Zacks Small-Cap Research

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Chesapeake Financial Shares, Inc. (CPKF - OTC)

CPKF: Third Quarter Results – Outperform

Current Recommendation	**Outperform**
Prior Recommendation	Neutral
Date of Last Change	05/26/2011
Current Price (11/21/11)	$11.99
Twelve-Month Target Price	**$14.50**

OUTLOOK

We are maintaining our Outperform recommendation and $14.50 target price on Chesapeake Financial Shares, Inc. (CPKF). CPKF reported 2011 third quarter net earnings of $1.8 million, or $0.56 per diluted share, $0.04 better than our $0.52 diluted EPS estimate. This outperformance primarily reflected positive variances in both net interest income and other noninterest expense relative to our third quarter estimates, partially offset by a larger-than-expected loan loss provision. Compared to the year-ago quarter, net income dropped 7% from $1.9 million and diluted EPS fell by 5% from $0.59, with the better EPS performance reflecting share buybacks. The primary reason for 2011's slippage versus 2010's third quarter was a $0.3 million, or 10.8%, increase in total compensation costs to $3.3 million, partly offset by a lower effective tax rate that declined to 24.4% from 26.9%. We are raising our 2011 diluted EPS estimate to $2.00 from $1.94, which represents an 18% gain from the $1.69 earned in 2010. This reflects the overage in the third quarter of $0.04 (actual results came in at $0.56 versus our $0.52 estimate), as well as a $0.01 gain in our fourth quarter EPS estimate to $0.33 from $0.32. We are also increasing our 2012 EPS estimate to $2.10 from $2.05, a 5% gain over our 2011 estimate, with the improvement primarily the result of a 23% decline in the loan loss provision.

SUMMARY DATA

52-Week High	**$14.15**
52-Week Low	**$10.89**
One-Year Return (%)	**12.34**
Beta	**0.13**
Average Daily Volume (sh)	**1,658**
Shares Outstanding (mil)	**3**
Market Capitalization ($mil)	**$39**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**0**
Insider Ownership (%)	**40**
Annual Cash Dividend	**$0.40**
Dividend Yield (%)	**3.34**
5-Yr. Historical Growth Rates	
Net Revenue (%)	**8.1**
Earnings Per Share (%)	**10.5**
Dividend (%)	**7.2**
P/E using TTM EPS	**6.1**
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	**42 of 76**

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	9.2 A	9.1 E	36.6 E
2012					37.4 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	0.56 A	0.33 E	2.00 E
2012					2.10 E

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

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THIRD QUARTER RESULTS

CPKF reported 2011 third quarter net earnings of $1.8 million, or $0.56 per diluted share, $0.04 better than our $0.52 diluted EPS estimate. This outperformance primarily reflected positive variances in both net interest income and other noninterest expense relative to our third quarter estimates, partially offset by a larger-than-expected loan loss provision.

Compared to the year-ago quarter, net income dropped 7% from $1.9 million and diluted EPS fell by 5% from $0.59, with the better EPS performance reflecting share buybacks. The primary reason for 2011's slippage versus 2010's third quarter was a $0.3 million, or 10.8%, increase in total compensation costs to $3.3 million, partly offset by a lower effective tax rate that declined to 24.4% from 26.9%.

We are raising our 2011 diluted EPS estimate to $2.00 from $1.94, which represents an 18% gain from the $1.69 earned in 2010. This reflects the overage in the third quarter of $0.04 (actual results came in at $0.56 versus our $0.52 estimate), as well as a $0.01 gain in our fourth quarter EPS estimate to $0.33 from $0.32.

We are also increasing our 2012 EPS estimate to $2.10 from $2.05, a 5% gain over our 2011 estimate, with the improvement primarily the result of a 23% decline in the loan loss provision.

On October 25, 2011, CPKF announced it was maintaining its $0.10 quarterly dividend, payable on or before December 15, 2011 to shareholders of record as of December 1, 2011. Earlier in the year, CPKF hiked the dividend 9% (4.3% in April and 4.5% in March) and had a a 6-for-5 stock split that occurred in April.

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 2012.

Below we discuss 2011 third quarter results in more depth.

Net Interest Income

Net interest income inched up 0.5% year over year and advanced 5% sequentially to $5.6 million (versus our $5.5 million estimate), due to improvement in the net interest margin to 4.56% (versus our 4.40% estimate) from the 4.33% that occurred in 2011's second quarter. This gain largely reflected a greater-than-expected fall in interest expense as CPKF continued to reduce deposit funding costs. This was partly offset by a a decrease in loans and receivables outstanding of 3% year over year and 1% sequentially due to weak loan demand.

Noninterest Income

Noninterest income dropped $1.0 million, or 23%, year over year to $3.5 million, primarily due to a $0.9 million negative swing in securities gains and losses to a loss of $0.2 million in 2011 from a gain of $0.7 million in the year-ago quarter. Excluding this item, noninterest income was only down 4% as strong growth in ATM and merchant card income (up 6% and 8%, respectively) was offset by losses from OREO expense, a 6% fall in cash flow income, a 10% drop in other noninterest income, and an 11% 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 has been increasing market share as smaller competitors have left this space. 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 decreased 83% to $0.2 million (versus our $0.1 million estimate), as the Company reverted to normal reserve strengthening compared to the outsized $1.2 million provision taken in the year-ago quarter. CPKF increased its loan loss reserves to $6.7 million (1.89% of loans) from $5.6 million (1.54% of loans) at the end of the comparable year-ago quarter, though it was level with the $6.5 million (1.89% of loans) at the end of the previous quarter. As to other asset quality measures, CPKF charged off $58,000 of loans in the third quarter. This compares to net charge-offs of $1.0 million in the prior-year quarter and of net charge-offs of $1.5 million for full-year 2010.

Noninterest Expense

Total noninterest expense rose $0.3 million, or 4%, year over year to $6.6 million (compared to our $6.7 million estimate), as the Company maintained tight control over noncompensation operating expenses.

Net Income

CPKF posted net earnings of $1.8 million (or $0.56 per diluted share), down 5% from the $1.9 million ($0.59 per diluted share) earned in the year-ago quarter. This compares to our $1.7 million net income estimate ($0.52 per diluted share).

Profitability

CPKF posted a 14.9% ROE and 1.16% ROA for the third quarter of 2011, compared to 19.3% and 1.29%, respectively, in the prior-year quarter.

Loans and Asset Quality

Gross loans outstanding dropped about $3 million, or almost 1%, sequentially to $352 million and $14.5 million from the comparable prior-year quarter, reflecting continued weak loan demand. All categories posted sequential declines during the third quarter with the exception of commercial real estate, which grew $6.4 million, or 5%, to $129.2 million.

We expect sequential loan growth of 1% during the fourth quarter of 2011 and annual loan growth of 4% in 2012. CPKF opened a commercial loan production office in Richmond, Virginia in mid-August, which should contribute to additional lending gains for the balance of the year and into 2012.

Asset quality measures improved on a sequential basis, with nonperforming assets (NPAs) decreasing to 2.27% of outstandings + OREO at September 30, 2011 from 2.38% at June 30, 2011. Nonaccrual loans and receivables fell by $0.24 million, or 5%, to $4.3 million at the end of June from $4.6 million at the end of June quarterend, largely due to improvement in the 1-4 family residential portfolio. Other real estate owned (OREO) decreased $0.25 million, or 5%, sequentially to $4.3 million. In total, there was a net decline in nonperforming assets of $0.5 million, or 5%, to $8.6 million.

The loss allowance as a percent of nonperforming assets increased to 92% at the end of the quarter from 85% at the end of June 2011, reflecting a decrease in nonperforming assets and a modest $0.1 million advance in loan loss reserves. Thus, the combined loss allowance for both loans and cash flow receivables increased to $7.9 million, or 2.12% of gross outstandings, from $7.8 million, or 2.06% of gross outstandings, at the end of the June quarter.

Liquidity and Funding

CPKF increased cash by roughly $12 million sequentially during the third quarter, and increased the securities portfolio by over $5 million. The Company continues to emphasize investing in municipal securities, which account for 48% of total securities (up 3 points from 45% a year ago), and US agency

mortgage securities, which account for 34% of total securities (up 2 points from 32% a year ago), while pulling back from private-label mortgage securities, which now represent 18% of the total securities portfolio, down 5 points from 23% at the end of September 2010. 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 improved modestly during the quarter as strong growth in Tier 1 capital was mostly offset by an increase in risk-weighted assets. The Tier 1 capital ratio rose 5 basis points sequentially to 12.09% at the end of 2011's third quarter from 12.04% at June 30, 2011, and the Total capital ratio increased 4 basis points to 13.34% from 13.30%. Importantly, both of these remain well above the well-capitalized standard as established by federal regulators.

Total shareholders' equity increased $3.8 million during the third quarter, due to a combination of $1.5 million growth in retained earnings and a $2.3 million gain in accumulated comprehensive income to $3.9 million at the end of the third quarter from $1.6 million at the end of the second 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 third quarter, by $1.17 per share to $15.42 from $14.25.

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.

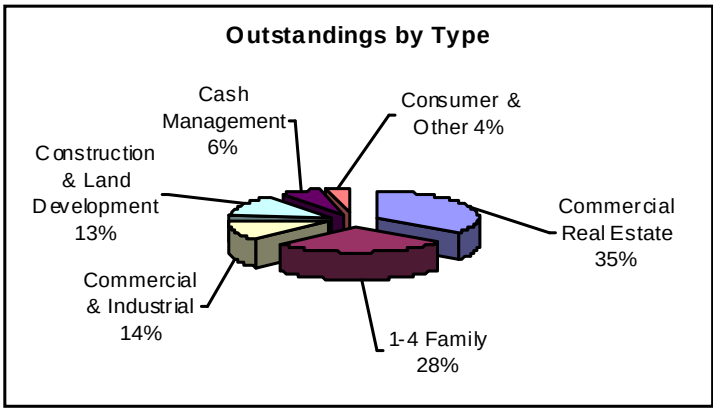
OVERVIEW

Chesapeake Financial Shares, Inc. (CPKF or the Company) is a bank holding company headquartered in Kilmarnock, Virginia, with $631 million in total assets at September 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 $306 million in assets (as of the end of the third 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.

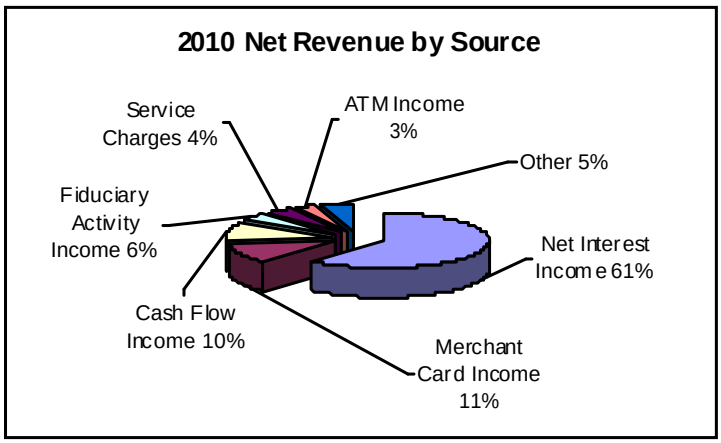


Clear Sky accounts, which offer internet-based retail deposit services for checking and saving accounts and certificates of deposit (CDs), expands CPKF's retail deposit base geographically. At September 30, 2011, Clear Sky deposits totalled $50 million, with customers in all 50 states.

Through Chesapeake's secondary market mortgage banking operation, the Company services a $175 million loan portfolio (as of September 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 September 30, 2011, the lending book consisted of commercial real estate (accounting for 35% of total gross outstandings), 1-4 family (28%), commercial and industrial (14%), construction and land development (13%), 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, and US agency mortgage obligations, represent about 16% of total assets and 34% of the securities portfolio. In addition, the available-for-sale portfolio includes municipal and private label mortgage securities, which currently account for 48% and 18%, respectively, of the total. Core deposits represented 79% of total deposits at September 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 outperformed the industry, with a year-to-date price gain of 6.6% compared to a 0.6% gain 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 48% in 2011 (versus 49% at the time of our last report on October 28, 2011) and of 44% in 2012 (compared to 44% October 28, 2011), based upon our CPKF EPS estimates. This is in excess of the average 44% P/E discount for CPKF, based upon 5-year historical P/E averages.

Turning to Price/Tangible Book Value, CPKF is valued at 0.83X versus the industry median of 0.72X. This represents a 15% premium, well below the average historical premium of 19% 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 19% 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 almost 24%, 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	**6.6**	**6.4**	**6.0**	**5.7**	**9.4**	**0.83**	**14.1**	**14.1**	**1.04**	**0.92**	**3.3**
S&P 500	(5.1)	16.2	12.4	11.6	18.0	3.7	25.6	-----	9.6	-----	2.2
Median	**0.6**	**12.1**	**11.6**	**10.2**	**16.7**	**0.72**	**6.1**	**4.5**	**0.58**	**0.35**	**0.4**
Average	(1.7)	18.9	13.3	15.2	20.5	0.7	4.5	2.6	0.56	0.33	1.5
High	43.3	116.0	41.1	133.0	42.5	1.3	23.2	12.4	2.31	2.41	6.1
Low	(70.9)	4.8	4.6	4.9	12.0	0.1	(71.8)	(32.9)	(1.81)	(1.88)	-----

*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	22.5	22.9
Non-interest income	11.6	13.5	15.0	14.1	13.8	14.1	14.5
Total net revenue	25.9	28.0	31.5	33.0	35.6	36.6	37.4
Loan loss provision	0.8	0.2	0.4	0.9	2.5	1.5	1.2
Non-interest expense	19.6	21.8	25.0	25.9	26.2	26.5	27.2
Income taxes & other	1.5	1.7	1.5	1.4	1.5	2.1	2.1
Zacks adjusted income before NRI	4.0	4.3	4.6	4.8	5.4	6.5	6.9
GAAP net income	4.0	4.3	4.6	4.8	5.4	6.5	6.9
Diluted EPS before NRI	1.12	1.24	1.34	1.48	1.69	2.00	2.10
Reported EPS	1.12	1.24	1.34	1.48	1.69	2.00	2.10
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	100.8	104.9
Outstandings, gross	319.4	361.6	396.2	391.3	382.3	376.6	391.9
Total assets	418.1	483.0	538.0	586.7	607.7	637.8	663.7
Core deposits	295.2	308.8	317.0	370.0	396.2	427.1	444.4
Purchased funds	73.7	80.0	115.9	126.7	121.7	112.0	116.5
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	50.9	55.7
Profitability							
Return on avg assets	0.98%	0.97%	0.89%	0.84%	0.90%	1.04%	1.05%
Return on avg equity	13.58%	13.68%	13.51%	13.14%	13.03%	13.85%	12.86%
Net interest margin	4.20%	4.10%	4.00%	4.10%	4.40%	4.52%	4.45%
Loan loss provision % avg assets	0.21%	0.04%	0.08%	0.16%	0.41%	0.24%	0.18%
Noninterest income % avg assets	2.88%	3.01%	2.91%	2.45%	2.28%	2.27%	2.23%
Noninterest expense % avg assets	4.86%	4.87%	4.84%	4.51%	4.31%	4.29%	4.18%
Preprovision pretax income % avg assets	1.54%	1.39%	1.26%	1.24%	1.56%	1.62%	1.57%
Tangible efficiency ratio	76%	78%	79%	78%	73%	73%	73%
Payout ratio	24%	23%	25%	24%	21%	20%	19%
Asset Quality							
Net charge-offs % avg outstandings	0.28%	0.04%	0.27%	0.34%	0.48%	0.22%	0.31%
Allowance % outstandings	1.55%	1.50%	1.43%	1.59%	1.90%	2.14%	2.09%
NPAs % loans + OREO	1.00%	0.61%	0.35%	1.20%	2.00%	2.19%	1.92%
Allowance % NPAs	154%	245%	411%	131%	94%	97%	108%
Liquidity & Funding							
Liquid assets % purchased funds	72%	73%	39%	46%	60%	90%	90%
Core deposits % outstandings	92%	85%	80%	95%	104%	113%	113%
Liquid assets % assets	13%	12%	8%	10%	12%	16%	16%
Outstandings % assets	76%	75%	74%	67%	63%	59%	59%
Capital Adequacy							
Total equity % assets	7.41%	6.97%	5.68%	6.01%	6.76%	7.98%	8.39%
Tangible equity % assets	7.41%	6.97%	5.68%	6.01%	6.76%	7.98%	8.39%
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%	121.5%	123.4%

Chesapeake Financial Shares, Inc.

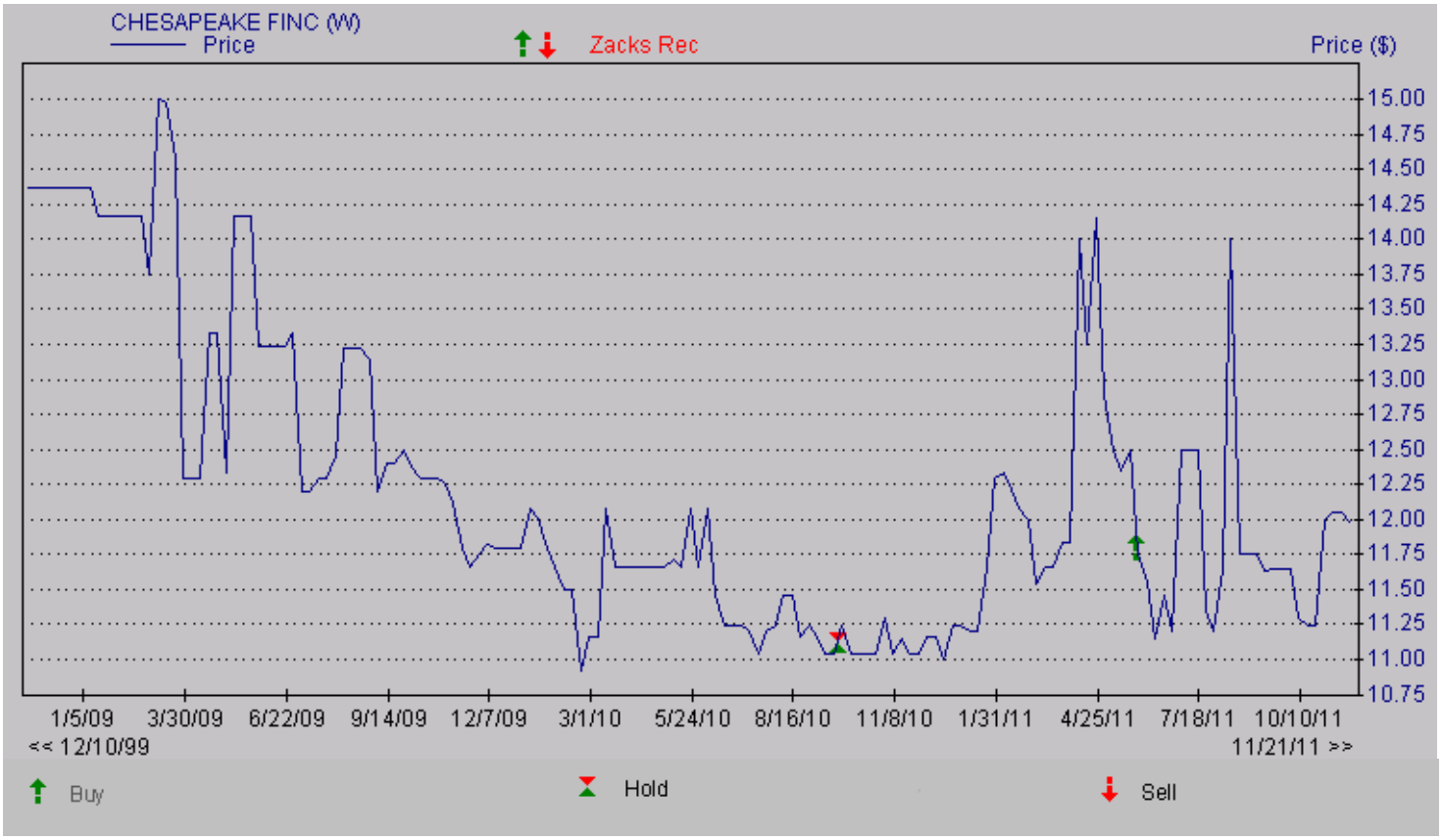
Income Statement and Balance Sheet

(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 A**	**Q4 E**
Net interest income	5.2	5.5	5.6	5.5	5.8	5.4	5.7	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	9.2	9.1
Loan loss provision	0.2	0.2	1.2	0.9	0.6	0.2	0.2	0.5
Non-interest expense	6.4	6.6	6.3	6.9	6.2	6.5	6.6	7.2
Income taxes & other	0.4	0.5	0.8	(0.1)	0.5	0.6	0.6	0.3
Zacks adjusted income before NRI	1.2	1.3	1.9	1.0	1.5	2.1	1.8	1.1
GAAP net income	1.2	1.3	1.9	1.0	1.5	2.1	1.8	1.1
Diluted EPS before NRI	0.42	0.48	0.71	0.38	0.47	0.63	0.56	0.33
Reported EPS	0.42	0.48	0.71	0.38	0.47	0.63	0.56	0.33
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	99.8	100.8
Outstandings, gross	391.5	388.4	387.3	382.3	376.8	376.5	372.9	376.6
Total assets	608.5	604.3	605.1	607.7	602.7	619.6	631.5	637.8
Core deposits	388.6	391.9	390.1	396.2	397.2	415.3	422.9	427.1
Purchased funds	125.4	119.9	117.9	121.7	115.8	112.5	112.5	112.0
Long-term debt	44.5	41.4	40.5	40.0	40.0	39.9	39.8	40.0
Shareholders' equity	36.9	38.2	42.4	41.1	43.6	46.6	50.4	50.9
Profitability								
Return on avg assets*	0.78%	0.88%	1.29%	0.67%	1.01%	1.35%	1.16%	0.67%
Return on avg equity *	12.87%	14.16%	19.29%	9.68%	14.40%	18.28%	14.91%	8.41%
Net interest margin*	4.36%	4.53%	4.54%	4.42%	4.68%	4.33%	4.56%	4.50%
Loan loss provision % avg assets*	0.16%	0.10%	0.78%	0.60%	0.39%	0.13%	0.13%	0.32%
Noninterest income % avg assets*	2.02%	2.02%	3.00%	2.13%	1.99%	2.65%	2.25%	2.20%
Noninterest expense % avg assets*	4.27%	4.35%	4.17%	4.54%	4.13%	4.26%	4.20%	4.55%
Preprovision pretax inc.% avg assets*	1.23%	1.30%	2.54%	1.20%	1.72%	1.92%	1.66%	1.20%
Tangible efficiency ratio	78%	77%	62%	79%	71%	69%	72%	79%
Payout ratio	25%	22%	16%	29%	20%	16%	18%	30%
Asset Quality								
Net charge-offs % avg outstandings*	0.10%	(0.00)%	1.25%	0.59%	0.01%	0.44%	-----	0.43%
Allowance % outstandings	1.65%	1.73%	1.74%	1.90%	2.11%	2.06%	2.12%	2.14%
NPAs % loans + OREO	2.46%	2.87%	2.32%	2.00%	1.92%	2.38%	2.28%	2.19%
Allowance % NPAs	67%	60%	74%	94%	92%	85%	92%	97%
Liquidity & Funding								
Liquid assets % purchased funds	60%	61%	59%	60%	60%	79%	89%	90%
Core deposits % outstandings	99%	101%	101%	104%	105%	110%	113%	113%
Liquid assets % assets	12%	12%	11%	12%	11%	14%	16%	16%
Outstandings % assets	64%	64%	64%	63%	63%	61%	59%	59%
Capital Adequacy								
Total equity % assets	6.07%	6.33%	7.01%	6.76%	7.24%	7.52%	7.98%	7.98%
Tangible equity % assets	6.07%	6.33%	7.01%	6.76%	7.24%	7.52%	7.98%	7.98%
Tier 1 capital ratio	10.19%	10.61%	11.58%	12.07%	12.39%	12.04%	12.09%	
Total capital ratio	11.87%	12.23%	13.11%	13.54%	13.76%	13.30%	13.34%	

*Annualized.

HISTORICAL ZACKS RECOMMENDATIONS



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