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Zacks Small-Cap Research

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Chesapeake Financial Shares, Inc. (CPKF-OTCQX)

CPKF: Reducing Diluted EPS Estimates by $0.50 in 2023 and 2024 due to Higher Deposit and Compensation Costs

We have chosen $22.00 as our new valuation, based upon CPKF's 2024 P/E of $23.50 and forward Price/Tangible Book Value of $20.50.

Current Price (11/16/23)	$16.75
Valuation	**$22.00**

OUTLOOK

We are decreasing our diluted EPS estimate for 2023 by $0.50, from $3.00 to $2.50, a 26% fall from 2022's actual diluted EPS of $3.37, which excludes a third quarter one-time gain on the sale of a partial interest in a brokerage firm of $1.7 million aftertax, or $0.36 per diluted share. We are also lowering our diluted EPS estimate for 2024 by $0.50 from $3.10 to $2.60, a 4% gain over our revised 2023 EPS estimate of $2.50. We expect most operations to post improvement in 2024 except mortgage banking, which should be flat year over year. The main reasons for the reductions in our 2023 and 2024 diluted EPS estimates are declines in net interest income, as well as higher compensation costs due to the increases in full-time equivalent employees from the factoring acquisition and replacement staffing. Although top-line interest income is growing nicely, CPKF has experienced accelerating increases in deposit costs, similar to the rest of the banking industry. Moreover, CPKF is strategically increasing its use of brokered deposits and large time deposits (greater than $250,000) to invest in its available-for-sale securities portfolio to earn money on the spread and supplement interest income. CPKF just raised the quarterly dividend by 3% to $0.155 per share from $0.15 per share and has raised its annual dividend payment every year for the past thirty-one years since 1991. In 2023 for the sixteenth consecutive year, CPKF was included in the American Banker magazine list of the "Top 200 Community Banks".

SUMMARY DATA

52-Week High	**$23.95**
52-Week Low	**$16.60**
One-Year Return (%)	**-18.69**
Beta	**0.59**
Average Daily Volume (sh)	**592**
Shares Outstanding (mil)	**5**
Market Capitalization ($mil)	**$79**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**4**
Insider Ownership (%)	**40**
Annual Cash Dividend	**$0.62**
Dividend Yield (%)	**3.70**
5-Yr. Historical Growth Rates	
Net Revenue (%)	**7.7**
Earnings Per Share (%)	**13.3**
Dividend (%)	**6.4**
P/E using TTM EPS	**6.3**
P/E using 2023 Estimate	**6.7**
P/E using 2024 Estimate	**6.4**
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)
2021	15.5 A	15.3 A	15.3 A	14.4 A	60.5 A
2022	15.5 A	16.0 A	16.6 A	15.9 A	64.0 A
2023	15.6 A	16.3 A	16.3 A	15.5 E	63.7 E
2024					66.1 E

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

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2021	1.08 A	0.82 A	0.78 A	0.42 A	3.11 A
2022	0.90 A	0.86 A	0.90 A	0.71 A	3.37 A
2023	0.78 A	0.65 A	0.53 A	0.54 E	2.50 E
2024					2.60 E

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

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THIRD QUARTER

CPKF's third quarter net earnings decreased $1.8 million, or 42%, year over year to $2.5 million, while 2023's third quarter diluted EPS fell by $0.37, or 42%, to $0.53 from $0.90 posted a year ago. Results in 2022 exclude a one-time gain on the sale of a partial interest in a brokerage firm of $2.2 million pretax and $1.7 million aftertax, or $0.36 per diluted share. Reported net earnings were considerably higher at $5.9 million, or $1.26 per diluted share.

This was worse than our estimate, which had called for a $0.6 million decrease in net earnings to $3.6 million and a $0.12 fall in diluted EPS to $0.78.

The main factors behind the difference between actual results and our estimate were: (1) compensation expense was $0.9 million more than our estimate as full-time equivalent employees have grown to 287 at the end of the third quarter from 258 (an 11% increase) at the end of the first quarter, reflecting the acquisition of a small factoring company on May 1 and the hiring of several employees to fill vacant positions; (2) other miscellaneous expense was $0.7 million worse than our estimate due to larger FDIC premiums and higher customer check fraud losses, as is common in the industry currently; (3) net interest income was $0.6 million less than our estimate due to a lower-than-expected net interest margin of 3.37% (versus our 3.40% estimate) and reduced interest-earning assets; (4) cash management fee income was $0.2 million less than our $1.6 million estimate; (5) the loan loss provision was $0.1 million more than expected; and (6) there was a $0.1 million net loss on sales of securities (versus no securities gain or loss in our estimate). Partially offsetting these negatives were: (1) other miscellaneous income was $1.0 million more than our estimate, reflecting several one-time gains; (2) occupancy expense was $0.3 million better than our estimate; and (3) income tax expense was $0.2 million lower than our estimate, the result of reduced pretax earnings.

The major reasons for the third quarter's $1.8 million, or 42%, decrease in net earnings versus the prior-year quarter were a $0.3 million, or 2%, drop in net revenues due to a $1.2 million, or 11%, decline in net interest income partly offset by a $0.9 million, or 17%, gain in other noninterest income. In addition, total noninterest expense was $1.6 million more than last year's third quarter as a $1.1 million, or 16%, increase in compensation costs added to a $0.5 million, or 15%, rise in other miscellaneous expense. In addition, the provision for loan losses was $0.1 million more in 2023's third quarter than a year ago. Finally, earnings benefitted from reduced income tax expense of $0.2 million, reflecting lower pretax earnings.

We are decreasing our diluted EPS estimate for 2023 by $0.50, from $3.00 to $2.50, a 26% fall from 2022's actual diluted EPS of $3.37, which excludes a third quarter one-time gain on the sale of a partial interest in a brokerage firm of $1.7 million aftertax, or $0.36 per diluted share.

We are also lowering our diluted EPS estimate for 2024 by $0.50 from $3.10 to $2.60, a 4% gain over our revised 2023 EPS estimate of $2.50. We expect most operations to post improvement in 2024 except mortgage banking, which should be flat year over year.

The main reasons for the reductions in our 2023 and 2024 diluted EPS estimates are declines in net interest income, as well as higher compensation costs due to the increases in full-time equivalent employees from the factoring acquisition and replacement staffing. Although top-line interest income is growing nicely, CPKF has experienced accelerating increases in deposit costs, similar to the rest of the banking industry. Moreover, CPKF is strategically increasing its use of brokered deposits and large time deposits (greater than $250,000) to invest in its available-for-sale securities portfolio to earn money on the spread and supplement interest income.

Loan demand appears solid, and we are maintaining our estimates of loan growth at 10% in 2023 and at 8% in 2024. Our net interest margin estimate for 2024 is 3.30%, 13 basis points below our 2023 estimate of 3.43%.

As to cash management, we are tweaking our estimate in 2023 while retaining our estimate in 2024. CPKF acquired a small factoring company in the Flexent division in May, which is expected to increase Flexent revenues by about 35% going forward. This acquisition also improves industry concentration risk making it especially attractive. Valuation accounting adjustments include the addition of $7.4 million in goodwill to the balance sheet and about $0.2 million in annual amortization charges to the income statement.

For 2023 and 2024, we are increasing our estimate for the loan loss provision to $0.9 million from $0.7 million in 2023 and to $0.8 million from $0.7 million in 2024, with the increases reflecting general economic conditions rather than specific concerns about asset quality, which remains exceptionally strong. As a comparison, the loan loss provision was $0.7 million in 2022. Importantly, 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, has not had a material impact on loss provisions in 2023. We note, however, there were some minor retroactive changes to CPKF's capital account ($400,000) and the allowance for credit losses ($37,000) as a result of its adoption.

The provision for cash management losses, a separate line item listed under other noninterest expense, is expected to be stable at about $240,000 in both 2023 and 2024, the same as it was in 2022.

During the second quarter, CPKF opened another branch, this time in a retirement community in Richmond, Virginia. It is CPKF's sixth branch in a retirement community, which is attractive due to its low cost of entry, as well as being a feeder for the Company's investment management and deposit-gathering activities. In addition, in August CPKF opened a loan production office in Newport News, Virginia.

At the October 27, 2023 Chesapeake Financial Shares Board of Directors meeting, the Board raised the quarterly dividend to $0.155 per share from $0.15 per share (a 3% increase), to be paid on or before December 15, 2023. Notably, CPKF has increased the annual dividend payment every year for the past thirty-one years since 1991.

In 2023 for the sixteenth 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 #58 in the nation out of approximately 6,000 community banks in the study, up from #130 last year and #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 14.34%.

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

Net Interest Income

Net interest income decreased $1.2 million, or 11%, year over year in the third quarter falling to $10.0 million ($0.6 million below our estimate), reflecting a 1% decrease in average interest-earning assets (versus our estimate of a 1% increase) and a reduced 3.37% net interest margin, 42 basis points below the 3.79% earned in the year-ago quarter, as well as 3 basis points below our 3.40% estimate.

We have estimated a net interest margin of 3.43% for full-year 2023, down from 3.70% in 2022 due to higher deposit funding costs, and of 3.30% for 2024.

Noninterest Income

Noninterest income rose $0.9 million, or 17% year over year to $6.2 million. We note that miscellaneous other income in 2023's year's third quarter included several one-time gains, contributing to the $0.8 million, or 53%, gain in that segment, though this was partly offset by a negative $0.3 million swing in securities gains and losses to a $0.1 million loss from a $0.2 million gain in the year-earlier quarter.

Most business lines posted higher results in 2023's third quarter, except merchant services income, off slightly, and mortgage banking, hurt by reduced activity from higher interest rates. Of special note, cash management income jumped $0.7 million, or 73%, to $1.4 million following the acquisition of a factoring company in the Flexent division, which is expected to increase Flexent revenues by about 35% going forward.

Our estimate for total noninterest income is $22.6 million in 2023, which compares to $19.9 million in 2022, and $24.4 million for 2024 with gains in both years largely driven by the cash management and merchant services divisions. In addition, 2024 results should benefit from the absence of a $1.8 million loss on securities sales as occurred in 2023.

Loss Provision

The loan loss provision increased $90,000 to $265,000 (above as our $175,000 estimate). Loan loss reserves rose $0.5 million from $7.3 million (1.02% of loans) year over year, and grew $0.2 million sequentially from $7.6 million (0.98% of loans) to $7.8 million (0.98% of loans) as of September 30, 2023.

Including the loss allowance for cash management receivables, the total loss allowance increased $0.2 million to $10.1 million (1.20% of loans plus cash management receivables) compared with $9.9 million (1.20% of loans plus cash management receivables) at the end of the previous quarter and was above the $9.2 million (1.22% of loans plus cash management receivables) at the end of the comparable year-ago quarter.

As to other asset quality measures, CPKF had net loan charge-offs of $18,000 in the third quarter. This is $12,000 less than the $30,000 of net loan charge-offs in the year-ago quarter and compares to net loan loss recoveries of $19,000 for full-year 2022.

For 2023 and 2024, we are increasing our estimate for the loan loss provision to $0.9 million from $0.7 million in 2023 and to $0.8 million from $0.7 million in 2024, with the increases reflecting general economic conditions rather than specific concerns about asset quality, which remains exceptionally strong. As a comparison, the loan loss provision was $0.7 million in 2022. Importantly, 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, has not had a material impact on loss provisions in 2023. We note, however, there were some minor retroactive changes to CPKF's capital account ($400,000) and the allowance for credit losses ($37,000) as a result of its adoption.

We project that the total loss allowance will decrease to 1.20% of total loans plus receivables at yearend 2023 from 1.21% actual at the end of 2022 and to 1.15% by yearend 2024.

Noninterest Expense

Total noninterest expense was $1.6 million more than last year's third quarter as a $1.1 million, or 16%, increase in compensation costs added to a $0.5 million, or 15%, rise in other miscellaneous expense. Reflecting lower revenues and higher expenses, the efficiency ratio deteriorated, increasing to 78.9% from 69.6% in the year-ago quarter, and was also worse than the second quarter's 69.5%.

We project that compensation costs will increase from $25.6 million actual in 2022 to $28.1 million in 2023 and $30.4 million in 2024.

Our estimate of noncompensation costs in 2023 is $20.3 million, compared to 2022's $19.4 million actual and $20.1 million in 2024.

Our estimate of the efficiency ratio is 74% in 2023 and 76% in 2024, compared to 67% actual in 2022.

Income Taxes
The Company had a 17.5% effective tax rate in the third quarter. This compares to a 15.2% tax rate in the year-ago quarter and our estimate of an effective tax rate of 17.0%.

For the year, we are estimating an effective tax rate of 17.0% in 2023 and 2024. This compares to a full-year effective tax rate of 12.7% in 2022.

Net Income
CPKF's third quarter net earnings decreased $1.8 million, or 42%, year over year to $2.5 million, while 2023's third quarter diluted EPS fell by $0.37, or 42%, to $0.53 from $0.90 posted a year ago. Results in 2022 exclude a one-time gain on the sale of a partial interest in a brokerage firm of $2.2 million pretax and $1.7 million aftertax, or $0.36 per diluted share. Reported net earnings were considerably higher at $5.9 million, or $1.26 per diluted share.

This was worse than our estimate, which had called for a $0.6 million decrease in net earnings to $3.6 million and a $0.12 fall in diluted EPS to $0.78.

Profitability
CPKF posted an 11.2% ROE and 0.72% ROA for the third quarter of 2023, compared to 21.6% and 1.27%, respectively, in the prior-year quarter.

Loans and Asset Quality
Gross loans outstanding increased $78 million, or about 11%, year over year, and rose $18 million, or 2%, sequentially to $802 million.

By category, commercial real estate loans increased $11.8 million, or 4%, to $326 million;1-4 family loans gained $6.7 million, or 3%, to $211 million; construction and land development loans grew $2.3 million, or 3%, to $69 million; other loans expanded $1.3 million, or 3%, to $39 million; consumer loans rose $0.5 million, or 6%, to $9 million; and cash management receivables increased $0.3 million, or 1%, to $34 million. Negatively commercial and industrial loans fell $4.8 million, or 3%, to $147 million.

Loan demand appears solid, and we are maintaining our estimates of loan growth at 10% in 2023 and at 8% in 2024.

Asset quality measures remained exceptionally strong during 2023's third quarter. Total nonperforming assets rose $0.5 million to $3.4 million from $2.9 million sequentially. Nonaccrual loans increased $0.5 million to $2.2 million, while other real estate owned was flat at $0.8 million. Restructured loans was also stable at $0.4 million in the third quarter. In total, nonperforming assets (NPAs), including troubled debt restructurings that are current in payments, increased 4 basis points to 0.40% of outstandings + OREO at September 30, 2023 from 0.36% of outstandings + OREO at June 30, 2023, and fell 2 basis points year over year from 0.42%.

The loss allowance as a percent of nonperforming assets decreased to 298% from 337% sequentially, due to a slight increase in nonperforming assets, which was partly offset by an increase in the loss reserve for loans plus cash management receivables.

Liquidity and Funding
Cash and equivalents increased $8 million to $25 million from $33 million at the end of the third quarter, while the securities portfolio rose $16 million to $435 million. By category, asset-backed securities (primarily student loans under the FFELP program) were up $22 million to $85 million, US government-related securities rose $5 million to $58, and the private-label mortgage securities portfolio rose $3 million to $114 million. The municipal securities portfolio decreased $14 million to $177 million.

On a relative basis, municipal securities were 41% of the entire available-for-sale securities portfolio, the private-label mortgage securities portfolio was 26%, US government-related securities were 13%, and asset-backed securities and other were 20%.

CPKF's liquidity ratios were mixed compared to the previous quarter, in part reflecting CPKF's strategy of increasing its use of purchased funds, including brokered deposits and large time deposits (greater than $250,000), to invest in its available-for-sale securities portfolio. For example, brokered deposits increased to $65 million at September 30, 2023 from $0 at yearend 2022, while large time deposits rose $31 million to $52 million from $21 million over the same period. Because of this, liquid assets as a percent of purchased funds weakened in 2023, to 57% at September 30, 2023 from 100%-plus levels of prior years.

That said, core deposit funding, which rose $10 million to $1,141 million at the end of September 2023, remains very strong, with core deposits to total loans and receivables at 133% at the end of the third quarter.

Capital Adequacy and Dividends

The Company's capital adequacy ratios worsened during the third quarter, as growth in risk-weighted assets outpaced growth in Tier 1 and Total capital, in part reflecting a $7.4 million reduction due to goodwill purchased in the small factoring company acquisition in May 2023. The Tier 1 capital ratio declined 83 basis points sequentially to 11.83% at the end of 2023's third quarter from 12.66% at June 30, 2022, while the Total capital ratio decreased 85 basis points, falling to 14.56% from 15.41%.

Total shareholders' equity decreased $5.3 million during the third quarter, as a $1.8 million advance in retained earnings was partly offset by a $7.1 million decline in accumulated other comprehensive income. In addition, tangible shareholders' equity was reduced by $7.4 million of goodwill from the acquisition of a small factoring company in May 2023. For these reasons as well as growth in total assets, the total tangible equity to total assets ratio fell 102 basis points to 5.69% at the end of the third quarter from 6.71% in the prior quarter.

Reflecting these factors plus a 14,000 decrease in common shares outstanding, tangible book value per share decreased during the third quarter, by $2.76 per share, to $16.60 from $19.36. Notably, CPKF does not expect the recently enacted 1% share buyback tax (via the Inflation Reduction Act) to have a significant 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 $1,382 million in total assets at September 30, 2023. CPKF is predominantly a small business lender with 17 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.

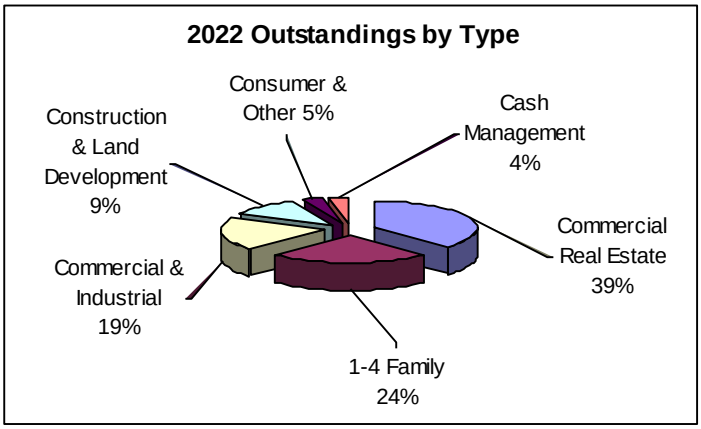
Operations are carried on through Chesapeake Bank, a state-chartered bank as well as Federal Reserve and FDIC member bank, and Chesapeake Wealth Management, an independent wealth management firm with trust powers that manages about $431 million in assets (at 2022 yearend) through its subsidiaries involved 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 2022,

Chesapeake Payment Systems had 893 direct merchants in its system and processed over $381 million in merchant card transactions. In addition, Chesapeake Payment Systems has also partnered with eight 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 49 customers at the end of 2022.

Through Chesapeake's secondary market mortgage banking operation, the Company services a $304 million loan portfolio (as of December 31, 2022) of residential mortgage loans for Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac), for which it earns a 25 basis-point fee (approximately $763,000 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 $916,000 to revenues in 2022 (both types of fees are included in other noninterest income in the Company's financial statements).



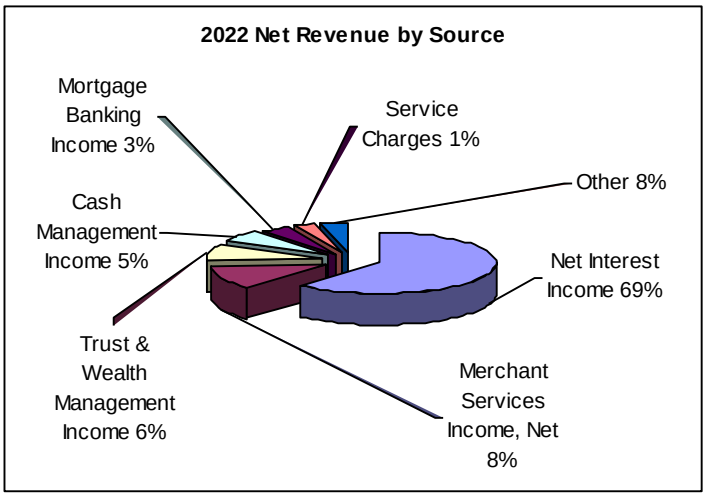
Source: Zacks Analyst

The lending portfolio is dominated by real estate loans, as shown in the chart at left. At December 31, 2022, the lending book consisted of commercial real estate (accounting for 39% of total gross outstandings), 1-4 family (24%), commercial and industrial (19%), construction and land development (9%), consumer and other (5%), 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, 2022, 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 12% of the securities portfolio. In addition, the available-for-sale portfolio includes municipal at 53% of the total, private label mortgage securities at 25%, and asset-backed and other securities at 10%. Core deposits represented 98% of total deposits at December 31, 2022, with certificates of deposit larger than $250,000 at 2%.

In 2022, net interest income contributed 69% of net revenue, with a significant 31% coming from noninterest income sources. Major contributors to noninterest income include merchant services income, net (8% of net revenue) trust and wealth management income (6%), cash management fee income (5%), mortgage banking income (3%), and service charges (1%).

Source: Zacks Analyst



VALUATION

CPKF stock is down 18.1% year to date, similar to the 17.7% median price decline for our small-cap bank universe, but worse than the 17.4% price increase for the S&P 500, as shown in the following table.

At its current price, CPKF is trading at a 29% discount to the industry median P/E, based upon our current CPKF EPS estimate for 2024. Assuming a median small-cap bank universe valuation of 9.0X for 2024, CPKF's target price based upon our 2024 EPS estimate is about $23.50.

Turning to Price/Tangible Book Value, CPKF is currently valued at 1.0X. Assuming a 1.0X multiple based upon our estimated tangible book value twelve months out, our target price is about $20.50, which compares to CPKF's current tangible book value per share of $16.60.

We have chosen $22.00 as our new valuation, based upon CPKF's 2024 P/E of $23.50 and forward Price/Tangible Book Value of $20.50.

Industry Comparables - Small-cap Banks

	Pr Chg YTD	EPS TTM*	EPS 2023E	EPS 2024E	ROE TTM*	ROE 5-Yr Avg	ROA TTM*	ROA 5-Yr Avg	Div Yld
Chesapeake Finc'l	**(18.1)**	**6.3**	**6.7**	**6.4**	**14.6**	**13.3**	**0.93**	**1.18**	**3.7**
S&P 500	**17.4**	**21.7**	**20.0**	**18.0**	**-----**	**-----**	**-----**	**-----**	**1.5**
Median	**(17.7)**	**7.9**	**8.7**	**9.0**	**11.8**	**11.5**	**0.99**	**1.15**	**3.6**
Average	(18.8)	8.0	9.4	9.7	11.8	12.0	1.0	1.2	3.4
High	11.4	12.2	15.6	20.9	22.7	19.8	2.1	2.0	6.5
Low	(96.7)	0.3	5.6	5.4	5.2	3.7	0.4	0.2	-----

*Trailing twelve months

Chesapeake Financial Shares, Inc.

Income Statement and Balance Sheet

(Dollars in millions, except per share data)

Summary Financial Data	12/18	12/19	12/20	12/21	12/22	12/23E	12/24E
Net interest income	27.4	29.5	33.5	41.6	44.1	41.0	41.6
Non-interest income	18.6	20.3	19.6	18.9	19.9	22.7	24.4
Total net revenue	46.0	49.8	53.1	60.5	64.0	63.7	66.1
Loan loss provision	0.5	0.5	2.0	(0.4)	0.7	0.9	0.8
Non-interest expense	33.3	36.0	37.3	43.6	45.1	48.7	50.9
Income taxes & other	1.4	1.9	2.1	2.3	2.3	2.4	2.5
Zacks adjusted income before NRI	10.8	11.4	11.7	15.0	15.9	11.7	12.0
GAAP net income	10.8	11.4	11.7	15.0	17.6	11.7	12.0
Diluted EPS before NRI	2.17	2.29	2.39	3.11	3.37	2.50	2.60
Reported EPS	2.17	2.29	2.39	3.11	3.73	2.50	2.60
Dividends per share	0.46	0.49	0.50	0.53	0.58	0.61	0.62
Liquid assets	73.1	98.0	120.2	98.8	79.6	85.4	88.8
Outstandings, gross	546.0	566.7	625.0	699.7	778.1	855.6	926.1
Total assets	854.8	958.3	1,204.7	1,385.8	1,329.0	1,405.8	1,492.1
Core deposits	702.0	799.5	984.2	1,101.6	1,144.5	1,118.8	1,152.7
Purchased funds	47.2	39.6	85.3	122.4	67.8	155.7	189.3
Long-term debt	5.2	5.2	5.2	25.2	25.2	25.2	25.2
Shareholders' equity	92.7	105.4	122.7	126.1	79.1	89.4	106.5
Profitability							
Return on avg assets	1.32%	1.22%	1.06%	1.14%	1.19%	0.86%	0.83%
Return on avg equity	12.07%	11.09%	10.27%	11.87%	18.88%	13.37%	12.25%
Net interest margin	4.10%	3.98%	3.80%	3.80%	3.70%	3.43%	3.30%
Loan loss provision % avg assets	0.06%	0.06%	0.18%	(0.03)%	0.05%	0.06%	0.06%
Noninterest income % avg assets	2.27%	2.18%	1.76%	1.44%	1.49%	1.66%	1.69%
Noninterest expense % avg assets	4.06%	3.86%	3.36%	3.32%	3.37%	3.58%	3.51%
Preprovision pretax income % avg assets	1.55%	1.48%	1.42%	1.29%	1.42%	1.10%	1.05%
Tangible efficiency ratio	73%	75%	72%	73%	67%	74%	76%
Payout ratio	21%	21%	21%	17%	16%	24%	24%
Asset Quality							
Net charge-offs % avg outstandings	0.02%	0.10%	(0.05)%	0.38%	(0.03)%	0.03%	0.07%
Allowance % outstandings	1.22%	1.18%	1.47%	1.17%	1.21%	1.20%	1.15%
NPAs % loans + OREO	1.93%	1.36%	1.11%	0.61%	0.52%	0.42%	0.47%
Allowance % NPAs	63%	86%	132%	194%	232%	286%	244%
Liquidity & Funding							
Liquid assets % purchased funds	155%	247%	141%	81%	117%	55%	47%
Core deposits % outstandings	129%	141%	157%	157%	147%	131%	124%
Liquid assets % assets	9%	10%	10%	7%	6%	6%	6%
Outstandings % assets	64%	59%	52%	50%	59%	61%	62%
Capital Adequacy							
Total equity % assets	10.85%	11.00%	10.18%	9.10%	5.95%	6.36%	7.14%
Tangible equity % assets	10.85%	11.00%	10.18%	9.10%	5.95%	5.86%	6.69%
Tier 1 capital ratio	15.04%	15.03%	14.03%	12.28%	13.04%		
Total capital ratio	16.08%	16.00%	15.20%	15.16%	15.89%		
Parent Company Statistics							
Interest coverage	8.2X	12.4X	41.2X	3.7X	4.7X	11.0X	11.0X
Interest & dividend coverage	0.6X	1.0X	2.0X	0.5X	1.1X	0.7X	0.7X
Short-term debt coverage	Lge	Lge	Lge	Lge	Lge	Lge	Lge
Total debt coverage	2.7X	5.0X	4.8X	0.7X	1.3X	1.3X	1.3X
Double leverage	102.6%	102.5%	102.1%	117.5%	128.2%	126.5%	117.4%

Chesapeake Financial Shares, Inc.

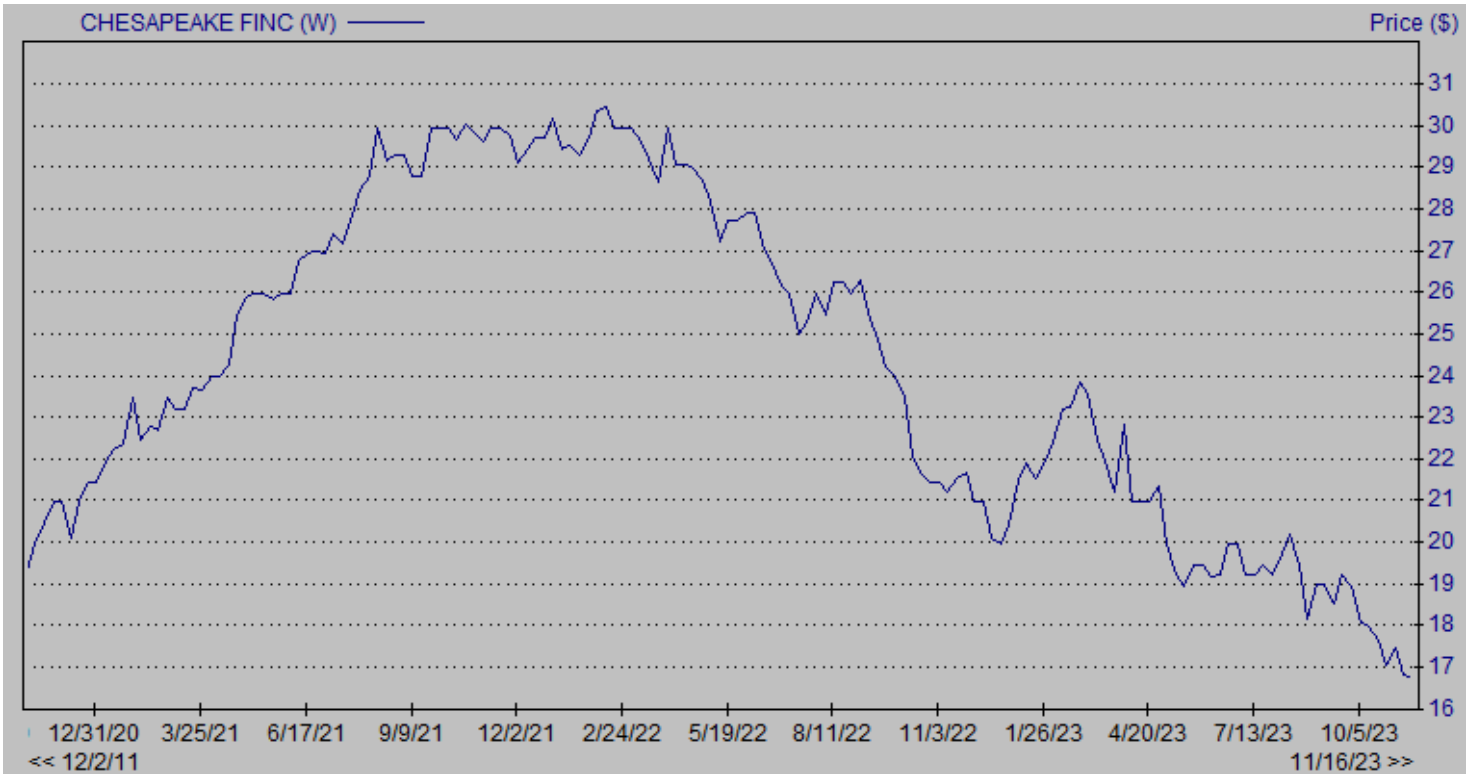
Income Statement and Balance Sheet

(Dollars in millions, except per share data)

	2022				2023			
Summary Financial Data	**Q1 A**	**Q2 A**	**Q3 A**	**Q4 A**	**Q1 A**	**Q2 A**	**Q3 A**	**Q4 E**
Net interest income	10.5	10.8	11.3	11.5	10.6	10.2	10.0	10.3
Non-interest income	5.0	5.2	5.3	4.4	5.0	6.1	6.3	5.3
Total net revenue	15.5	16.0	16.6	15.9	15.6	16.3	16.3	15.6
Loan loss provision	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.3
Non-interest expense	10.3	11.0	11.4	12.3	11.0	12.4	13.0	12.3
Income taxes & other	0.7	0.7	0.8	0.1	0.7	0.7	0.5	0.5
Zacks adjusted income before NRI	4.3	4.1	4.2	3.3	3.7	3.0	2.5	2.5
GAAP net income	4.3	4.1	5.9	3.3	3.7	3.0	2.5	2.5
Diluted EPS before NRI	0.90	0.86	0.90	0.71	0.78	0.65	0.53	0.54
Reported EPS	0.90	0.86	1.26	0.71	0.78	0.65	0.53	0.54
Dividends per share	0.14	0.14	0.15	0.15	0.15	0.15	0.15	0.16
Liquid assets	93.2	92.0	80.3	79.6	82.2	87.3	84.5	85.4
Outstandings, gross	719.3	734.0	751.8	778.1	797.1	818.7	836.8	855.6
Total assets	1,346.1	1,342.0	1,333.9	1,329.0	1,331.4	1,354.8	1,382.3	1,405.8
Core deposits	1,138.1	1,172.6	1,165.3	1,144.5	1,132.4	1,140.9	1,110.4	1,118.8
Purchased funds	73.0	49.0	59.7	67.8	71.3	85.2	148.3	155.7
Long-term debt	25.2	25.2	25.2	25.2	25.2	25.2	25.2	25.2
Shareholders' equity	101.0	85.2	72.2	79.1	89.3	90.9	85.6	89.4
Profitability								
Return on avg assets*	1.25%	1.21%	1.27%	1.00%	1.11%	0.91%	0.72%	0.71%
Return on avg equity *	15.05%	17.45%	21.58%	17.69%	17.56%	13.50%	11.23%	11.37%
Net interest margin*	3.53%	3.64%	3.79%	3.93%	3.58%	3.45%	3.37%	3.30%
Loan loss provision % avg assets*	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.08%	0.08%
Noninterest income % avg assets*	1.48%	1.54%	1.59%	1.32%	1.51%	1.81%	1.82%	1.52%
Noninterest expense % avg assets*	3.02%	3.26%	3.42%	3.71%	3.30%	3.68%	3.80%	3.53%
Preprovision pretax inc.% avg assets*	1.51%	1.50%	1.55%	1.08%	1.39%	1.16%	0.96%	0.93%
Tangible efficiency ratio	67%	69%	70%	77%	70%	70%	79%	79%
Payout ratio	16%	16%	12%	21%	19%	23%	28%	29%
Asset Quality								
Net charge-offs % avg outstandings*	(0.02)%	(0.12)	0.01%	(0.00)%	0.02%	0.02%	0.01%	0.07%
Allowance % outstandings	1.18%	1.22%	1.22%	1.21%	1.21%	1.20%	1.20%	1.20%
NPAs % loans + OREO	0.57%	0.49%	0.42%	0.52%	0.51%	0.36%	0.40%	0.42%
Allowance % NPAs	208%	250%	293%	232%	237%	337%	298%	286%
Liquidity & Funding								
Liquid assets % purchased funds	128%	188%	134%	117%	115%	102%	57%	55%
Core deposits % outstandings	158%	160%	155%	147%	142%	139%	133%	131%
Liquid assets % assets	7%	7%	6%	6%	6%	6%	6%	6%
Outstandings % assets	53%	55%	56%	59%	60%	60%	61%	61%
Capital Adequacy								
Total equity % assets	7.51%	6.35%	5.41%	5.95%	6.71%	6.71%	6.19%	6.36%
Tangible equity % assets	7.51%	6.35%	5.41%	5.95%	6.71%	6.71%	5.69%	5.86%
Tier 1 capital ratio	12.37%	12.47%	12.61%	13.04%	13.13%	12.66%	11.83%	
Total capital ratio	15.23%	15.34%	15.41%	15.89%	15.98%	15.41%	14.56%	

*Annualized.

HISTORICAL STOCK PRICE



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