.60%	0.39%	0.13%	0.06%	0.32%
Noninterest income % avg assets*	2.02%	2.02%	3.00%	2.13%	1.99%	2.65%	2.27%	2.24%
Noninterest expense % avg assets*	4.27%	4.35%	4.17%	4.54%	4.13%	4.26%	4.30%	4.59%
Preprovision pretax inc.% avg assets*	1.23%	1.30%	2.54%	1.20%	1.72%	1.92%	1.49%	1.20%
Tangible efficiency ratio	78%	77%	62%	79%	71%	69%	74%	79%
Payout ratio	25%	22%	16%	29%	20%	16%	19%	31%
Asset Quality								
Net charge-offs % avg outstandings*	0.10%	(0.00)%	1.25%	0.59%	0.01%	0.44%	0.32%	0.42%
Allowance % outstandings	1.65%	1.73%	1.74%	1.90%	2.11%	2.06%	2.00%	2.02%
NPAs % loans + OREO	2.46%	2.87%	2.32%	2.00%	1.92%	2.38%	2.19%	2.02%
Allowance % NPAs	67%	60%	74%	94%	92%	85%	91%	100%
Liquidity & Funding								
Liquid assets % purchased funds	60%	61%	59%	60%	60%	79%	80%	81%
Core deposits % outstandings	99%	101%	101%	104%	105%	110%	110%	110%
Liquid assets % assets	12%	12%	11%	12%	11%	14%	14%	14%
Outstandings % assets	64%	64%	64%	63%	63%	61%	61%	61%
Capital Adequacy								
Total equity % assets	6.07%	6.33%	7.01%	6.76%	7.24%	7.52%	7.66%	7.70%
Tangible equity % assets	6.07%	6.33%	7.01%	6.76%	7.24%	7.52%	7.66%	7.70%
Tier 1 capital ratio	10.19%	10.61%	11.58%	12.07%	12.39%	12.04%		
Total capital ratio	11.87%	12.23%	13.11%	13.54%	13.76%	13.30%		

*Annualized.

HISTORICAL ZACKS RECOMMENDATIONS



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