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Zacks Small-Cap Research

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Ann H. Heffron, CFA, CPA
312-265-9428
aheffron@zacks.com

scr.zacks.com

10 S. Riverside Plaza, Chicago, IL 60606

Chesapeake Financial Shares, Inc. (CPKF-OTCQX)

CPKF: Raising EPS Estimates for 2022 and 2023

We have chosen the $29.25 midpoint of the range of values based upon CPKF's 2023 P/E of $26.50 and forward Price/Tangible Book Value of $32.00 as our new valuation.

Current Price (09/02/22)	$26.35
Valuation	**$29.25**

OUTLOOK

We are raising our diluted EPS estimate for 2022 by $0.11, to $3.01 from $2.90, primarily reflecting better-than-expected results in the second quarter. We note our 2022 diluted EPS estimate is still 3% below 2021's diluted EPS of $3.11. The main reasons for the EPS decline in 2022 reflect the winding down of the PPP, a loss provision compared to a credit in 2021, and a drop in mortgage banking income, partly offset by a strong turnaround in the cash management business. We are increasing our diluted EPS estimate for 2023 by a penny from $3.10 to $3.11, a 3% gain over our revised 2022 EPS estimate of $3.01. We expect most operations to post solid improvement in 2023, with the exception of mortgage banking, which should experience some pressure due to rising interest rates. Loan demand appears to be moderating somewhat from the first half's strong pace, and we are reducing our estimate of loan growth in 2022 from 8% to 6%, while maintaining our estimate of 5% growth in 2023. The net interest margin will decline significantly in 2022 due to the loss of PPP fee income and experience lesser erosion in 2023. We are maintaining our loan loss provision estimates for 2022 and 2023, as asset quality continues strong. CPKF just increased the quarterly dividend by 7% to $0.15 per share from $0.14 per share, and has raised its annual dividend payment every year for the past thirty years since 1991. In 2022 for the fifteenth consecutive year, CPKF was included in the American Banker magazine list of the "Top 200 Community Banks".

SUMMARY DATA

52-Week High	**$31.00**
52-Week Low	**$25.00**
One-Year Return (%)	**-7.94**
Beta	**0.66**
Average Daily Volume (sh)	**550**
Shares Outstanding (mil)	**5**
Market Capitalization ($mil)	**$124**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**4**
Insider Ownership (%)	**40**
Annual Cash Dividend	**$0.60**
Dividend Yield (%)	**2.28**
5-Yr. Historical Growth Rates	
Net Revenue (%)	**9.1**
Earnings Per Share (%)	**16.9**
Dividend (%)	**5.4**
P/E using TTM EPS	**8.9**
P/E using 2022 Estimate	**8.8**
P/E using 2023 Estimate	**8.5**
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)
2020	13.3 A	12.2 A	13.7 A	13.9 A	53.1 A
2021	15.5 A	15.3 A	15.3 A	14.4 A	60.5 A
2022	15.5 A	16.0 A	14.6 E	14.9 E	61.0 E
2023					63.0 E

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

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2020	0.68 A	0.42 A	0.69 A	0.61 A	2.40 A
2021	1.08 A	0.82 A	0.78 A	0.42 A	3.11 A
2022	0.90 A	0.86 A	0.69 E	0.56 E	3.01 E
2023					3.11 E

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

SECOND QUARTER

CPKF's second quarter net earnings increased $0.1 million, or 2%, year over year to $4.1 million, while 2022's second quarter diluted EPS rose by $0.04, or 5%, to $0.86 from $0.82 posted a year ago.

This was better than our estimate, which had called for a $0.6 million decrease in net earnings to $3.4 million and a $0.10 decline in diluted EPS to $0.72.

We note that last year's second quarter benefitted from the inclusion of $660,000 of Paycheck Protection Program fees, which this quarter did not.

The main factors behind the difference between actual results and our estimate were: (1) net interest income was $0.5 million higher than our estimate due to a larger-than-expected net interest margin of 3.64% (versus our 3.40% estimate); (2) merchant services income was $0.3 million higher than expected and (3) other miscellaneous income was $0.2 million more than projected. These positives were partly offset by: (1) other miscellaneous expense that was $0.1 million more than projected and (2) income tax expense that was $0.2 million larger than our estimate due greater pretax earnings and a higher effective tax rate.

The major reasons for the second quarter's $0.1 million, or 2%, increase in net earnings versus the prior-year quarter were a $0.7 million, or 0.5%, rise in net revenues, as a $1.1 million, or 12%, gain in net interest income was partly offset by a $0.4 million, or 7%, decrease in other noninterest income. In addition, noninterest expense was $1.0 million more than last year's second quarter due to greater compensation costs (up $0.8 million) and growth in other miscellaneous expense of $0.2 million. Income tax payments were $0.4 million less than those a year ago due to lower pretax earnings and a much lower effective tax rate that was 7.0 points below last year's 23.2%.

We are raising our diluted EPS estimate for 2022 by $0.11, to $3.01 from $2.90, primarily reflecting better-than-expected results in the second quarter. We note our 2022 diluted EPS estimate is still 3% below 2021's diluted EPS of $3.11. The main reasons for the EPS decline in 2022 reflect the winding down of the PPP (and related decrease in recognition of deferred processing fees of an estimated $4.13 million in 2021), a loss provision of $0.7 million (compared to a credit of $0.4 million in 2021), and a $0.9 million drop in mortgage banking income, partly offset by a strong turnaround in the cash management business, including a $0.8 million gain in fee income (up 38%) and a $1.6 million decrease in the cash management loss provision.

We are increasing our diluted EPS estimate for 2023 by a penny from $3.10 to $3.11, a 3% gain over our revised 2022 EPS estimate of $3.01. We expect most operations to post solid improvement in 2023, with the exception of mortgage banking, which should experience some pressure due to rising interest rates. We are not projecting any one-time gains or losses from sales of securities or interest-rate caps, as occurred in 2022's first quarter.

Loan demand appears to be moderating somewhat from the first half's strong pace, and we are reducing our estimate of loan growth in 2022 from 8% to 6%, while maintaining our estimate of 5% growth in 2023. The net interest margin will decline significantly in 2022 due to the loss of PPP fee income (to 3.52%from 3.80% in 2021) and experience lesser erosion in 2023 (to 3.30% from 3.52%).

We are increasing our estimate of merchant services income by $0.3 million to $4.4 million in 2022 and by $0.2 million to $4.6 million in 2023, though a recently added ISO relationship may provide higher growth going forward. We are sharply increasing our estimate of cash management income by $0.8 million (up 38%) in 2022 and by $0.2 million (up 7%) in 2023, as we expect solid receivables growth. This reflects the addition of new clients, as well as growth in existing client credit lines, following the stoppage of the PPP program.

For the first time in 2021, CPKF showed a separate line item for its mortgage banking operations (previously included in other income), while at the same time folding the ATM income line item into other income. Our stand-alone estimates for mortgage banking income, reduced by $0.2 million in both 2022 and 2023, are $1.9 million in 2022 and $1.6 million in 2023, down from $2.8 million actual in 2021, reflecting reduced activity due to the impact of higher mortgage rates.

For 2022, our estimate for the loan loss provision remains $0.7 million, up from $2021's loan loss reversal (credit) of $0.4 million in 2021, but down from 2020's $1.95 million loss provision, which reflected the bulking up of loan loss reserves in preparation for the possibility of asset quality deterioration due to economic distress caused by COVID-19 (which failed to materialize, as asset quality remains strong). Our estimate for 2023's loss provision continues at $0.7 million, the same as in 2022. Signally, the Financial Accounting Standards Board's Current Expected Credit Loss (CECL) impairment standard, which requires "life-of-loan" estimates of losses to be recorded for unimpaired loans will be adopted in 2023. Adoption of CECL is not expected to have a material impact on loss provisions in 2023.

The provision for cash management losses, a separate line item listed under other noninterest expense, is expected to decline to about $240,000 in 2022, down $1.6 million from 2021's $1.8 million, which reflected strong growth in receivables during the first quarter, as well as the charge-off of one $2.3 million credit. We are projecting that losses will remain stable and estimate the cash management provision at $240,000 again in 2023.

There are other factors adding to CPKF's expense burden going forward. CPKF expects several new hires to increase compensation costs. CPKF's digital strategy for its new on-line banking platform requires investing in new technology, leading to higher IT expense. CPKF recently opened a new tech center, which houses IT operations, marketing, and merchant card processing, and will add to depreciation expense beginning in 2021's third quarter.

At the July 15, 2022 Chesapeake Financial Shares Board of Directors meeting, the Board raised the quarterly dividend to $0.15 per share from $0.14 per share (a 7% increase), payable on or before September 15, 2022. This follows two dividend increases in 2021. Notably, CPKF has increased the annual dividend payment every year for the past thirty years since 1991.

In 2022 for the fifteenth 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 #130 in the nation out of approximately 6,000 community banks 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 11.07%.

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

Net Interest Income

Net interest income increased $1.1 million, or 12%, year over year in the second quarter, rising to $10.8 million ($0.5 million above our estimate), as a 12% increase in average interest-earning assets added to a 3.64% net interest margin, 2 basis points below the 3.66% earned in the year-ago quarter, and well above our 3.40% estimate. We note that net interest income (and the net interest margin) this year did not benefit from the recognition of deferred processing fees on PPP loans of $660,000, as it did in last year's second quarter.

We have estimated a net interest margin of 3.52% for full-year 2022, observing that remaining PPP income will total only about $100,000 in 2022, and 3.30% for 2023.

We note CPKF's balance sheet was asset sensitive at the end of the second quarter, which will likely expand the net interest margin in a rising interest-rate environment, but could hurt should interest rates fall.

Noninterest Income
Noninterest income fell by $0.4 million, or 7%, to $5.2 million from $5.6 million in the prior-year quarter. The decrease in noninterest income largely reflected declines in: (1) gains from securities sales of $0.7 million; (2) mortgage banking income of $0.1 million; and (3) trust and wealth management income of $0.1 million, partly offset by growth in: (1) merchant card income of $0.2 million and (2) cash management fee income of $0.3 million.

We are raising our estimate of merchant services income by $0.3 million to $4.4 million in 2022 and by $0.2 million to $4.6 million in 2023, though a recently added ISO relationship may provide higher growth going forward. We are sharply increasing our estimate of cash management income by $0.8 million (up 38%) in 2022 and by $0.2 million (up 7%) in 2023, as we expect solid receivables growth. This reflects the addition of new clients, as well as growth in existing client credit lines, following the stoppage of the PPP program.

For the first time in 2021, CPKF showed a separate line item for its mortgage banking operations (previously included in other income), while at the same time folding the ATM income line item into other income. Our stand-alone estimates for mortgage banking income, reduced by $0.2 million in both 2022 and 2023, are $1.9 million in 2022 and $1.6 million in 2023, down from $2.8 million actual in 2021, reflecting reduced activity due to the impact of higher mortgage rates.

Our estimate for total noninterest income is $18.8 in 2022 and $19.2 million in 2023.

Loss Provision
The loan loss provision was flat year over year at $175,000 (the same as our estimate). Loan loss reserves fell $0.5 million from $7.7 million (1.24% of loans) year over year, but rose $0.3 million sequentially from $6.9 million (1.01% of loans) to $7.2 million (1.03% of loans) as of June 30, 2022.

Including the loss allowance for cash management receivables, the total loss allowance increased $0.5 million to $8.9 million (1.22% of loans plus cash management receivables) compared with $8.4 million (1.18% of loans plus cash management receivables) at the end of the previous quarter, but was below the $9.7 million (1.52% of loans plus cash management receivables) at the end of the comparable year-ago quarter.

As to other asset quality measures, CPKF had net recoveries of $82,000 of loans in the second quarter. This is $75,000 larger than the $5,000 of net recoveries in the year-ago quarter and compares to net loan charge-offs of $86,000 for full-year 2021.

For 2022, our estimate for the loan loss provision remains $0.7 million, up from $2021's loan loss reversal (credit) of $0.4 million in 2021, but down from 2020's $1.95 million loss provision, which reflected the bulking up of loan loss reserves in preparation for the possibility of asset quality deterioration due to economic distress caused by COVID-19 (which failed to materialize, as asset quality remains strong). Our estimate for 2023's loss provision continues at $0.7 million, the same as in 2022. Signally, the Financial Accounting Standards Board's Current Expected Credit Loss (CECL) impairment standard, which requires "life of loan" estimates of losses to be recorded for unimpaired loans will be adopted in 2023. Adoption of CECL is not expected to have a material impact on loss provisions in 2023.

We project that the total loss allowance will increase to1.24% of total loans plus receivables at yearend 2022 and fall slightly to 1.23% at yearend 2023, compared to 1.17% actual at the end of 2021.

Noninterest Expense
There was a $1.0 million increase in noninterest expense due to greater compensation costs (up $0.8 million) and growth in other miscellaneous expense of $0.2 million. Reflecting higher expenses, the efficiency ratio deteriorated, increasing to 68.8% from 68.3% in the year-ago quarter, and was worse than the first quarter's 66.6%.

We project that compensation costs will increase from $23.8 million actual in 2021 to $25.3 million in 2022 and $26.7 million in 2023, reflecting a number of new hires.

Our estimate of noncompensation costs in 2022 is $18.2 million and in 2023 is $18.3 million, compared to 2021's $19.8 million actual. This decrease in 2022 primarily reflects a $1.6 million reduction in the provision for cash management losses, as well as a $0.5 million decrease in occupancy costs due to the absense of a number of one-time expenses as occurred in 2021.

Our estimate of the efficiency ratio is 71.3% in both 2022 and 2023, compared to 72.9% actual in 2021.

Income Taxes

The Company had a 16.2% effective tax rate in the second quarter. This compares to a 23.2% tax rate in the year-ago quarter and our estimate of an effective tax rate of 15.0%.

For the year, we are estimating an effective tax rate of 15.3% in 2022 and 2023. This compares to a full-year effective tax rate of 13.3% in 2021.

Net Income

CPKF's second quarter net earnings increased $0.1 million, or 2%, year over year to $4.1 million, while 2022's second quarter diluted EPS rose by $0.04, or 5%, to $0.86 from $0.82 posted a year ago.

This was better than our estimate, which had called for a $0.6 million decrease in net earnings to $3.4 million and a $0.10 decline in diluted EPS to $0.72.

We note that last year's second quarter benefitted from the inclusion of $660,000 of Paycheck Protection Program fees, which this quarter did not.

Profitability

CPKF posted a 17.5% ROE and 1.21% ROA for the second quarter of 2022, compared to 12.6% and 1.25%, respectively, in the prior-year quarter.

Loans and Asset Quality

Gross loans outstanding increased $85 million, or about 11%, year over year, and rose $13 million, or 2%, sequentially to $705 million.

By category, 1-4 family gained $12.2 million, or 8%, to $171 million; commercial and industrial loans rose $3.2 million, or 2%, to $135 million; cash management receivables grew $2.0 million, or 7%, to $29 million; commercial real estate loans increased $1.7 million, or less than 1%, to $296 million; and other loans gained $0.7 million, or 3%, to $30 million Negatively, construction and land development loans decreased $6.2 million, or 9%, to $64 million. Consumer loans were flat at $8 million.

Loan demand appears to be moderating somewhat from the first half's strong pace, and we are reducing our estimate of loan growth in 2022 from 8% to 6%, while maintaining our estimate of 5% growth in 2023. The net interest margin will decline significantly in 2022 due to the loss of PPP fee income (to 3.52%from 3.80% in 2021) and experience lesser erosion in 2023 (to 3.30% from 3.52%).

Asset quality measures improved during the second quarter. Total nonperforming assets fell $0.5 million to $3.6 million from $4.1 million sequentially. Nonaccrual loans increased $0.1 million to $2.2 million, while other real estate owned was flat at $1.1 million. Restructured loans declined $0.6 million to $0.3 million. In total, nonperforming assets (NPAs), including troubled debt restructurings that are current in payments, decreased 8 basis points to 0.49% of outstandings + OREO at June 30, 2022 from 0.57% of outstandings + OREO at March 31, 2022, and fell 46 basis points year over year from 0.95%.

The loss allowance as a percent of nonperforming assets increased to 250% from 208% sequentially, as improvement in nonperforming assets was aided by an increase in the loss reserve for loans plus cash management receivables.

Liquidity and Funding

Cash and equivalents increased by $3 million to $35 million at the end of the second quarter, while the securities portfolio fell $28 million to $502 million. By category, the municipal securities portfolio decreased $21 million to $294 million, US government-related securities fell $4 million to $57, and asset-backed securities (primarily student loans under the FFELP program) were down $3 million to $46 million. The private-label mortgage securities portfolio as flat at $105 million.

On a relative basis, municipal securities were 59% of the entire available-for-sale securities portfolio, the private-label mortgage securities portfolio was 21%, US government-related securities were 11%, and asset-backed securities and other were 9%.

CPKF's liquidity ratios were relatively stable compared to the previous quarter. At June 30, 2022, liquid assets represented 7% of total assets (7% at the end of the first quarter) and covered purchased funds by 188% (up from 128%), while loans plus receivables accounted for 55% of total assets (53% at March 31, 2022).

Core deposits rose $35 million sequentially to $1.173 billion and funded 160% of loans and receivables.

Capital Adequacy and Dividends

The Company's capital adequacy ratios improved during the second quarter, as growth in Tier 1 capital outpaced growth in risk-weighted assets. The Tier 1 capital ratio gained 10 basis points sequentially to 12.47% at the end of 2022's second quarter from 12.37% at March 31, 2022, while the Total capital ratio increased 11 basis points, rising to 15.34% from 15.23%.

Total shareholders' equity decreased $15.8 million during the second quarter, as a $3.4 million advance in retained earnings was more than offset by an $18.7 million decline in accumulated other comprehensive income plus a negative $0.5 million in capital changes.

Reflecting these factors plus a 6,000 decrease in common shares outstanding, tangible book value per share decreased during the second quarter, by $3.32 per share, to $18.07 from $21.39. The total equity to total assets ratio worsened, decreasing by 116 basis points to 6.35% from 7.51%, reflecting the reduction in total equity, as well as in total assets. Notably, CPKF does not expect the recently-enacted 1% share buyback tax (via the Inflation Reduction Act) to have a signficant impact on CPKF's results or share repurchase program.

OVERVIEW

Chesapeake Financial Shares, Inc. (CPKF or the Company) is a financial holding company headquartered in Kilmarnock, Virginia, with $1,342 million in total assets at June 30, 2022. CPKF is predominantly a small business lender with 16 branch offices that serve customers in the eastern region of Virginia between the Potomac and James Rivers. CPKF, which began as Lancaster National Bank on April 13, 1900, has a long history and strong ties with the communities it serves.

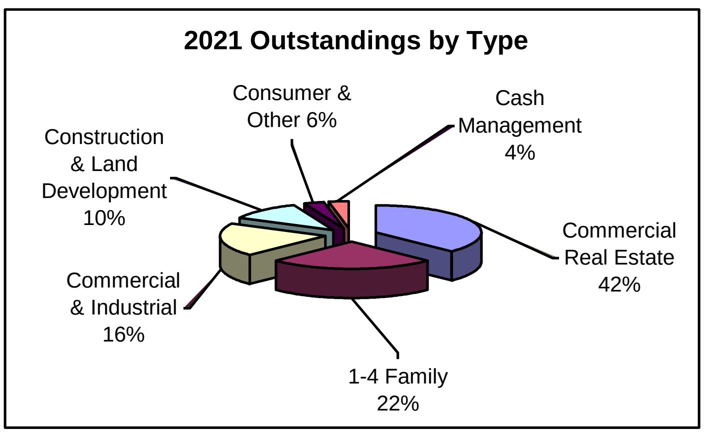
Operations are carried on through Chesapeake Bank, a state-chartered bank as well as Federal Reserve and FDIC member bank, and Chesapeake Wealth Management, an independent wealth management firm with trust powers that manages about $522 million in assets (at 2021 yearend) through its subsidiaries involved 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 management program (now branded as Flexent) 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 2021, Chesapeake Payment Systems had 637 direct merchants in its system and processed over $497 million in merchant card transactions. In addition, Chesapeake Payment Systems has also partnered with seven independent sales organizations (ISOs) to expand its processing footprint.

The Flexent program, which provides an attractive financing option to growing businesses, involves the purchase of the client company's accounts receivables. The Cash management program is currently offered in the Eastern half of the United States and had 57 customers at the end of 2021.

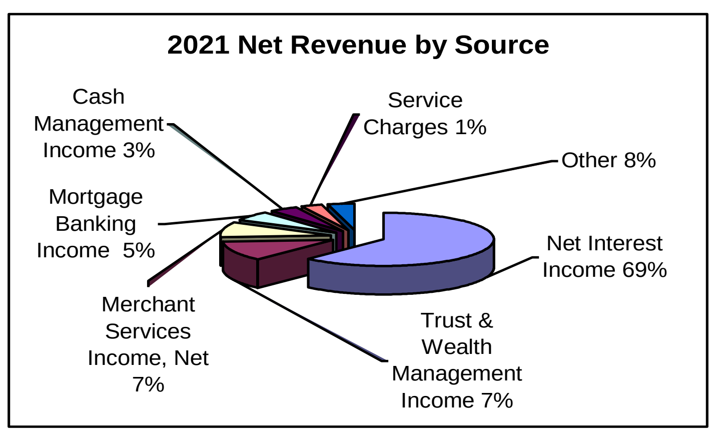
Through Chesapeake's secondary market mortgage banking operation, the Company services a $303 million loan portfolio (as of December 31, 2021)of residential mortgage loans for Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac), for which it earns a 25 basis-point fee (approximately $667,000 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 $2 million to revenues in 2021 (both types of fees are included in other noninterest income in the Company's financial statements).



Source: Zacks Analyst

The lending portfolio is dominated by real estate loans, as shown in the chart at left. At December 31, 2021, the lending book consisted of commercial real estate (accounting for 42% of total gross outstandings), 1-4 family (22%), commercial and industrial (16%), construction and land development (10%), consumer and other (6%), and cash management (4%). A majority of loans are secured, usually by real estate, inventory, accounts receivable, equipment, machinery, or corporate assets. At December 31, 2021, the liquidity portfolio, which consists of cash, short-term investments, federal funds sold, and US agency mortgage obligations, represented about 7% of total assets and 13% of the securities portfolio. In addition, the available-for-sale portfolio includes municipal at 62% of the total, private label mortgage securities at 17%, and asset-backed and other securities at 8%. Core deposits represented 98% of total deposits at December 31, 2020, with certificates of deposit larger than $250,000 at 3%.

Source: Zacks Analyst



In 2021, net interest income contributed 69% of net revenue, with a significant 31% coming from noninterest income sources. Major contributors to noninterest income include trust and wealth management income (7% of net revenues), merchant services income, net (7%), mortgage banking income (5%), cash management fee income (3%), and service charges (2%).

VALUATION

CPKF stock is down 12.7% year to date, a better performance than the 17.7% price decrease for the S&P 500, but below the 5.7% median price decline for the small-cap bank industry, as shown in the following table.

At its current price, CPKF is trading at the industry median P/E, based upon our current CPKF EPS estimate for 2023. Assuming a small-cap bank industry valuation of 8.5X for 2023, CPKF's target price based upon our 2022 EPS estimate is about $26.50.

Turning to Price/Tangible Book Value, CPKF is currently valued at 1.46X. Assuming CPKF trades at the median 1.18X tangible book value of the small-cap bank industry and based upon our estimated book value for CPKF twelve months out, our target price is about $32.00, which compares to CPKF's current book value of $18.07.

We have chosen the $29.25 midpoint of the range of values based upon CPKF's 2023 P/E of $26.50 and forward Price/Tangible Book Value of $32.00 as our new valuation.

Industry Comparables - Small-cap Banks

	Pr Chg YTD	EPS TTM*	EPS 2022E	EPS 2023E	ROE TTM*	ROE 5-Yr Avg	ROA TTM*	ROA 5-Yr Avg	Div Yld
Chesapeake Finc'l	**(12.7)**	**8.9**	**8.8**	**8.5**	**12.8**	**11.4**	**1.05**	**1.19**	**2.3**
S&P 500	**(17.7)**	**18.7**	**17.4**	**16.7**	**-----**	**-----**	**-----**	**-----**	**1.7**
Median	**(5.7)**	**8.9**	**8.6**	**8.5**	**12.1**	**10.7**	**1.09**	**1.09**	**2.7**
Average	(4.4)	9.2	9.3	8.8	12.3	11.2	1.1	1.1	2.5
High	36.5	16.8	18.3	18.5	20.9	18.8	2.0	2.0	5.1
Low	(23.0)	6.5	6.9	6.2	(1.3)	2.8	(0.2)	0.2	-----

*Trailing twelve months

Chesapeake Financial Shares, Inc.

Income Statement and Balance Sheet

(Dollars in millions, except per share data)

Summary Financial Data	**12/17**	**12/18**	**12/19**	**12/20**	**12/21**	**12/22E**	**12/23E**
Net interest income	26.0	27.4	29.5	33.5	41.6	42.2	43.8
Non-interest income	18.1	18.6	20.3	19.6	18.9	18.8	19.2
Total net revenue	44.1	46.0	49.8	53.1	60.5	61.0	63.0
Loan loss provision	0.9	0.5	0.5	2.0	(0.4)	0.7	0.7
Non-interest expense	31.8	33.3	36.0	37.3	43.6	43.5	44.9
Income taxes & other	2.5	1.4	1.9	2.1	2.3	2.6	2.7
Zacks adjusted income before NRI	8.9	10.8	11.4	11.7	15.0	14.2	14.7
GAAP net income	8.9	10.8	11.4	11.7	15.0	14.2	14.7
Diluted EPS before NRI	1.80	2.17	2.29	2.39	3.11	3.01	3.11
Reported EPS	1.80	2.17	2.29	2.39	3.11	3.01	3.11
Dividends per share	0.43	0.46	0.49	0.50	0.53	0.58	0.60
Liquid assets	50.6	73.1	98.0	120.2	98.8	90.1	86.6
Outstandings, gross	523.7	546.0	566.7	625.0	699.7	742.9	779.2
Total assets	785.2	854.8	958.3	1,204.7	1,385.8	1,410.0	1,556.4
Core deposits	632.4	702.0	799.5	984.2	1,101.6	1,232.0	1,359.9
Purchased funds	53.1	47.2	39.6	85.3	122.4	49.4	50.2
Long-term debt	5.2	5.2	5.2	5.2	25.2	25.2	25.2
Shareholders' equity	86.8	92.7	105.4	122.7	126.1	113.7	143.6
Profitability							
Return on avg assets	1.16%	1.32%	1.22%	1.06%	1.14%	1.04%	0.99%
Return on avg equity	10.64%	12.07%	11.09%	10.27%	11.87%	14.03%	11.08%
Net interest margin	4.30%	4.10%	3.98%	3.80%	3.80%	3.52%	3.30%
Loan loss provision % avg assets	0.12%	0.06%	0.06%	0.18%	(0.03)%	0.05%	0.05%
Noninterest income % avg assets	2.34%	2.27%	2.18%	1.76%	1.44%	1.38%	1.30%
Noninterest expense % avg assets	4.11%	4.06%	3.86%	3.36%	3.32%	3.19%	3.03%
Preprovision pretax income % avg assets	1.59%	1.55%	1.48%	1.42%	1.29%	1.28%	1.22%
Tangible efficiency ratio	72%	73%	75%	72%	73%	71%	71%
Payout ratio	24%	21%	21%	21%	17%	19%	19%
Asset Quality							
Net charge-offs % avg outstandings	0.27%	0.02%	0.10%	(0.05)%	0.38%	0.02%	0.08%
Allowance % outstandings	1.17%	1.22%	1.18%	1.47%	1.17%	1.24%	1.23%
NPAs % loans + OREO	1.73%	1.93%	1.36%	1.11%	0.61%	0.54%	0.61%
Allowance % NPAs	68%	63%	86%	132%	194%	231%	200%
Liquidity & Funding							
Liquid assets % purchased funds	95%	155%	247%	141%	81%	183%	173%
Core deposits % outstandings	121%	129%	141%	157%	157%	166%	175%
Liquid assets % assets	6%	9%	10%	10%	7%	6%	6%
Outstandings % assets	67%	64%	59%	52%	50%	53%	50%
Capital Adequacy							
Total equity % assets	11.05%	10.85%	11.00%	10.18%	9.10%	8.06%	9.23%
Tangible equity % assets	11.05%	10.85%	11.00%	10.18%	9.10%	8.06%	9.23%
Tier 1 capital ratio	14.35%	15.04%	15.03%	14.03%	12.28%		
Total capital ratio	15.37%	16.08%	16.00%	15.20%	15.16%		
Parent Company Statistics							
Interest coverage	12.7X	8.2X	12.4X	41.2X	3.7X	6.5X	6.5X
Interest & dividend coverage	0.8X	0.6X	1.0X	2.0X	0.5X	0.4X	0.4X
Short-term debt coverage	Lge	Lge	Lge	Lge	Lge	Lge	Lge
Total debt coverage	2.8X	2.7X	5.0X	4.8X	0.7X	1.0X	1.0X
Double leverage	102.3%	102.6%	102.5%	102.1%	117.5%	142.9%	123.4%

Chesapeake Financial Shares, Inc.

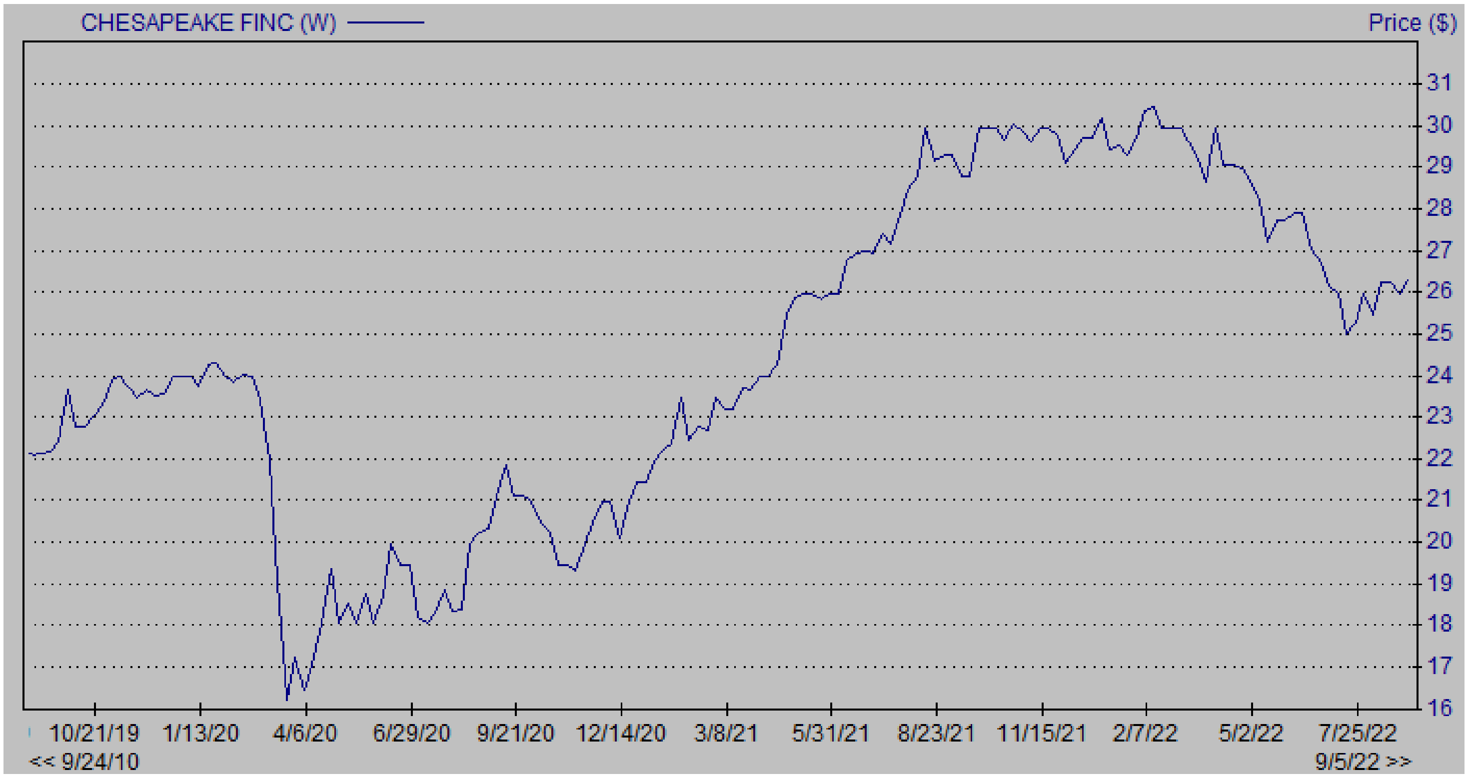
Income Statement and Balance Sheet

(Dollars in millions, except per share data)

	2021				2022			
Summary Financial Data	**Q1 A**	**Q2 A**	**Q3 A**	**Q4 A**	**Q1 A**	**Q2 A**	**Q3 E**	**Q4 E**
Net interest income	10.8	9.7	10.8	10.3	10.5	10.8	10.4	10.6
Non-interest income	4.7	5.6	4.5	4.1	5.0	5.2	4.3	4.3
Total net revenue	15.5	15.3	15.3	14.4	15.5	16.0	14.7	14.9
Loan loss provision	0.2	0.2	(0.5)	(0.2)	0.2	0.2	0.2	0.2
Non-interest expense	9.0	9.9	11.9	12.7	10.3	11.0	10.6	11.6
Income taxes & other	1.0	1.2	0.1	(0.1)	0.7	0.7	0.6	0.5
Zacks adjusted income before NRI	5.3	4.0	3.8	2.0	4.3	4.1	3.3	2.6
GAAP net income	5.3	4.0	3.8	2.0	4.3	4.1	3.3	2.6
Diluted EPS before NRI	1.08	0.82	0.78	0.42	0.90	0.86	0.69	0.56
Reported EPS	1.08	0.82	0.78	0.42	0.90	0.86	0.69	0.56
Dividends per share	0.13	0.13	0.13	0.14	0.14	0.14	0.15	0.15
Liquid assets	101.4	128.1	107.6	98.8	93.2	92.0	91.1	90.1
Outstandings, gross	648.6	637.8	651.8	699.7	719.3	734.0	738.4	742.9
Total assets	1,238.3	1,292.7	1,328.8	1,385.8	1,346.1	1,342.0	1,375.6	1,410.0
Core deposits	1,023.5	1,045.3	1,074.1	1,101.6	1,138.1	1,172.6	1,201.9	1,232.0
Purchased funds	78.5	84.4	93.2	122.4	73.0	49.0	49.2	49.4
Long-term debt	5.2	25.2	25.2	25.2	25.2	25.2	25.2	25.2
Shareholders' equity	122.0	129.7	128.0	126.1	101.0	85.2	99.8	113.7
Profitability								
Return on avg assets*	1.72%	1.25%	1.15%	0.59%	1.25%	1.21%	0.96%	0.75%
Return on avg equity *	17.21%	12.61%	11.71%	6.32%	15.05%	17.45%	14.15%	9.84%
Net interest margin*	4.21%	3.66%	3.88%	3.58%	3.53%	3.64%	3.40%	3.40%
Loan loss provision % avg assets*	0.06%	0.06%	(0.16)%	(0.07)%	0.05%	0.05%	0.05%	0.05%
Noninterest income % avg assets*	1.56%	1.76%	1.38%	1.20%	1.48%	1.54%	1.27%	1.23%
Noninterest expense % avg assets*	2.96%	3.14%	3.64%	3.73%	3.02%	3.26%	3.12%	3.34%
Preprovision pretax inc.% avg assets*	2.12%	1.69%	1.02%	0.51%	1.51%	1.50%	1.20%	0.94%
Tangible efficiency ratio	58%	68%	78%	88%	67%	69%	72%	78%
Payout ratio	12%	16%	17%	33%	16%	16%	22%	27%
Asset Quality								
Net charge-offs % avg outstandings*	(0.01)%	(0.03)%	1.55%	0.00%	(0.02)%	(0.12)%	0.05%	0.05%
Allowance % outstandings	1.46%	1.52%	1.18%	1.17%	1.18%	1.22%	1.23%	1.24%
NPAs % loans + OREO	0.99%	0.95%	0.89%	0.61%	0.57%	0.49%	0.51%	0.54%
Allowance % NPAs	145%	160%	131%	194%	208%	250%	240%	231%
Liquidity & Funding								
Liquid assets % purchased funds	129%	152%	115%	81%	128%	188%	185%	183%
Core deposits % outstandings	158%	164%	165%	157%	158%	160%	163%	166%
Liquid assets % assets	8%	10%	8%	7%	7%	7%	7%	6%
Outstandings % assets	52%	49%	49%	50%	53%	55%	54%	53%
Capital Adequacy								
Total equity % assets	9.85%	10.03	9.64%	9.10%	7.51%	6.35%	7.25%	8.06%
Tangible equity % assets	9.85%	10.03	9.64%	9.10%	7.51%	6.35%	7.25%	8.06%
Tier 1 capital ratio	14.05%	13.83%	13.34%	12.28%	12.37%	12.47%		
Total capital ratio	15.19%	17.29%	16.40%	15.16%	15.23%	15.34%		

*Annualized.

HISTORICAL STOCK PRICE



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