Zacks Small-Cap Research

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Chesapeake Financial Shares, Inc. (CPKF - OTC)

CPKF: Fourth Quarter Results – Neutral

Current Recommendation	**Neutral**
Prior Recommendation	N/A
Date of Last Change	09/21/2010
Current Price (04/08/11)	$14.00
Six- Month Target Price	**$14.75**

OUTLOOK

We are maintaining our Neutral rating on Chesapeake Financial Shares, Inc. (CPKF). CPKF reported 2010 fourth quarter diluted EPS of $0.38, down 17% from $0.45 posted in the year-ago quarter, and compares to our estimate of $0.49. Following a reclassification attendant upon the issuance of the annual report, there were several variances from our estimate. On the negative side, the loan loss provision was $0.9 million, higher than our estimate of $0.6 million, OREO expense was $0.4 million versus our estimate of zero, and other noninterest expense was $2.0 million compared to our estimate of $1.4 million. This was partially offset by a $0.1 million income tax credit compared to our estimate of $0.5 million in income taxes, as CPKF reversed previous income tax overaccruals in the prior three quarters, and cash flow loss provision of zero versus our estimate of $0.5 million, as asset quality stabilized in this portfolio. For the year, CPKF earned $5.4 million, or $2.03 per diluted share, up 13% from the $4.8 million, or $1.77 per diluted share, posted in 2009. This year-over-year gain primarily stemmed from a 15% rise in net interest income and modest 1% growth in noninterest expense, partly offset by a 178% increase in the loan loss provision to $2.5 million. We are maintaining our 2011 diluted earnings per share estimate at $2.25. Modest loan growth (up 2% year over year) and declining loss provisions will be hampered by moderating net interest margins. CPKF recently raised its quarterly dividend by 4.5% to $0.115 from $0.11 and has increased its annual dividend payment every year since 1992.

SUMMARY DATA

52-Week High	**$14.80**
52-Week Low	**$13.07**
One-Year Return (%)	**6.99**
Beta	**0.12**
Average Daily Volume (sh)	**314**
Shares Outstanding (mil)	**3**
Market Capitalization ($mil)	**$38**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**0**
Insider Ownership (%)	**40**
Annual Cash Dividend	**$0.46**
Dividend Yield (%)	**3.29**
5-Yr. Historical Growth Rates	
Net Revenue (%)	**8.1**
Earnings Per Share (%)	**10.5**
Dividend (%)	**7.2**
P/E using TTM EPS	**6.9**
P/E using 2010 Estimate	**6.9**
P/E using 2011 Estimate	**6.2**
Zacks Rank	**3**

Risk Level	**Average**
Type of Stock	**Small-Value**
Industry	**Banks-Southeast**
Zacks Rank in Industry	**38 of 79**

ZACKS ESTIMATES

Net Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2008	7.6 A	8.0 A	8.0 A	7.9 A	31.5 A
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	8.8 E	9.0 E	9.2 E	9.1 E	36.1 E

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

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2008	0.34 A	0.49 A	0.38 A	0.39 A	1.60 A
2009	0.33 A	0.41 A	0.53 A	0.45 A	1.77 A
2010	0.42 A	0.48 A	0.71 A	0.38 A	2.03 A
2011	0.57 E	0.59 E	0.66 E	0.42 E	2.25 E

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

FOURTH QUARTER RESULTS

CPKF reported 2010 fourth quarter net earnings of $1.0 million, down 20% from the $1.3 million reported in the year-ago quarter, while diluted EPS decreased 17% to $0.38 from $0.45, with the better EPS performance reflecting share buybacks. This compares to our fourth quarter estimate of $0.49.

There was a reclassification from the financial statements released in January to the annual report after it was issued in March. This adjustment moved OREO expense of $0.4 million to a separate line item in the noninterest income portion of the income statement from other noninterest expense. We note this change had no impact on net income or earnings per share.

Following this reclassification, there were five main reasons for the variance from our estimate. On the negative side, the loan loss provision was $0.9 million, higher than our estimate of $0.6 million, OREO expense was $0.4 million versus our estimate of zero, and other noninterest expense was $2.0 million compared to our estimate of $1.4 million. This was partially offset by a $0.1 million income tax credit compared to our estimate of $0.5 million in income taxes, as CPKF reversed previous income tax overaccruals in the prior three quarters, and cash flow loss provision of zero versus our estimate of $0.5 million, as asset quality stabilized in this portfolio.

For the year, CPKF earned $5.4 million, or $2.03 per diluted share, up 13% from the $4.8 million, or $1.77 per diluted share, posted in 2009. This year-over-year gain primarily stemmed from a 15% rise in net interest income to $21.8 million due to a 30 basis-point increase in the net interest margin to 4.40% (average outstandings were flat) and modest 1% growth in noninterest expense, largely due to a sharply lower cash flow loss provision, which fell $0.7 million, or 74%, to $0.3 million. This was partly offset by a 178% increase in the loan loss provision to $2.5 million.

CPKF recently raised its quarterly dividend by 4.5% to $0.115 from $0.11, paid on March 15, 2011 to shareholders of record on March 1, 2011. This means CPKF has increased its annual dividend payment every year since 1992.

<u>Net Interest Income</u>
Net interest income was flat year over year at $5.5 million (the same as our estimate), as a 7% increase in average interest-earning assets due to growth in the securities portfolio was offset by a 29 basis-point decrease in the net interest margin to 4.42% (versus our 4.55% estimate). The lower net interest margin primarily reflected reduced yields on both the loan and securities portfolios.

<u>Noninterest Income</u>
Noninterest income fell 5% to $3.2 million (and was well below our $3.7 million estimate), principally the result of $0.4 million in OREO expense as CPKF management wrote down the collateral values on a handful properties in the fourth quarter.

Positively, the Company experienced strong growth in merchant card income, which rose $0.2 million year over year, or 25%, to $1.1 million as CPKF added more companies to its system and processed higher volume, and in ATM income, which increased 13% to $0.26 million. These gains were partially offset by a 20% slide in services charges on deposit accounts to $0.3 million, hurt by changes in federal regulations, and a 16% drop in cash flow income, the result of reduced lending volumes (average receivables down 27% year over year) due to weak demand.

<u>Loss Provisions</u>
The loan loss provision more than doubled, rising to $0.9 million (compared to our $0.6 million estimate), while the cash flow loss provision dropped sharply to $0.0 million (versus our $0.5 million estimate).

Net charge-offs for the loan portfolio jumped to $0.4 million, or 0.44% of average loans (annualized), from $0.26 million, or 0.29% of average loans (annualized), in the comparable 2009 quarter. For the cash flow portfolio, net charge-offs decreased to $0.2 million, or 3.28% of average cash flow receivables (annualized), from $0.7 million, or 10.81% of average cash flow receivables (annualized). On a combined basis including both loans and receivables, net charge-offfs were $0.6 million, or 0.59% of average outstandings (annualized), compared to $1.0 million, or 1.02% of average outstandings (annualized), in the comparable year-ago quarter.

Noninterest Expense

Noninterest expense fell 3% year over year to $6.8 million, the same as our estimate. A $0.4 million increase in occupancy expense was more than offset by a $0.5 million decline in the cash flow loss provision. The Company's efficiency ratio improved, declining to 79.1% compared to 80.3% in 2009's fourth quarter.

Net Income

CPKF posted net earnings of $1.0 million (or $0.38 per diluted share), down 20% from the $1.3 million ($0.45 per diluted share) earned in the year-ago quarter. This compares to our $1.3 million net income estimate ($0.49 per diluted share).

Profitability

CPKF posted a 9.7% ROE and 0.67% ROA for the fourth quarter of 2010, compared to 14.2% and 0.87%, respectively, in the prior-year quarter, largely due to lower net income.

Loans and Asset Quality

Loans plus receivables fell 1% on a sequential basis to $384 million during the fourth quarter, as an 11% decline in construction and land development loans to $57 million and an 8% fall in commercial and industrial loans to $52 million was offset by a 10% gain in commercial real estate loans to $128 million.

Asset quality measures improved markedly on a sequential basis, with nonperforming assets (NPAs) decreasing to 2.00% of outstandings + OREO at December 31, 2010 from 2.32% at September 30, 2010. While nonaccrual loans and receivables rose by 3% to $4.5 million at the end of December from $4.4 million at September 2010 quarterend, foreclosures decreased by one-third to $3.2 million from $4.7 million, for a net drop in nonperforming assets of $1.4 million.

The loss allowance as a percent of nonperforming assets increased to 94% at the end of the quarter from 74% at the end of September 2010, principally reflecting a decline in nonperforming assets. In addition, regulators are pressuring banks in general to strengthen loss reserves. Thus, the combined loss allowance for both loans and cash flow receivables increased to $7.3 million, or 1.90% of gross outstandings, from $6.2 million, or 1.59% of gross outstandings, at the end of the prior-year quarter.

In a development related to a new standard issued by the Financial Accounting Standards Board, the Company has improved disclosure regarding the performance of its loan portfolio. There are now five loan categories: Pass/Watch – loans performing satisfactorily; Special Mention – loans requiring close management attention; Substandard – loans inadequately protected by obligor paying capacity or collateral values; Doubtful – loan collection is improbable; and Loss – loan is not collectible. At December 31, 2010, CPKF 's loan portfolio divided 94.1% Pass/Watch, 3.3% Special Mention, 2.0% Substandard, 0.6% Doubtful, and 0.0% Loss. At this point, there is no way to estimate migration from one loan category to the next (for example, from Substandard to Doubtful), since there is no history upon which to base it, though this may occur over time as more data is collected.

Liquidity and Funding

CPKF increased cash by roughly $6 million sequentially during the fourth quarter, while the securities portfolio was flat. The Company continues to emphasize investing in municipal securities, which account for 47% of total securities (up 9 points from 38% a year ago), while pulling back from private-label mortgage securities, which now represent 22% of the total securities portfolio, down 9 points from 31% at the end of 2009. CPKF's liquidity and funding ratios were modestly better in the fourth quarter.

Capital Adequacy and Dividends

The Company's capital adequacy ratios improved during the quarter. The Tier 1 capital ratio jumped 49 basis points to 12.07% at the end of 2010's fourth quarter from 11.58% at September 30, 2010, and the Total capital ratio increased 43 basis points to 13.54% from 13.11%, largely due to growth in retained earnings.

Total shareholders' equity decreased $1.3 million during the fourth quarter, despite a $0.8 million gain in retained earnings, due to a $2.3 million negative swing in accumulated comprehensive income to a loss of $0.9 million at the end of the fourth quarter from a gain of $1.4 million at the end of the third quarter. This was the result of losses in the fair value of the securities portfolio, about two-thirds of which related to municipal securities and the balance to private-label mortgages. Reflecting this, tangible book value per share also dropped during the fourth quarter, by $0.44 per share to $15.10 from $15.54.

CPKF recently raised its quarterly dividend by 4.5% to $0.115 from $0.11, paid on March 15, 2011 to shareholders of record on March 1, 2011. This means CPKF has increased its annual dividend payment every year since 1992.

OVERVIEW

Chesapeake Financial Shares, Inc. (CPKF or the Company) is a bank holding company headquartered in Kilmarnock, Virginia, with $608 million in total assets at December 31, 2010. 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 $302 million in assets 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.

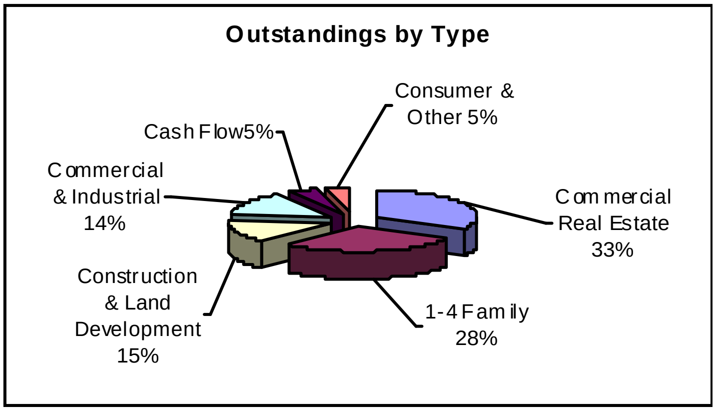
Chesapeake Payment Systems offers merchant processing services such as credit card and debit card processing, electronic benefits transfers, and loyalty and gift card processing to companies involved in travel, entertainment, restaurant, hospitality, retail, mail order, and e-commerce. At yearend 2010, 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.

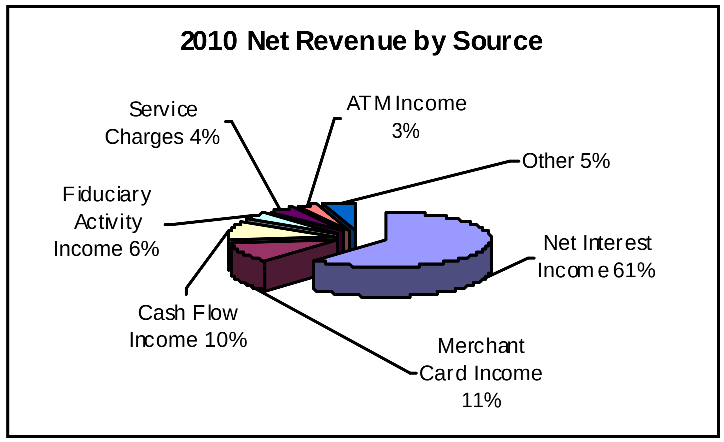
Clear Sky accounts, which offer internet-based retail deposit services for checking and saving accounts and certificates of deposit (CDs), expands CPKF's retail deposit base geographically. At 2010 yearend, Clear Sky deposits totalled $50 million, with customers in all 50 states.

Through Chesapeake's secondary market mortgage banking operation, the Company services a $169 million loan portfolio 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 at the left. At December 31, 2010, the lending book consisted of commercial real estate (accounting for 33% of total gross outstandings), 1-4 family (28%), construction and land development (15%), commercial and industrial (14%), cash flow (5%), and consumer and other (5%). 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, resale agreements, trading account assets, US Treasuries, and US agency mortgage obligations, represent about 12% of total assets and 31% of the securities portfolio. In addition, the available-for-sale portfolio includes municipal and private label mortgage securities, which currently account for 47% and 22%, respectively, of the total. Core deposits represented 77% of total deposits at December 31, 2010, with certificates of deposit larger than $100,000 at 23%.



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 3.7% compared to a median increase of 1.9% for banks in the Zacks small-cap bank index, as shown in the following table. At its current price, CPKF is trading at a discount to the industry median P/E of 59% in 2011, based upon our CPKF EPS estimate. This is far in excess of the average 39% P/E discount for CPKF, based upon 5-year historical P/E averages.

Turning to Price/Tangible Book Value, which is the valuation favored by most investors at present, CPKF is valued at 0.92X versus the industry median of 0.78X. This represents an 18% premium, the same as the average historical premium of 18% for CPKF since the end of 2005. We believe this premium is justified given CPKF's strong performance throughout the financial crisis, as well as our expectations for continued growth in EPS in 2011, its strong profitability measures, and its solid dividend yield.

Applying the 0.92X ratio to our estimated book value for CPKF six months out results in a price target of approximately $14.75. This is down from our prior $15.50 target price due to a reduction in book value per share in 2010's fourth quarter, upon which our estimates were based. Combined with the dividend yield, this represents a total return of about 7%, roughly in line with our expectations for broader U.S. equity market gains during this period. Therefore, we recommend a Neutral on CPKF shares.

Industry Comparables- Small-cap Banks

	Pr Chg YTD	TTM* EPS	Price / Earnings Ratios 2011E	2012E	5-Yr Avg	Price/ Book	Return on Equity TTM*	5-Yr Avg	Return on Assets TTM*	5-Yr Avg	Div Yld
Chesapeake Finc'l	**3.7**	**6.9**	**6.2**		**9.8**	**0.9**	**13.0**	**14.0**	**0.90**	**0.91**	**3.3**
S&P 500	5.6	18.1	14.3	13.2	17.8	3.7	23.0	-----	9.8	-----	1.9
Median	**1.9**	**16.8**	**14.4**	**13.2**	**16.1**	**0.8**	**4.5**	**4.4**	**0.36**	**0.34**	**-----**
Average	6.2	24.9	17.2	12.7	19.9	0.8	(1.6)	1.5	0.07	0.31	1.3
High	84.6	195.0	49.5	23.9	45.2	2.5	15.8	15.8	2.03	2.56	6.6
Low	(65.7)	6.0	6.5	5.8	10.2	0.1	(52.9)	(29.4)	(4.24)	(1.69)	-----

*Trailing twelve months

Chesapeake Financial Shares, Inc.

Income Statement and Balance Sheet

(Dollars in millions, except per share data)

Summary Financial Data	**12/05**	**12/06**	**12/07**	**12/08**	**12/09**	**12/10**	**12/11 E**
Net interest income	14.2	14.3	14.5	16.5	18.9	21.8	21.4
Non-interest income	9.9	11.6	13.5	15.0	14.1	13.8	14.7
Total net revenue	24.1	25.9	28.0	31.5	33.0	35.6	36.1
Loan loss provision	1.0	0.8	0.2	0.4	0.9	2.5	1.2
Non-interest expense	18.2	19.6	21.8	25.0	25.9	26.2	26.6
Income taxes & other	1.2	1.5	1.7	1.5	1.4	1.5	2.3
Zacks adjusted income before NRI	3.7	4.0	4.3	4.6	4.8	5.4	6.0
GAAP net income	3.7	4.0	4.3	4.6	4.8	5.4	6.0
Diluted EPS before NRI	1.23	1.34	1.49	1.60	1.77	2.03	2.25
Reported EPS	1.23	1.34	1.49	1.60	1.77	2.03	2.25
Dividends per share	0.30	0.32	0.35	0.41	0.42	0.43	0.46
Liquid assets	37.2	52.9	58.4	45.4	57.8	73.2	76.2
Outstandings, gross	299.9	319.4	361.6	396.2	391.3	382.3	390.0
Total assets	382.7	418.1	483.0	538.0	586.7	607.7	632.4
Core deposits	275.9	295.2	308.8	317.0	370.0	396.2	412.7
Purchased funds	52.7	73.7	80.0	115.9	126.7	121.7	120.0
Long-term debt	16.7	11.6	44.4	65.5	47.4	40.0	45.0
Shareholders' equity	28.6	31.0	33.7	30.6	35.3	41.1	45.9
Profitability							
Return on avg assets	0.98%	0.98%	0.97%	0.89%	0.84%	0.90%	0.97%
Return on avg equity	13.69%	13.58%	13.68%	13.51%	13.14%	13.03%	13.85%
Net interest margin	4.80%	4.20%	4.10%	4.00%	4.10%	4.40%	4.31%
Loan loss provision % avg assets	0.26%	0.21%	0.04%	0.08%	0.16%	0.41%	0.19%
Noninterest income % avg assets	2.62%	2.88%	3.01%	2.91%	2.45%	2.28%	2.37%
Noninterest expense % avg assets	4.83%	4.86%	4.87%	4.84%	4.51%	4.31%	4.29%
Preprovision pretax income % avg assets	1.57%	1.54%	1.39%	1.26%	1.24%	1.56%	1.52%
Tangible efficiency ratio	75%	76%	78%	79%	78%	73%	74%
Payout ratio	25%	24%	23%	25%	24%	21%	20%
Asset Quality							
Net charge-offs % avg outstandings	0.15%	0.28%	0.04%	0.27%	0.34%	0.48%	0.36%
Allowance % outstandings	1.60%	1.55%	1.50%	1.43%	1.59%	1.90%	1.87%
NPAs % loans + OREO	1.42%	1.00%	0.61%	0.35%	1.20%	2.00%	1.84%
Allowance % NPAs	113%	154%	245%	411%	131%	94%	101%
Liquidity & Funding							
Liquid assets % purchased funds	71%	72%	73%	39%	46%	60%	63%
Core deposits % outstandings	92%	92%	85%	80%	95%	104%	106%
Liquid assets % assets	10%	13%	12%	8%	10%	12%	12%
Outstandings % assets	78%	76%	75%	74%	67%	63%	62%
Capital Adequacy							
Total equity % assets	7.47%	7.41%	6.97%	5.68%	6.01%	6.76%	7.26%
Tangible equity % assets	7.47%	7.41%	6.97%	5.68%	6.01%	6.76%	7.26%
Tier 1 capital ratio	10.98%	11.10%	10.80%	10.60%	10.10%	12.07%	
Total capital ratio	12.45%	12.50%	15.50%	12.50%	11.70%	13.54%	
Parent Company Statistics							
Interest coverage	1.1X	0.8X	0.4X	0.6X	0.8X	2.6X	1.0X
Interest & dividend coverage	0.9X	0.5X	0.3X	0.3X	0.4X	1.1X	0.4X
Short-term debt coverage	Lge	Lge	Lge	Lge	Lge	Lge	Lge
Total debt coverage	1.0X	1.0X	1.0X	0.9X	0.8X	0.8X	1.0X
Double leverage	124.5%	127.3%	133.2%	139.8%	142.1%	134.7%	133.8%

Chesapeake Financial Shares, Inc.

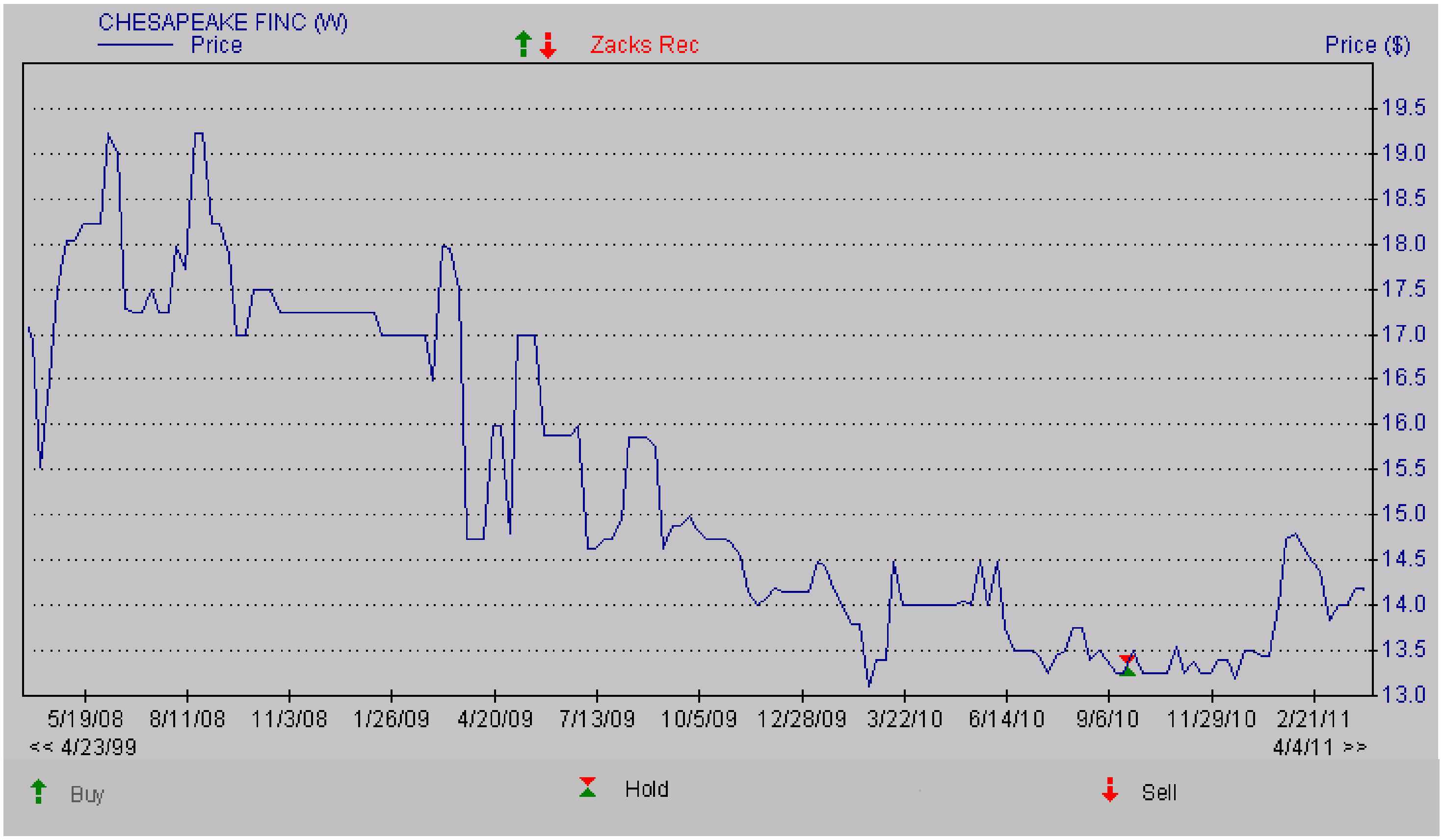
Income Statement and Balance Sheet

(Dollars in millions, except per share data)

	2010				2011			
Summary Financial Data	**Q1 A**	**Q2 A**	**Q3 A**	**Q4 A**	**Q1 E**	**Q2 E**	**Q3 E**	**Q4 E**
Net interest income	5.2	5.5	5.6	5.5	5.3	5.4	5.3	5.3
Non-interest income	3.0	3.1	4.6	3.2	3.5	3.6	3.9	3.8
Total net revenue	8.2	8.6	10.2	8.7	8.8	9.0	9.2	9.1
Loan loss provision	0.2	0.2	1.2	0.9	0.3	0.3	0.3	0.3
Non-interest expense	6.4	6.6	6.3	6.9	6.4	6.5	6.5	7.2
Income taxes & other	0.4	0.5	0.8	(0.1)	0.6	0.6	0.6	0.5
Zacks adjusted income before NRI	1.2	1.3	1.9	1.0	1.5	1.6	1.8	1.1
GAAP net income	1.2	1.3	1.9	1.0	1.5	1.6	1.8	1.1
Diluted EPS before NRI	0.42	0.48	0.71	0.38	0.57	0.59	0.66	0.42
Reported EPS	0.42	0.48	0.71	0.38	0.57	0.59	0.66	0.42
Dividends per share	0.10	0.10	0.11	0.11	0.12	0.12	0.12	0.12
Liquid assets	74.9	73.1	69.2	73.2	73.9	74.7	75.4	76.2
Outstandings, gross	391.5	388.4	387.3	382.3	384.2	386.1	388.0	390.0
Total assets	608.5	604.3	605.1	607.7	613.8	619.9	626.1	632.4
Core deposits	388.6	391.9	390.1	396.2	400.6	404.6	408.6	412.7
Purchased funds	125.4	119.9	117.9	121.7	120.0	120.0	120.0	120.0
Long-term debt	44.5	41.4	40.5	40.0	40.0	40.0	45.0	45.0
Shareholders' equity	36.9	38.2	42.4	41.1	42.3	43.6	45.1	45.9
Profitability								
Return on avg assets*	0.78%	0.88%	1.29%	0.67%	1.00%	1.03%	1.13%	0.72%
Return on avg equity *	12.87%	14.16%	19.29%	9.68%	14.69%	14.84%	15.89%	10.00%
Net interest margin*	4.36%	4.53%	4.54%	4.42%	4.35%	4.35%	4.30%	4.25%
Loan loss provision % avg assets*	0.16%	0.10%	0.78%	0.60%	0.20%	0.19%	0.19%	0.19%
Noninterest income % avg assets*	2.02%	2.02%	3.00%	2.13%	2.29%	2.32%	2.48%	2.37%
Noninterest expense % avg assets*	4.27%	4.35%	4.17%	4.54%	4.19%	4.22%	4.18%	4.58%
Preprovision pretax inc.% avg assets*	1.23%	1.30%	2.54%	1.20%	1.59%	1.59%	1.74%	1.17%
Tangible efficiency ratio	78%	77%	62%	79%	72%	73%	71%	80%
Payout ratio	25%	22%	16%	29%	20%	19%	18%	27%
Asset Quality								
Net charge-offs % avg outstandings*	0.10%	(0.00)%	1.25%	0.59%	0.31%	0.31%	0.41%	0.41%
Allowance % outstandings	1.65%	1.73%	1.74%	1.90%	1.91%	1.91%	1.89%	1.87%
NPAs % loans + OREO	2.46%	2.87%	2.32%	2.00%	1.98%	1.94%	1.89%	1.84%
Allowance % NPAs	67%	60%	74%	94%	96%	98%	99%	101%
Liquidity & Funding								
Liquid assets % purchased funds	60%	61%	59%	60%	62%	62%	63%	63%
Core deposits % outstandings	99%	101%	101%	104%	104%	105%	105%	106%
Liquid assets % assets	12%	12%	11%	12%	12%	12%	12%	12%
Outstandings % assets	64%	64%	64%	63%	63%	62%	62%	62%
Capital Adequacy								
Total equity % assets	6.07%	6.33%	7.01%	6.76%	6.90%	7.04%	7.20%	7.26%
Tangible equity % assets	6.07%	6.33%	7.01%	6.76%	6.90%	7.04%	7.20%	7.26%
Tier 1 capital ratio	10.19%	10.61%	11.58%	12.07%				
Total capital ratio	11.87%	12.23%	13.11%	13.54%				

*Annualized.

HISTORICAL ZACKS RECOMMENDATIONS



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