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Zacks Small-Cap Research

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Chesapeake Financial Shares, Inc. (CPKF-OTC)

CPKF: Another Great Quarter Leads to Record 2017 Earnings

We have chosen the $32.75 midpoint of the range of values based upon CPKF's 2018 P/E of $33.00 and forward Price/Tangible Book Value of $32.50 as our new valuation.

Current Price (03/07/18)	$29.77
Valuation	**$32.75**

OUTLOOK

We are increasing our 2018 diluted EPS estimate by $0.13, raising our estimate to $2.30 from $2.17. Our 2018 EPS estimate represents a 6% advance over 2017's diluted EPS of $2.17. We expect strong loan growth and robust advances in merchant card income from higher volumes to drive this growth. CPKF's fourth quarter net earnings rose $0.5 million year over year, or 34%, to $1.8 million, while 2017's fourth quarter diluted EPS increased by $0.11, or 33%, to $0.44 from $0.33 posted a year ago. This was much better than our estimate, which had called for flat net earnings to $1.4 million (off by $0.5 million) and flat diluted EPS at $0.33 (off by $0.11). The primary factors behind the difference between reported results and our estimate were: (1) other miscellaneous income was $0.6 million more than our projection due to a one-time insurance adjustment; (2) merchant card income was $0.1 million higher than our estimate; and (3) compensation costs were $0.5 million less than anticipated. The major reasons for the fourth quarter's $0.5 million increase in net earnings versus the prior-year quarter were a $2.1 million, or 17%, advance in net revenues due to higher net interest income (up $0.5 million) and larger noninterest income (up $1.5 million due to income derived from merchant card and cash flow activities, as well as other miscellaneous income), partly offset by a $0.8 million, or 8%, rise in total noninterest expense, mostly from greater merchant card, occupancy, and other miscellaneous expense. CPKF paid a 4% dividend increase in 2017, having increased its annual dividend payment every year for the past twenty-six years since 1991. In 2017 for the tenth consecutive year, CPKF has been included in the American Banker magazine listing of the "Top 200 Community Banks" in the United States.

SUMMARY DATA

52-Week High	**$31.00**
52-Week Low	**$21.35**
One-Year Return (%)	**41.18**
Beta	**0.16**
Average Daily Volume (sh)	**630**
Shares Outstanding (mil)	**4**
Market Capitalization ($mil)	**$121**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**0**
Insider Ownership (%)	**40**
Annual Cash Dividend	**$0.52**
Dividend Yield (%)	**1.75**
5-Yr. Historical Growth Rates	
Sales (%)	**7.0**
Earnings Per Share (%)	**2.3**
Dividend (%)	**6.3**
P/E using TTM EPS	**13.7**
P/E using 2018 Estimate	**12.9**
P/E using 2019 Estimate	**N/A**
Zacks Rank	**N/A**

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

ZACKS ESTIMATES

Net Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2015	9.8 A	10.6 A	11.1 A	10.8 A	42.3 A
2016	10.5 A	11.2 A	11.9 A	11.9 A	45.5 A
2017	12.2 A	13.3 A	14.0 A	13.9 A	53.4 A
2018					57.3 E

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

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2015	0.47 A	0.54 A	0.40 A	0.22 A	1.64 A
2016	0.48 A	0.46 A	0.43 A	0.33 A	1.71 A
2017	0.63 A	0.48 A	0.61 A	0.44 A	2.17 A
2018					2.30 E

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

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FOURTH QUARTER

CPKF's fourth quarter net earnings rose $0.5 million year over year, or 34%, to $1.8 million, while 2017's fourth quarter diluted EPS increased by $0.11, or 33%, to $0.44 from $0.33 posted a year ago.

This was much better than our estimate, which had called for flat net earnings to $1.4 million (off by $0.5 million) and flat diluted EPS at $0.33 (off by $0.11).

The primary factors behind the difference between reported results and our estimate were: (1) other miscellaneous income was $0.6 million more than our projection due to a one-time insurance adjustment; (2) merchant card income was $0.1 million higher than our estimate; and (3) compensation costs were $0.5 million less than anticipated. This was partly offset by a $0.3 million loss on securities sales and occupancy expense and merchant card expense that each came in $0.1 million more than we had expected.

The major reasons for the fourth quarter's $0.5 million increase in net earnings versus the prior-year quarter were a $2.1 million, or 17%, advance in net revenues due to higher net interest income (up $0.5 million) and larger noninterest income (up $1.5 million due to income derived from merchant card and cash flow activities, as well as other miscellaneous income), partly offset by a $0.8 million, or 8%, rise in total noninterest expense, mostly from greater merchant card, occupancy, and other miscellaneous expense.

For the year, CPKF posted record net income of $8.9 million, or $2.17 per diluted share, up 27% from the $7.0 million, or $1.71 per diluted share, posted in 2016.

Primary contributors to this result were an $8.0 million, or 18%, gain in net revenues from a $1.6 million, or 6%, rise in net interest income, and a $6.4 million, or 31%, advance in noninterest income, primarily the result of higher merchant card ($3.6 million), cash flow ($0.6 million), and other miscellaneous income ($1.7 million). These positives were partly offset by a $4.4 million, or 12%, increase in total noninterest expense, largely stemming from a $0.8 million rise in compensation costs, a $3.0 million increase in merchant card expense, and a $0.4 million advance in other miscellaneous expense. In addition, the loan loss provision jumped $400,000 to $950,000 from $550,000 in the prior year.

We are increasing our 2018 diluted EPS estimates by $0.13, raising our estimate to $2.30 from $2.17. Our 2018 EPS estimate represents a $0.13, or 6%, advance over 2017's diluted EPS of $2.17. We expect strong loan growth and robust advances in merchant card income from higher volumes to drive this growth.

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

We estimate that loan growth of 8% in 2018 will offset a declining net interest margin (down about 3 basis points to 4.25% in 2018). Increased compensation costs and higher expenses related to the expansion of the merchant card business will temper these gains.

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

Chesapeake Bank also recently garnered a top ranking in the American Banker's list of "Best Banks to Work for" in 2017, earning a #34 spot out of the 75 banks listed.

CPKF opened a new branch in a retirement community in November in Richmond, VA. It is CPKF's fifth venture into the retirement center market, which it finds attractive due to opportunities to grow both the deposit gathering and investment management businesses.

In other news, the ABA (American Bankers Association) elected Jeffrey M. Szyperski as Chairman Elect during the ABA Annual Convention, held October 15-17 in Chicago.

On July 21, 2017, Chesapeake Financial Shares, Inc. approved a 4% increase in the quarterly dividend rate to $0.13 per share from $0.125 per share, paid on September 15, 2017. Notably, CPKF has increased the annual dividend payment every year for the past twenty-six years since 1991.

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

Net Interest Income

Net interest income increased $0.5 million, or 9%, year over year in the fourth quarter to $6.7 million (the same as our estimate), as a 9% increase in average interest-earning assets was partly offset by a net interest margin of 4.28% that was 2 basis points lower than the 4.30% earned in the year-ago quarter, and was also 2 basis points below our 4.30% NIM estimate.

We are maintaining our NIM estimate for 2018 of 4.25%.

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

Noninterest Income

Noninterest income increased $1.5 million, or 27%, year over year to $7.2 million ($0.4 million more than the $6.8 million we had projected), largely due to strong growth in merchant card income (up $0.9 million, or 35%), cash flow income (up $0.1 million, or 13%), and a $0.5 million, or 53%, gain in other miscellaneous income, partly offset by a $0.1 million increase in the net loss on securities sales.

CPKF recently expanded its merchant card processing operations. Thus, 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 increased by $63,000 to $125,000 from $62,000 in the year-ago quarter and was $75,000 below our estimate. Loan loss reserves fell $0.5 million year over year to $4.5 million (0.92% of loans), which was above the third quarter's loss reserve of $4.4 million, or 0.91%, of loans, but below the $5.0 million (1.11% of loans) posted in the year-ago quarter.

Including the loss allowance for cash flow receivables, the total loss allowance rose to $6.1 million (1.17% of loans plus cash flow receivables) from $6.0 million (1.16% of loans plus cash flow receivables) at the end of the previous quarter, but was below the $6.4 million (1.34% of loans plus cash flow receivables) at the end of the comparable year-ago quarter.

As to other asset quality measures, CPKF recorded net charge-offs of $13,000 in the fourth quarter. This compares to a net recovery of $129,000 in the year-ago quarter and net charge-offs of $1,464,000 for the full year in 2017.

We are estimating that the loss provision will decrease by $250,000 to $700,000 in 2018 from $950,000 actual in 2017.

We project that the total loss allowance will fall from 1.17% of total loans plus receivables at the end of 2017 to 1.09% at yearend 2018.

Noninterest Expense

Noninterest expense advanced $0.8 million, or 8%, to $11.2 million ($0.3 million less than the $11.5 million we had projected) from the prior-year quarter, primarily reflecting greater merchant card expense (up $0.9 million, or 7%), occupancy (up $0.2 million, or 22%), and other miscellaneous expense (up $0.2 million , or 11%), partly offset by a $0.4 million, or 8%, decline in total compensation costs.

The efficiency ratio improved, declining to 78.9% from 87.5% in the year-ago quarter, but deteriorated slightly from the second quarter's 78.2%.

We project that compensation costs will increase from $18.6 million actual in 2017 to $19.8 million in 2018. Our estimate of noncompensation costs is $24.6 million in 2018, compared to $22.5 million actual in 2017. In total, we believe that the efficiency ratio will stabilze at about the 77% level in 2018.

Income Taxes

The Company had 28.9% effective tax rate in the fourth quarter, an increase from 2.0% in the year-ago quarter. This compares to our estimate of an effective tax rate of 20.6%.

We are increasing our estimate of the effective tax rate in 2018 to 21.3% from 20.6%. This compares to a full-year effective tax rate of 21.3% in 2017.

Net Income

CPKF's fourth quarter net earnings rose $0.5 million year over year, or 34%, to $1.8 million, while 2017's fourth quarter diluted EPS increased by $0.11, or 33%, to $0.44 from $0.33 posted a year ago.

This was much better than our estimate, which had called for flat net earnings to $1.4 million (off by $0.5 million) and flat diluted EPS at $0.33 (off by $0.11).

Profitability

CPKF posted a 8.5% ROE and 0.94% ROA for the fourth quarter of 2017, compared to 6.9% and 0.76%, respectively, in the prior-year quarter.

Loans and Asset Quality

Gross loans increased $37 million, or 8%, year over year, and rose $7 million, or 1%, sequentially to $491 million.

By category, commercial real estate increased $8.6 million, or 4%, to $206 million; commercial and industrial rose $3.3 million, or 5%, to $68 million; construction and land development loans gained $2.7 million, or 5%, to $53 million; and consumer advanced by $1.0 million, or 10%, to $11 million. Negatively, 1-4 family loans fell $6.0 million, or 5%, to $119 million; other loans declined by $2.2 million, or 6%, to $33 million; and cash management receivables slipped by $0.4 million, or 1%, to $33 million.

We estimate combined loan and receivables growth of 8% in 2018. This compares to actual growth of 9% in loans and receivables in full-year 2017.

Asset quality measures overall were mixed during the fourth quarter. Total nonperforming assets rose $0.3 million to $9.1 million from $8.8 million sequentially. Restructured loans increased $0.7 million, to $0.7 million, and other real estate owned increased $0.5 million, or 17%, to $3.2 million. Positively, nonaccrual loans decreased by $0.9 million, or 14%, to $5.2 million.

In total, nonperforming assets (NPAs), including troubled debt restructurings that are current in payments, increased 4 basis points to 1.73% of outstandings + OREO at December 31, 2017 from 1.69%

of outstandings + OREO at September 30, 2017, and decreased 48 basis points year over year from 2.21%.

The loss allowance as a percent of nonperforming assets was flat at 68% sequentially, as improvement in the loss reserve for loans and cash flow receivables was offset by a slight worseing in nonperforming assets.

Liquidity and Funding

Cash and equivalents decreased by $4 million to $17 million at the end of the fourth quarter, while the securities portfolio fell $2 million, or 1%, to $202 million. By category the private-label mortgage securities portfolio rose $4 million to $28 million, while the municipal securities portfolio fell by $1 million to $141 million and US government-related securities declined $5 million to $33 million.

On a relative basis, the private-label mortgage securities portfolio was 14% of the entire available-for-sale securities portfolio, US government-related securities were 16%, and the municipal securities portfolio was 70%.

CPKF's liquidity ratios were sightly worse compared to the previous quarter. At December 31, 2017, liquid assets represented 6% of total assets (8% at the end of the third quarter) and covered purchased funds by 95% (down from 104%), while loans plus receivables accounted for 67% of total assets (up from 66% at September 30, 2017).

Core deposits rose by $5 million sequentially to $632 million and funded 121% of loans and receivables.

Capital Adequacy and Dividends

The Company's capital adequacy ratios decreased slightly during the fourth quarter, reflecting growth in risk assets. The Tier 1 capital ratio fell 8 basis points sequentially to 14.35% at the end of 2017's fourth quarter from 14.43% at September 30, 2017, while the Total capital ratio dropped 7 basis points, falling to 15.37% from 15.44%.

Total shareholders' equity gained $1.5 million during the fourth quarter, as a $0.5 million advance in retained earnings added to a $0.8 million increase in unrealized gains on securities available for sale plus $0.2 million of other capital increases.

Reflecting these factors plus an 8,000 increase in common shares outstanding, tangible book value per share increased during the fourth quarter, by $0.32 per share to $21.32 from $21.00. The total equity to total assets ratio rose, increasing by 18 basis points to 11.05% from 10.87%, as the growth in total common shareholders' equity outpaced a minor gain in total assets.

OVERVIEW

Chesapeake Financial Shares, Inc. (CPKF or the Company) is a financial holding company headquartered in Kilmarnock, Virginia, with $785 million in total assets at December 31, 2017. CPKF is predominantly a small business lender with 14 branch offices and one loan production office that serve customers in the eastern region of Virginia between the Potomac and James Rivers. CPKF, which began as Lancaster National Bank on April 13, 1900, has a long history and strong ties with the communities it serves.

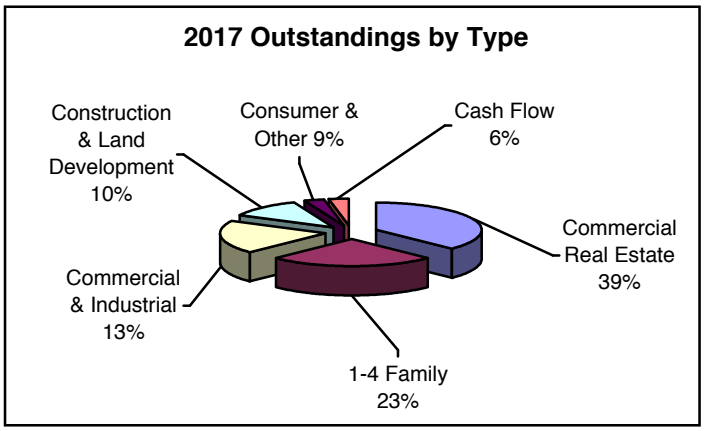
Operations are carried on through Chesapeake Bank, a state-chartered bank as well as Federal Reserve and FDIC member bank, and Chesapeake Wealth Management (formerly Chesapeake Investment Group, Inc.), an independent wealth management firm that manages about $425 million in assets (at 2017 yearend) through 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 2017, Chesapeake Payment Systems had 668 direct merchants in its system and processed over $406 million in merchant card transactions. In addition, Chesapeake Payment Systems has also partnered with three independent sales organizations (ISOs) to expand its processing footprint.

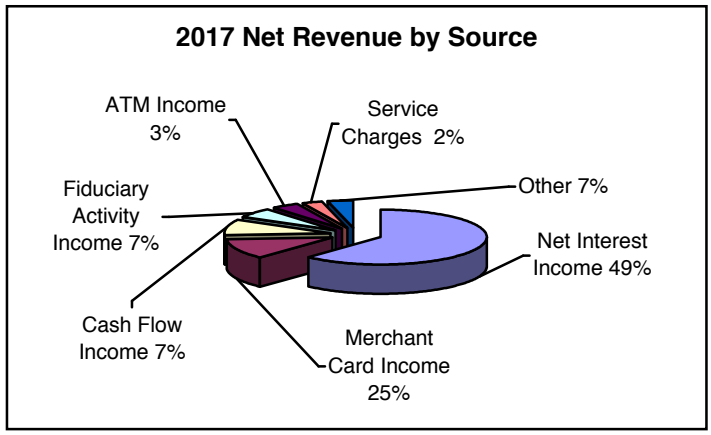
The Cash Flow program, which provides an attractive financing option to growing businesses, involves the purchase of the client company's accounts receivables. The Cash Flow program is currently offered in the Eastern half of the United States and had 71 customers at the end of 2017.

Through Chesapeake's secondary market mortgage banking operation, the Company services a $229 million loan portfolio (as of December 31, 2017) of residential mortgage loans for Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac), for which it earns a 25 basis-point fee (approximately $562,000 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 $697,000 to revenues in 2017 (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, 2017, the lending book consisted of commercial real estate (accounting for 39% of total gross outstandings), 1-4 family (23%), commercial and industrial (13%), construction and land development (10%), consumer and other (9%), 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, 2017, the liquidity portfolio, which consists of cash, short-term investments, federal funds sold, and US agency mortgage obligations, represented about 6% of total assets and 16% of the securities portfolio. In addition, the available-for-sale portfolio includes municipal and private label mortgage securities, which accounted for 70% and 14%, respectively, of the total. Core deposits represented 94% of total deposits at December 31, 2017, with certificates of deposit larger than $250,000 at 6%.



In 2017, net interest income contributed 49% of net revenue, with a significant 51% coming from noninterest income sources. Major contributors to noninterest income include merchant card income (25% of net revenues), cash flow income (7%), income from fiduciary activities (7%), ATM income (3%), and service charges on deposit accounts (2%).

VALUATION

CPKF stock is down 0.8% year to date, a bit worse than the 3.3% median price gain for the small-cap bank industry, as well as the 2.0% price increase for the S&P 500, as shown in the following table.

At its current price, CPKF is trading at a discount to the industry median P/E of 10% in 2018, based upon our current CPKF EPS estimate for 2018. Assuming a small-cap bank industry valuation of 14.3X for 2018, CPKF's target price based upon our 2018 EPS estimate is about $33.00.

Turning to Price/Tangible Book Value, CPKF is currently valued at 1.40X. Assuming a similar multiple based upon our estimated book value twelve months out, our target price is about $32.50, which compares to CPKF's current book value of $21.32.

We have chosen the $32.75 midpoint of the range of values based upon CPKF's 2018 P/E of $33.00 and forward Price/Tangible Book Value of $32.50 as our new valuation.

Industry Comparables - Small-cap Banks

	Pr Chg YTD	EPS TTM*	EPS 2018E	EPS 2019E	ROE TTM*	ROE 5-Yr Avg	ROA TTM*	ROA 5-Yr Avg	Div Yld
Chesapeake Finc'l	**(0.8)**	**13.7**	**12.9**		**10.4**	**12.9**	**1.12**	**1.33**	**1.7**
S&P 500	2.0	23.0	18.2	16.5			8.5		1.9
Median	**3.3**	**17.7**	**14.3**	**12.8**	**9.3**	**9.1**	**1.00**	**0.93**	**1.8**
Average	3.8	19.3	14.4	12.6	9.5	8.6	1.0	0.8	1.8
High	14.9	81.4	16.9	14.0	18.1	14.2	1.4	1.3	3.5
Low	(7.5)	12.5	12.1	10.7	2.7	(7.7)	0.3	(0.8)	-----

*Trailing twelve months

Chesapeake Financial Shares, Inc.

Income Statement and Balance Sheet

(Dollars in millions, except per share data)

Summary Financial Data	**12/12**	**12/13**	**12/14**	**12/15**	**12/16**	**12/17P**	**12/18E**
Net interest income	23.1	23.3	23.1	23.4	24.5	26.0	27.5
Non-interest income	15.0	15.7	14.6	18.9	21.0	27.4	29.8
Total net revenue	38.1	39.0	37.7	42.3	45.5	53.4	57.3
Loan loss provision	0.6	1.1	0.6	0.2	0.5	0.9	0.7
Non-interest expense	27.8	29.8	30.5	34.1	36.7	41.1	44.4
Income taxes & other	2.0	1.5	0.8	1.3	1.3	2.5	2.6
Zacks adjusted income before NRI	7.7	6.6	5.8	6.7	7.0	8.9	9.6
GAAP net income	7.7	7.4	6.5	7.4	7.0	8.9	9.6
Diluted EPS before NRI	1.94	1.66	1.43	1.64	1.71	2.17	2.30
Reported EPS	1.94	1.84	1.62	1.82	1.71	2.17	2.30
Dividends per share	0.38	0.43	0.45	0.47	0.49	0.51	0.53
Liquid assets	92.1	89.9	62.8	43.2	40.6	50.6	51.5
Outstandings, gross	397.6	401.0	410.4	439.0	481.4	523.7	566.9
Total assets	667.7	661.8	663.2	679.1	720.8	785.2	817.1
Core deposits	459.0	467.2	480.5	489.1	522.3	632.4	658.0
Purchased funds	118.4	105.3	82.4	92.4	97.4	53.1	54.0
Long-term debt	26.0	25.9	20.6	21.1	16.1	5.2	15.0
Shareholders' equity	60.9	61.8	70.6	76.0	77.9	86.8	94.1
Profitability							
Return on avg assets	1.19%	1.01%	0.87%	0.99%	0.99%	1.17%	1.20%
Return on avg equity	14.87%	10.74%	9.14%	9.08%	8.89%	10.78%	10.58%
Net interest margin	4.60%	4.60%	4.60%	4.38%	4.38%	4.28%	4.25%
Loan loss provision % avg assets	0.09%	0.17%	0.09%	0.04%	0.08%	0.12%	0.09%
Noninterest income % avg assets	2.33%	2.40%	2.20%	2.80%	2.96%	3.58%	3.72%
Noninterest expense % avg assets	4.32%	4.55%	4.61%	5.08%	5.17%	5.36%	5.55%
Preprovision pretax income % avg assets	1.60%	1.41%	1.09%	1.21%	1.23%	1.61%	1.61%
Tangible efficiency ratio	71%	75%	81%	82%	81%	77%	78%
Payout ratio	19%	23%	28%	26%	29%	24%	23%
Asset Quality							
Net charge-offs % avg outstandings	0.18%	0.29%	0.14%	0.26%	0.31%	0.29%	0.15%
Allowance % outstandings	1.88%	1.75%	1.88%	1.51%	1.34%	1.17%	1.09%
NPAs % loans + OREO	4.93%	5.20%	4.20%	3.09%	2.21%	1.73%	1.40%
Allowance % NPAs	38%	33%	45%	49%	60%	68%	77%
Liquidity & Funding							
Liquid assets % purchased funds	78%	85%	76%	47%	42%	95%	95%
Core deposits % outstandings	115%	117%	117%	111%	108%	121%	116%
Liquid assets % assets	14%	14%	9%	6%	6%	6%	6%
Outstandings % assets	60%	61%	62%	65%	67%	67%	69%
Capital Adequacy							
Total equity % assets	9.12%	9.34%	10.65%	11.19%	10.81%	11.05%	11.52%
Tangible equity % assets	9.12%	9.34%	10.65%	11.19%	10.81%	11.05%	11.52%
Tier 1 capital ratio	13.55%	14.23%	14.69%	13.95%	14.16%	14.35%	
Total capital ratio	14.80%	15.48%	15.94%	15.19%	15.30%	15.37%	
Parent Company Statistics							
Interest coverage	4.4X	9.2X	27.3X	61.5X	9.6X	7.5X	7.5X
Interest & dividend coverage	1.5X	1.5X	3.7X	3.5X	0.5X	1.2X	1.2X
Short-term debt coverage	Lge	Lge	Lge	Lge	Lge	Lge	Lge
Total debt coverage	0.9X	1.0X	0.9X	1.1X	1.2X	0.9X	0.9X
Double leverage	121.7%	119.7%	109.3%	101.7%	102.6%	102.7%	10.2%

Chesapeake Financial Shares, Inc.

Income Statement and Balance Sheet

(Dollars in millions, except per share data)

	2016				2017			
Summary Financial Data	**Q1 A**	**Q2 A**	**Q3 A**	**Q4 A**	**Q1 A**	**Q2 A**	**Q3 A**	**Q4 P**
Net interest income	6.1	6.1	6.1	6.2	6.2	6.5	6.6	6.7
Non-interest income	4.4	5.1	5.8	5.7	6.0	6.8	7.4	7.2
Total net revenue	10.5	11.2	11.9	11.9	12.2	13.3	14.0	13.9
Loan loss provision	0.1	0.4	0.1	0.1	0.2	0.5	0.2	0.1
Non-interest expense	8.0	8.6	9.7	10.4	8.8	10.5	10.6	11.2
Income taxes & other	0.4	0.3	0.3	0.0	0.6	0.3	0.7	0.8
Zacks adjusted income before NRI	2.0	1.9	1.8	1.4	2.6	2.0	2.5	1.8
GAAP net income	2.0	1.9	1.8	1.4	2.6	2.0	2.5	1.8
Diluted EPS before NRI	0.48	0.46	0.43	0.33	0.63	0.48	0.61	0.44
Reported EPS	0.48	0.46	0.43	0.33	0.63	0.48	0.61	0.44
Dividends per share	0.12	0.12	0.13	0.13	0.13	0.13	0.13	0.13
Liquid assets	48.1	48.9	52.2	40.6	48.1	59.8	59.6	50.6
Outstandings, gross	450.7	463.9	476.6	481.4	494.9	515.7	516.7	523.7
Total assets	692.7	707.6	718.9	720.8	744.6	784.7	784.1	785.2
Core deposits	504.3	504.8	518.8	522.3	585.9	626.6	627.8	632.4
Purchased funds	90.0	100.2	86.3	97.4	49.1	56.8	57.4	53.1
Long-term debt	15.4	15.3	25.3	16.1	21.0	10.2	5.2	5.2
Shareholders' equity	77.6	80.9	80.8	77.9	80.7	83.6	85.3	86.8
Profitability								
Return on avg assets*	1.15%	1.09%	1.00%	0.76%	1.42%	1.04%	1.28%	0.94%
Return on avg equity *	10.26%	9.61%	8.80%	6.93%	13.12%	9.72%	11.92%	8.54%
Net interest margin*	4.46%	4.42%	4.30%	4.30%	4.26%	4.33%	4.31%	4.28%
Loan loss provision % avg assets*	0.04%	0.21%	0.04%	0.03%	0.10%	0.25%	0.09%	0.06%
Noninterest income % avg assets*	2.57%	2.90%	3.26%	3.17%	3.29%	3.55%	3.76%	3.69%
Noninterest expense % avg assets*	4.68%	4.90%	5.44%	5.78%	4.81%	5.47%	5.43%	5.72%
Preprovision pretax inc.% avg assets*	1.44%	1.50%	1.22%	0.81%	1.88%	1.47%	1.71%	1.38%
Tangible efficiency ratio	76%	77%	83%	88%	72%	79%	78%	79%
Payout ratio	25%	26%	29%	37%	20%	26%	21%	29%
Asset Quality								
Net charge-offs % avg outstandings*	0.42%	0.83%	0.11%	(0.11)%	(0.00)%	1.07%	0.08%	0.01%
Allowance % outstandings	1.40%	1.24%	1.31%	1.34%	1.34%	1.13%	1.16%	1.17%
NPAs % loans + OREO	2.77%	2.45%	2.23%	2.21%	2.22%	1.84%	1.69%	1.73%
Allowance % NPAs	50%	50%	58%	60%	60%	61%	68%	68%
Liquidity & Funding								
Liquid assets % purchased funds	54%	49%	60%	42%	98%	105%	104%	95%
Core deposits % outstandings	112%	109%	109%	108%	118%	122%	121%	121%
Liquid assets % assets	7%	7%	7%	6%	6%	8%	8%	6%
Outstandings % assets	65%	66%	66%	67%	66%	66%	66%	67%
Capital Adequacy								
Total equity % assets	11.20%	11.43%	11.24%	10.81%	10.84%	10.66%	10.87%	11.05%
Tangible equity % assets	11.20%	11.43%	11.24%	10.81%	10.84%	10.66%	10.87%	11.05%
Tier 1 capital ratio	14.09%	14.31%	14.28%	14.16%	14.31%	14.04%	14.43%	14.35%
Total capital ratio	15.25%	15.36%	15.41%	15.30%	15.48%	15.02%	15.44%	15.37%

*Annualized.

HISTORICAL STOCK PRICE



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