May 24, 2024

Zacks Small-Cap Research

Sponsored – Impartial - Comprehensive

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: Initiating our 2025 Estimates

We have chosen $22.00 as our new valuation, based upon CPKF's 2025 P/E of $21.00 and forward Price/Tangible Book Value of $23.00.

Current Price (05/23/24)	$18.50
Valuation	**$22.00**

OUTLOOK

We are slightly decreasing our diluted EPS estimate for 2024 by a penny, from $2.20 to $2.19, a 2% gain from 2023's actual diluted EPS of $2.15. Our initial estimate for 2025 is $2.35 per diluted share, representing a 7% gain over our 2024 estimate. We expect moderate gains in net interest income in 2024 and 2025 as solid loan growth, estimated at 8% in 2024 and 8% in 2025, will be partly offset by a lower net interest margin. We have estimated a net interest margin of 3.30% for full-year 2024, down 20 basis from 3.50% in 2023. Our initial NIM estimate for 2025 shows a gain of 5 basis points to 3.35% as deposit cost pressures ameliorate somewhat and better loan pricing improves portfolio yields. We also expect continuing growth in the contribution to revenues and earnings of CPKF's specialty lines of business. For 2024, our estimate for the loan loss provision remains $0.8 million, flat with 2023, as asset quality continues exceptionally strong. Our initial estimate for 2025 is $1.0 million. On the expense side, higher compensation costs due to the increases in full-time equivalent employees from the factoring acquisition, new hires in merchant services, and replacement staffing will be a headwind. However, we expect noncompensation costs to be well controlled and to provide a partial offset to this. CPKF raised the quarterly dividend by 3% to $0.155 per share from $0.15 per share last year 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	**$20.25**
52-Week Low	**$16.50**
One-Year Return (%)	**-1.78**
Beta	**0.47**
Average Daily Volume (sh)	**1,068**
Shares Outstanding (mil)	**5**
Market Capitalization ($mil)	**$87**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**4**
Insider Ownership (%)	**40**
Annual Cash Dividend	**$0.62**
Dividend Yield (%)	**3.35**
5-Yr. Historical Growth Rates	
Net Revenue (%)	**6.8**
Earnings Per Share (%)	**(0.2)**
Dividend (%)	**5.7**
P/E using TTM EPS	**9.5**
P/E using 2024 Estimate	**8.4**
P/E using 2025 Estimate	**7.9**
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)
2022	15.5 A	16.0 A	16.6 A	15.9 A	64.0 A
2023	15.6 A	16.4 A	16.5 A	15.4 A	63.9 A
2024	15.7 A	16.3 E	16.5 E	16.9 E	65.4 E
2025					69.2 E

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

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
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	0.19 A	2.15 A
2024	0.58 A	0.49 E	0.54 E	0.57 E	2.19 E
2025					2.35 E

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

© Copyright 2024, Zacks Investment Research. All Rights Reserved.

FIRST QUARTER

CPKF's first quarter net earnings rebounded sharply from the fourth quarter (up more than 200%), but fell $0.9 million year over year, or 26%, to $2.8 million, while 2024's first quarter diluted EPS dropped by $0.20, or 25%, to $0.58 from $0.78 posted a year ago.

This was better than our estimate, which had called for a $1.1 million decrease in net earnings to $2.6 million (off by $0.2 million) and a $0.23 decline in diluted EPS to $0.55 (off by $0.03).

The primary reasons for the difference between reported results and our estimate were that net revenues were $0.4 million less than the $16.3 million we had anticipated, consisting of noninterest income that was $0.8 million lower than our projection, primarily the result of a $0.3 million shortfall in merchant services income ($1.2 million versus our $1.5 million estimate) and a $0.6 million gap in other miscellaneous income ($0.9 million compared to our $1.5 million estimate), partly offset by net interest income of $10.6 million that was $0.4 million higher than our $10.2 million estimate.

In addition, total noninterest expense of $12.3 million was $0.6 million less than the $12.9 million we had projected, reflecting compensation expense that was $0.6 million lower than anticipated. Noncompensation costs of $5.1 million came in on target. We note that in the first quarter CPKF improved disclosure for noninterest expense by separately reporting FDIC insurance, technology expense, and professional fees, all of which had previously been lumped together in other expenses. This change had no impact on the bottom line.

The major reasons for the first quarter's $0.9 million decrease in net earnings versus the prior-year quarter were a $1.3 million, or 12%, rise in total noninterest expense, mostly from greater compensation costs (up $1.1 million), partly offset a $0.2 million, or 1%, gain in net revenues (split equally between net interest income and noninterest income) and a $0.2 million reduction in income taxes due to lower pretax earnings.

We are slightly decreasing our diluted EPS estimate for 2024 by a penny, from $2.20 to $2.19, a 2% gain from 2023's actual diluted EPS of $2.15. Our initial estimate for 2025 is $2.35 per diluted share, representing a 7% gain over our 2024 estimate.

We expect moderate gains in net interest income in 2024 and 2025 as solid loan growth, estimated at 8% in 2024 and 8% in 2025, will be partly offset by a lower net interest margin. We have estimated a net interest margin of 3.30% for full-year 2024, down 20 basis from 3.50% in 2023. Our initial NIM estimate for 2025 shows a gain of 5 basis points to 3.35% as deposit cost pressures ameliorate somewhat and better loan pricing improves portfolio yields.

Although top-line interest income is growing nicely, CPKF has experienced increases in deposit costs, similar to the rest of the banking industry, a trend we expect to continue over the near term but to ease somewhat in 2025. 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, as well as derivatives, to supplement interest income.

We also expect continuing growth in the contribution to revenues and earnings of CPKF's specialty lines of business. Merchant services income should benefit as CPKF expands its footprint in this business by adding several new merchant services relationships in the second and third quarters this year. Just as important, cash management should continue to profit from the acquisition of a small factoring company in the Flexent division in May last year. Positively, this acquisition also improved industry concentration risk making it especially attractive. Valuation accounting adjustments included 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 2024, our estimate for the loan loss provision remains $0.8 million, flat with 2023, as asset quality continues exceptionally strong. Importantly, the Financial Accounting Standards Board's Current Expected Credit Loss (CECL) impairment standard (adopted in 2023), which requires "life-of-loan" estimates of losses to be recorded for unimpaired loans, has not had a material impact on loss provisions. 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 in 2023. Our initial estimate for 2025 is $1.0 million.

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 2024 and 2025, the same as it was in 2023 and 2022.

On the expense side, higher compensation costs due to the increases in full-time equivalent employees from the factoring acquisition, new hires in merchant services, and replacement staffing will be a headwind. However, we expect noncompensation costs to be well controlled and to provide a partial offset to this.

During 2023's 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), paid on 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 first quarter results more fully. Our projections are shown at the back of the report.

Net Interest Income

Net interest income rose $0.1 million, or 1%, year over year in the first quarter to $10.6 million ($0.4 million above our $10.2 million estimate), as a 7% increase in average interest-earning assets was offset by a net interest margin of 3.38% that was 20 basis points lower than the 3.58% earned in the year-ago quarter, but 8 basis points higher than our 3.30% estimate.

We have estimated a net interest margin of 3.30% for full-year 2024, down 20 basis from 3.50% in 2023 due to higher deposit funding costs. Our initial NIM estimate for 2025 is for an increase of 5 basis points to 3.35% as deposit cost pressures ameliorate somewhat and better loan pricing improves portfolio yields.

Noninterest Income

Noninterest income increased $0.1 million, or 2%, year over year to $5.1 million, as most business lines showed improvement, except mortgage banking and merchant services, both off slightly from revenues in the prior year. Notably, cash management fee income jumped $0.5 million, or 50%, year over year on the back of last year's acquisition, while miscellaneous other income declined by $0.7 million, or 43%.

Our estimate for total noninterest income is $22.9 million in 2024, which compares to $22.3 million in 2023, with gains largely driven by the cash management and merchant services divisions. Merchant

services income should benefit as CPKF expands its footprint in this business by adding several new merchant services relationships in the second and third quarters this year. In addition, 2024 results should benefit from the absence of a $2.9 million loss on securities sales as occurred in 2023. Our initial estimate for 2025 is $24.4 million, as we expect all business lines to post higher results.

Loss Provision

The loan loss provision was flat at $175,000 compared to the year-ago quarter and was $25,000 below our $200,000 estimate. Loan loss reserves rose $0.2 million to $8.0 million (0.93% of loans) compared with the fourth quarter (0.95% of loans) and were $0.5 million above the $7.5 million (0.99% of loans) in the year-ago quarter.

Including the loss allowance for cash management receivables, the total loss allowance increased $0.3 million to $9.7 million (1.08% of loans plus cash management receivables) compared with $9.4 million (1.09% of loans plus cash management receivables) at the end of the previous quarter and rose $0.1 million from $9.6 million (1.21% of loans plus cash management receivables) at the end of the comparable year-ago quarter.

As to other asset quality measures, CPKF recorded net charge-offs of $41,000 in the first quarter. This compares to net charge-offs of $38,000 in the year-ago quarter and net charge-offs of $233,000 for the full year in 2023.

For 2024, our estimate for the loan loss provision remains $0.8 million, flat with 2023, as asset quality continues exceptionally strong. Importantly, the Financial Accounting Standards Board's Current Expected Credit Loss (CECL) impairment standard (adopted in 2023), which requires "life-of-loan" estimates of losses to be recorded for unimpaired loans, has not had a material impact on loss provisions. 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 in 2023. Our initial estimate for 2025 is $1.0 million.

We project that the total loss allowance will decrease to 1.04% of total loans plus receivables at yearend 2024 from 1.09% actual at the end of 2023 before declining an additional 4 basis points to 1.00% at the end of 2025.

Noninterest Expense

Noninterest expense advanced $1.3 million, or 12%, to $12.3 million ($0.6 million less than the $12.9 million we had projected) from the prior-year quarter, reflecting greater compensation costs (up $1.1 million) and other miscellaneous noninterest expense (up $0.2 million).

We project that compensation costs will increase from $28.4 million actual in 2023 to $30.9 million in in 2024 and $32.7 million in 2025 due to the increases in full-time equivalent employees from the factoring acquisition, new hires in merchant services, and replacement staffing. Our estimate of noncompensation costs in 2024 is $20.9 million and $21.7 million in 2025, compared to 2023's $22.2 million actual.

Our estimate of the efficiency ratio is 79% in 2024 and 79% in 2025, compared to 76% actual in 2023.

Income Taxes

The Company had a 16.7% effective tax rate in the first quarter. This compares to a 16.8% tax rate in the year-ago quarter and our estimate of an effective tax rate of 18.0%. We estimate the effective tax rate for 2024 and 2025 will be 18.0%.

Net Income

CPKF's first quarter net earnings rebounded sharply from the fourth quarter (up more than 200%), but fell $0.9 million year over year, or 26%, to $2.8 million, while 2024's first quarter diluted EPS dropped by $0.20, or 25%, to $0.58 from $0.78 posted a year ago.

This was better than our estimate, which had called for a $1.1 million decrease in net earnings to $2.6 million (off by $0.2 million) and a $0.23 decline in diluted EPS to $0.55 (off by $0.03).

Profitability

CPKF posted a 10.9% ROE and 0.74% ROA for the first quarter of 2024, compared to 17.6% and 1.11%, respectively, in the prior-year quarter.

Loans and Asset Quality

Gross loans increased $100 million, or 13%, year over year, and about $31 million, or 4%, sequentially to $860 million.

By category, cash management receivables jumped $5.0 million, or 15%, to $39 million; other loans expanded $5.7 million, or 13%, to $50 million; commercial and industrial loans rose $13.0 million, or 9%, to $157 million; construction and land development loans grew $4.6 million, or 6%, to $81 million; 1-4 family loans gained $7.4 million, or 3%, to $226 million; and commercial real estate loans increased $0.8 million, or less than 1%, to $334 million. Negatively, consumer loans fell $1.0 million, or 8%, to $12 million.

Loan demand is solid, and we are continuing our estimate of loan growth at 8% in 2024 and initiating our 2025 estimate at 8% as well.

Asset quality measures remained exceptionally strong during 2024's first quarter. Total nonperforming assets fell $1.1 million to $1.6 million from $2.7 million sequentially. Nonaccrual loans decreased $0.5 million to $0.8 million, while other real estate owned was flat at $0.8 million. Restructured loans fell $0.6 million to $0.0 million from $0.6 million in the fourth quarter. In total, nonperforming assets (NPAs), including troubled debt restructurings that are current in payments, decreased 13 basis points to 0.18% of outstandings + OREO at from 0.31% of outstandings + OREO at December 31, 2023, and fell 33 basis points year over year from 0.51%.

The loss allowance as a percent of nonperforming assets increased to 603% from 347% sequentially, primarily due to a decline in nonperforming assets, as well as a slight increase in the loss reserve for loans plus cash management receivables.

Liquidity and Funding

Cash and equivalents increased $5 million to $31 million from $36 million at the end of the first quarter, while the securities portfolio rose $15 million to $498 million. By category, the private-label mortgage securities portfolio rose $20 million to $164 million, the municipal securities portfolio decreased $2 million to $179 million, asset-backed securities (primarily student loans under the FFELP program) and other securities fell $2 million to $98 million, and US government-related securities fell $1 million to $57 million.

On a relative basis, municipal securities were 36% of the entire available-for-sale securities portfolio, the private-label mortgage securities portfolio was 33%, US government-related securities were 11%, 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 $115 million at March 31, 2024 from $0 at yearend 2022, while large time deposits rose $47 million to $69 million from $22 million over the same period. Because of this, liquid assets as a percent of purchased funds weakened, to 41% at March 31, 2024 from 100%-plus levels of years prior to 2023.

That said, core deposit funding, which rose $36 million to $1,154 million at the end of March 2024, remains very strong, with core deposits to total loans and receivables at 128% at quarterend.

Capital Adequacy and Dividends

The Company's capital adequacy ratios worsened slightly during the first 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 fell 19 basis points sequentially to 11.06% at the end of 2024's first quarter from 11.25% at December 31, 2023, while the Total capital ratio decreased 24 basis points, falling to 13.53% from 13.77%. Notably, CPKF's capital ratios remain well above regulatory well-capitalized levels.

Total shareholders' equity increased $4.0 million during the first quarter, due to a $2.0 million advance in retained earnings and a $2.0 million decline in the accumulated other comprehensive loss account. 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 rose 10 basis points to 6.33% at the end of the first quarter from 6.23% in the prior quarter.

Reflecting these factors plus an 6,000 decline in common shares outstanding, tangible book value per share increased during the first quarter, by $0.89 per share, to $20.22 from $19.33.

OVERVIEW

Chesapeake Financial Shares, Inc. (CPKF or the Company) is a financial holding company headquartered in Kilmarnock, Virginia, with $1,512 million in total assets at March 31, 2024. 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 $490 million in assets (at 2023 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.

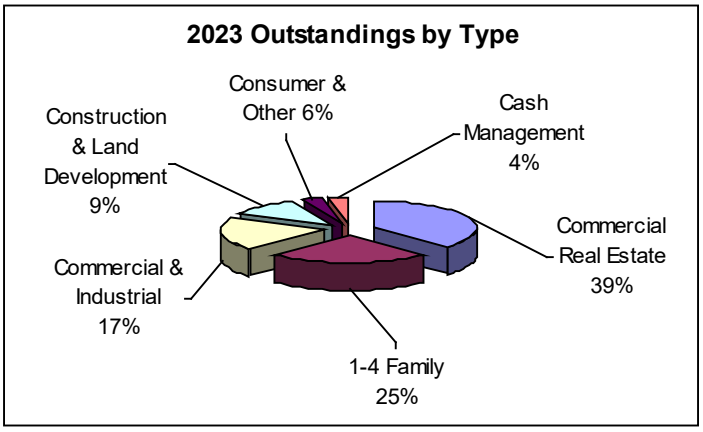
Chesapeake Payment Systems offers merchant processing services such as credit card and debit card processing, electronic benefits transfers, and loyalty and gift card processing to companies involved in travel, entertainment, restaurant, hospitality, retail, mail order, and e-commerce. At yearend 2023, Chesapeake Payment Systems had 1,230 direct merchants in its system and processed over $522 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 52 customers at the end of 2023.

Through Chesapeake's secondary market mortgage banking operation, the Company services a $287 million loan portfolio (as of December 31, 2023) of residential mortgage loans for Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac), for which it earns a 25 basis-point fee (approximately $717,000 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 $129,000 to revenues in 2023 (both types of fees are included in other noninterest income in the Company's financial statements).

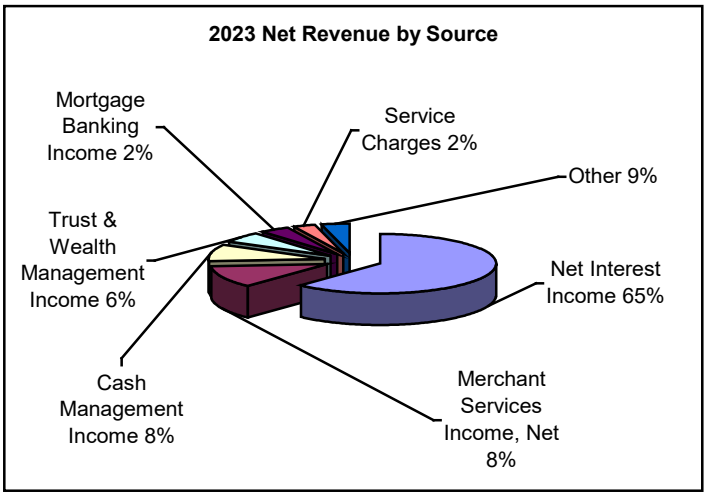
The lending portfolio is dominated by real estate loans, as shown in the chart at right. At December 31, 2023, the lending book consisted of commercial real estate (accounting for 39% of total gross outstandings), 1-4 family (25%), commercial and industrial (17%), construction and land development (9%), 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.



Source: Zacks Analyst

At December 31, 2023, 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 37% of the total, private label mortgage securities at 30%, and asset-backed and other securities at 21%. Core deposits represented 98% of total deposits at December 31, 2023, with certificates of deposit larger than $250,000 at 4% and brokered deposits at 6%.

Source: Zacks Analyst



In 2023, net interest income contributed 65% of net revenue, with a significant 35% coming from noninterest income sources. Major contributors to noninterest income include merchant services income, net (8% of net revenue), cash management fee income (8%), trust and wealth management income (6%), mortgage banking income (2%), and service charges (2%).

VALUATION

CPKF stock is up 1.1% year to date, much better than the 13.1% median price decline for our small-cap bank universe, but worse than the 10.4% price increase for the S&P 500, as shown in the following table.

At its current price, CPKF is trading at a 14% discount to the industry median P/E, based upon our current CPKF EPS estimate for 2025. Assuming a median small-cap bank universe valuation of 8.8X, CPKF's target price based upon our 2025 EPS estimate is about $21.00.

Turning to Price/Tangible Book Value, CPKF is currently valued at 0.8X. Assuming a 1.0X multiple based upon our estimated tangible book value twelve months out, our target price is about $23.00, which compares to CPKF's current tangible book value per share of $20.22.

We have chosen $22.00 as our new valuation, based upon CPKF's 2025 P/E of $21.00 and forward Price/Tangible Book Value of $23.00.

Industry Comparables - Small-cap Banks

	Pr Chg YTD	EPS TTM*	EPS 2024E	EPS 2025E	ROE TTM*	ROE 5-Yr Avg	ROA TTM*	ROA 5-Yr Avg	Div Yld
Chesapeake Finc'l	**1.1**	**9.5**	**8.4**	**7.6**	**9.7**	**13.1**	**0.64**	**1.12**	**3.4**
S&P 500	**10.4**	**24.7**	**21.3**	**19.5**	**41.6**	**N/A**	**12.5**	**N/A**	**1.4**
Median	**(13.1)**	**9.0**	**9.6**	**8.8**	**9.7**	**11.3**	**0.84**	**1.10**	**3.5**
Average	(13.7)	11.0	12.1	9.9	9.8	11.8	0.9	1.1	3.4
High	58.1	64.6	85.2	46.7	17.6	18.2	1.7	1.8	6.3
Low	(81.3)	6.3	7.2	5.5	1.9	3.7	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	12/19	12/20	12/21	12/22	12/23	12/24E	12/25E
Net interest income	29.5	33.5	41.6	44.1	41.6	42.5	44.8
Non-interest income	20.3	19.6	18.9	19.9	22.3	22.9	24.4
Total net revenue	49.8	53.1	60.5	64.0	63.9	65.4	69.2
Loan loss provision	0.5	2.0	(0.4)	0.7	0.8	0.8	1.0
Non-interest expense	36.0	37.3	43.6	45.1	50.7	52.0	54.7
Income taxes & other	1.9	2.1	2.3	2.3	2.3	2.3	2.4
Zacks adjusted income before NRI	11.4	11.7	15.0	15.9	10.1	10.3	11.1
GAAP net income	11.4	11.7	15.0	17.6	10.1	10.3	11.1
Diluted EPS before NRI	2.29	2.39	3.11	3.37	2.15	2.19	2.35
Reported EPS	2.29	2.39	3.11	3.73	2.15	2.19	2.35
Dividends per share	0.49	0.50	0.53	0.58	0.61	0.62	0.62
Liquid assets	98.0	120.2	98.8	79.6	93.9	90.8	94.4
Outstandings, gross	566.7	625.0	699.7	778.1	864.4	955.1	1,033.8
Total assets	958.3	1,204.7	1,385.8	1,329.0	1,471.0	1,580.9	1,677.9
Core deposits	799.5	984.2	1,101.6	1,144.5	1,118.1	1,180.7	1,216.5
Purchased funds	39.6	85.3	122.4	67.8	210.3	247.0	300.2
Long-term debt	5.2	5.2	25.2	25.2	25.2	25.2	25.2
Shareholders' equity	105.4	122.7	126.1	79.1	98.5	107.9	116.1
Profitability							
Return on avg assets	1.22%	1.06%	1.14%	1.19%	0.73%	0.67%	0.68%
Return on avg equity	11.09%	10.27%	11.87%	18.88%	11.11%	9.92%	9.92%
Net interest margin	3.98%	3.80%	3.80%	3.70%	3.50%	3.30%	3.35%
Loan loss provision % avg assets	0.06%	0.18%	(0.03)%	0.05%	0.06%	0.05%	0.06%
Noninterest income % avg assets	2.18%	1.76%	1.44%	1.49%	1.61%	1.49%	1.50%
Noninterest expense % avg assets	3.86%	3.36%	3.32%	3.37%	3.66%	3.39%	3.36%
Preprovision pretax income % avg assets	1.48%	1.42%	1.29%	1.42%	0.95%	0.87%	0.89%
Tangible efficiency ratio	75%	72%	73%	67%	76%	79%	79%
Payout ratio	21%	21%	17%	16%	28%	28%	26%
Asset Quality							
Net charge-offs % avg outstandings	0.10%	(0.05)%	0.38%	(0.03)%	0.12%	0.07%	0.08%
Allowance % outstandings	1.18%	1.47%	1.17%	1.21%	1.09%	1.04%	1.00%
NPAs % loans + OREO	1.36%	1.11%	0.61%	0.52%	0.31%	0.29%	0.35%
Allowance % NPAs	86%	132%	194%	232%	347%	353%	287%
Liquidity & Funding							
Liquid assets % purchased funds	247%	141%	81%	117%	45%	37%	31%
Core deposits % outstandings	141%	157%	157%	147%	129%	124%	118%
Liquid assets % assets	10%	10%	7%	6%	6%	6%	6%
Outstandings % assets	59%	52%	50%	59%	59%	60%	62%
Capital Adequacy							
Total equity % assets	11.00%	10.18%	9.10%	5.95%	6.70%	6.83%	6.92%
Tangible equity % assets	11.00%	10.18%	9.10%	5.95%	6.36%	6.41%	6.54%
Tier 1 capital ratio	15.03%	14.03%	12.28%	13.04%	12.07%		
Total capital ratio	16.00%	15.20%	15.16%	15.89%	13.77%		
Parent Company Statistics							
Interest coverage	12.4X	41.2X	3.7X	4.7X	6.2X	4.0X	4.0X
Interest & dividend coverage	1.0X	2.0X	0.5X	1.1X	1.6X	1.1X	1.1X
Short-term debt coverage	Lge	Lge	Lge	Lge	Lge	Lge	Lge
Total debt coverage	5.0X	4.8X	0.7X	1.3X	1.3X	1.3X	1.3X
Double leverage	102.5%	102.1%	117.5%	128.2%	127.3%	125.8%	126.5%

Chesapeake Financial Shares, Inc.

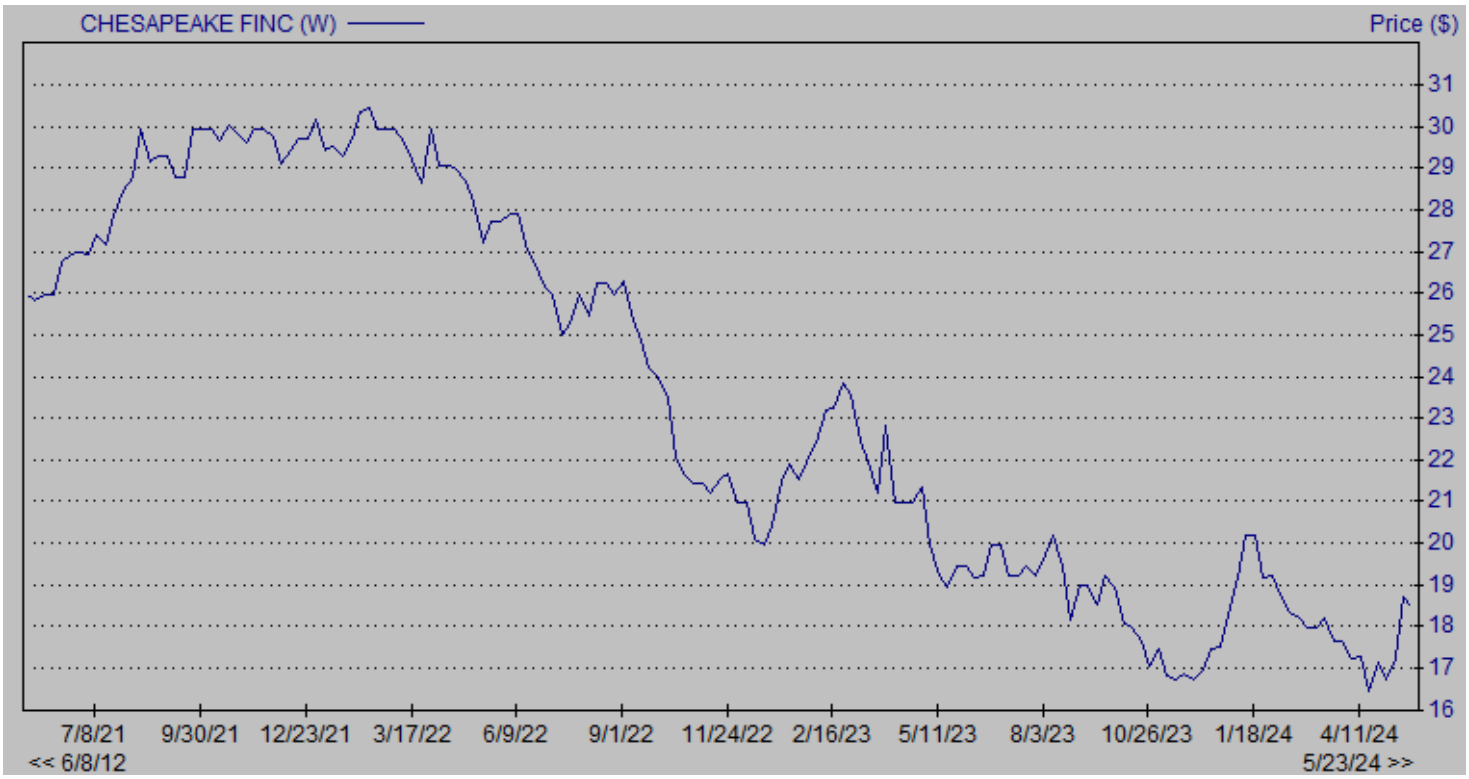
Income Statement and Balance Sheet

(Dollars in millions, except per share data)

	2023				2024			
Summary Financial Data	**Q1 A**	**Q2 A**	**Q3 A**	**Q4 A**	**Q1 A**	**Q2 E**	**Q3 E**	**Q4 E**
Net interest income	10.6	10.2	10.0	10.8	10.6	10.5	10.6	10.8
Non-interest income	5.0	6.2	6.5	4.6	5.1	5.8	5.9	6.1
Total net revenue	15.6	16.4	16.5	15.4	15.7	16.3	16.5	16.9
Loan loss provision	0.2	0.2	0.3	0.2	0.2	0.2	0.2	0.2
Non-interest expense	11.0	12.5	13.2	14.0	12.3	13.2	13.2	13.3
Income taxes & other	0.7	0.7	0.5	0.3	0.5	0.6	0.5	0.7
Zacks adjusted income before NRI	3.7	3.0	2.5	0.9	2.7	2.3	2.6	2.7
GAAP net income	3.7	3.0	2.5	0.9	2.7	2.3	2.6	2.7
Diluted EPS before NRI	0.78	0.65	0.53	0.19	0.58	0.49	0.54	0.57
Reported EPS	0.78	0.65	0.53	0.19	0.58	0.49	0.54	0.57
Dividends per share	0.15	0.15	0.15	0.16	0.16	0.16	0.16	0.16
Liquid assets	82.2	87.3	84.5	93.9	88.1	89.0	89.9	90.8
Outstandings, gross	797.1	818.7	836.8	864.4	900.0	918.0	936.4	955.1
Total assets	1,331.4	1,354.8	1,382.3	1,471.0	1,511.9	1,534.5	1,557.6	1,580.9
Core deposits	1,112.4	1,100.9	1,110.4	1,118.1	1,154.5	1,163.1	1,171.9	1,180.7
Purchased funds	91.3	125.2	148.3	210.3	213.3	224.0	235.2	247.0
Long-term debt	25.2	25.2	25.2	25.2	25.2	25.2	25.2	25.2
Shareholders' equity	89.3	90.9	85.6	98.5	102.6	104.1	106.0	107.9
Profitability								
Return on avg assets*	1.11%	0.91%	0.72%	0.25%	0.74%	0.60%	0.66%	0.69%
Return on avg equity *	17.56%	13.50%	11.23%	3.93%	10.94%	8.91%	9.72%	10.12%
Net interest margin*	3.58%	3.45%	3.37%	3.54%	3.38%	3.30%	3.30%	3.30%
Loan loss provision % avg assets*	0.05%	0.05%	0.08%	0.05%	0.05%	0.06%	0.05%	0.05%
Noninterest income % avg assets*	1.51%	1.84%	1.89%	1.28%	1.38%	1.51%	1.54%	1.55%
Noninterest expense % avg assets*	3.30%	3.72%	3.87%	3.94%	3.30%	3.46%	3.41%	3.39%
Preprovision pretax inc.% avg assets*	1.39%	1.16%	0.96%	0.38%	0.93%	0.80%	0.86%	0.90%
Tangible efficiency ratio	70%	70%	79%	85%	78%	81%	79%	79%
Payout ratio	19%	23%	28%	81%	27%	32%	29%	27%
Asset Quality								
Net charge-offs % avg outstandings*	0.02%	0.02%	0.01%	0.42%	(0.03)%	0.09%	0.09%	0.08%
Allowance % outstandings	1.21%	1.20%	1.20%	1.09%	1.08%	1.06%	1.05%	1.04%
NPAs % loans + OREO	0.51%	0.36%	0.40%	0.31%	0.18%	0.26%	0.28%	0.29%
Allowance % NPAs	237%	337%	298%	347%	603%	406%	378%	353%
Liquidity & Funding								
Liquid assets % purchased funds	90%	70%	57%	45%	41%	40%	38%	37%
Core deposits % outstandings	140%	134%	133%	129%	128%	127%	125%	124%
Liquid assets % assets	6%	6%	6%	6%	6%	6%	6%	6%
Outstandings % assets	60%	60%	61%	59%	60%	60%	60%	60%
Capital Adequacy								
Total equity % assets	6.71%	6.71%	6.19%	6.70%	6.78%	6.79%	6.80%	6.83%
Tangible equity % assets	6.71%	6.71%	5.69%	6.23%	6.33%	6.35%	6.37%	6.41%
Tier 1 capital ratio	13.13%	12.66%	11.83%	11.25%	11.06%			
Total capital ratio	15.98%	15.41%	14.56%	13.77%	13.53%			

*Annualized.

HISTORICAL STOCK PRICE



DISCLOSURES

The following disclosures relate to relationships between Zacks Small-Cap Research ("Zacks SCR"), a division of Zacks Investment Research ("ZIR"), and the issuers covered by the Zacks SCR Analysts in the Small-Cap Universe.

ANALYST DISCLOSURES

I, Ann H. Heffron, CFA, CPA, hereby certify that the view expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report. I believe the information used for the creation of this report has been obtained from sources I considered to be reliable, but I can neither guarantee nor represent the completeness or accuracy of the information herewith. Such information and the opinions expressed are subject to change without notice.

INVESTMENT BANKING AND FEES FOR SERVICES

Zacks SCR does not provide investment banking services nor has it received compensation for investment banking services from the issuers of the securities covered in this report or article.
Zacks SCR has received compensation from the issuer directly, from an investment manager, or from an investor relations consulting firm engaged by the issuer for providing non-investment banking services to this issuer and expects to receive additional compensation for such non-investment banking services provided to this issuer. The non-investment banking services provided to the issuer includes the preparation of this report, investor relations services, investment software, financial database analysis, organization of non-deal road shows, and attendance fees for conferences sponsored or co-sponsored by Zacks SCR. The fees for these services vary on a per-client basis and are subject to the number and types of services contracted. Fees typically range between ten thousand and fifty thousand dollars per annum. Details of fees paid by this issuer are available upon request.

POLICY DISCLOSURES

This report provides an objective valuation of the issuer today and expected valuations of the issuer at various future dates based on applying standard investment valuation methodologies to the revenue and EPS forecasts made by the SCR Analyst of the issuer's business.
SCR Analysts are restricted from holding or trading securities in the issuers that they cover. ZIR and Zacks SCR do not make a market in any security followed by SCR nor do they act as dealers in these securities. Each Zacks SCR Analyst has full discretion over the valuation of the issuer included in this report based on his or her own due diligence. SCR Analysts are paid based on the number of companies they cover. SCR Analyst compensation is not, was not, nor will be, directly or indirectly, related to the specific valuations or views expressed in any report or article.

ADDITIONAL INFORMATION

Additional information is available upon request. Zacks SCR reports and articles are based on data obtained from sources that it believes to be reliable, but are not guaranteed to be accurate nor do they purport to be complete. Because of individual financial or investment objectives and/or financial circumstances, this report or article should not be construed as advice designed to meet the particular investment needs of any investor. Investing involves risk. Any opinions expressed by Zacks SCR Analysts are subject to change without notice. Reports or articles or tweets are not to be construed as an offer or solicitation of an offer to buy or sell the securities herein mentioned.

CANADIAN COVERAGE

This research report is a product of Zacks SCR and prepared by a research analyst who is employed by or is a consultant to Zacks SCR. The research analyst preparing the research report is resident outside of Canada, and is not an associated person of any Canadian registered adviser and/or dealer. Therefore, the analyst is not subject to supervision by a Canadian registered adviser and/or dealer, and is not required to satisfy the regulatory licensing requirements of any Canadian provincial securities regulators, the Investment Industry Regulatory Organization of Canada and is not required to otherwise comply with Canadian rules or regulations.

.