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Chesapeake Financial Shares, Inc. (CPKF – OTCQX)

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Price:	\$ 39.02	Diluted EPS * 2024A:	\$2.42	P/E 2024A:	16.1 x
52 Wk. Range:	\$21.18 - \$39.75	(FY: DEC) 2025A:	\$2.12	2025A:	18.4 x
Div/Div Yld:	\$0.72 /1.9%	2026E:	\$4.85	2026E:	8.0 x
Shrs/Mkt Cap:	4.7 mm/ \$183 mm	Book Value: **	\$30.74	Price/Book Value:	1.27 x

* EPS in 2025 includes a \$1.69 per share nonrecurring loss on a restructuring of the investment portfolio

** Book value includes \$3.90 per share in accumulated other comprehensive losses (unrealized losses on available for sale securities).

Background

Chesapeake Financial Shares, Inc. is a one-bank holding company originally chartered in 1900 and is based in Kilmarnock, VA. As of June 30, 2026, the Company had \$1.7 billion in total assets. The holding company operates two subsidiaries, Chesapeake Bank and Chesapeake Wealth Management, Inc. Chesapeake Bank is primarily a lender to small businesses. Personal and business products and services offered include checking, savings, CDs, mortgages, mobile and online banking with account opening and a business cash management program. The Bank currently operates 17 branches located in the Northern Neck, Middle Peninsula, Peninsula and Richmond markets. The Bank also offers merchant processing services for credit and debit card transactions. Chesapeake Wealth Management is an independent wealth management firm which offers investment, wealth management and trust services. Chesapeake Financial Shares, Inc.'s stock trades on the over-the-counter market (OTCQX) under the symbol "CPKF." The Company's Chairman, President, and CEO, Jeffrey M. Szyperski, is a former Chairman of the Virginia Bankers Association, as well as the former Chairman of American Bankers Association Board of Directors. Also, for the 19th consecutive year, Chesapeake Financial Shares has been included in *American Banker* magazine's "Top 100 Community Banks" in the U.S.

Strong Second Quarter Results: Adjusted Pretax Income Up 69%

Chesapeake Financial Shares, Inc., reported strong second-quarter results, with net income surging due to strong operating trends as well as a nonrecurring gain on the sale of an investment. Importantly, even if we exclude the gain, operating results were still outstanding. In particular, net interest income growth was strong, fee income was solid and expense containment was commendable. Balance sheet momentum was also encouraging, as the Company continued to post solid increases, especially in loans. Finally, asset quality was excellent, with nonperforming assets declining both relative to the year-ago level and on a linked quarter basis. Finally, as was noted above, the Company was recognized as a Top Performing Community Bank by *American Banker* for the nineteenth consecutive year.

In terms of specifics, Chesapeake reported net income of \$8,182,000, or \$1.75 per diluted share, for the second quarter of 2026, as compared with \$3,146,000, or \$0.67 per diluted share, in the second quarter of 2025. The comparisons were affected by a one-time gain of \$2,752,000 from the sale of the Company's investment interest in Bearing Insurance in 2026's second quarter, as well as various gains on the sale of securities and foreclosed assets. Pretax income before the provision and these unusual items rose 69% to \$7,374,000 from \$4,356,000 in the year-ago quarter. Net interest income increased 13% to \$14,857,000 from \$13,181,000. The increase was driven by a 17-basis-point expansion in the net

Second Quarter Results (\$000s)	2025	2026
Net Income (Loss)	3,146	8,182
Pretax Income	4,139	10,157
Adjustments:		
Provision (includes Cash Mgt)	258	638
Gains on Securities & Foreclosed Assets	(40)	(669)
One-Time Gain on Sale of Ins. Investment	-	(2,752)
Pretax Inc. Bef. Unusual Items	4,356	7,374

SYMBOL: CPKF

ASSETS: \$1.7 B

HQ: KILMARNOCK, VA

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2ND QUARTER HIGHLIGHTS:

EPS: \$1.75 VS. \$0.67

**THERE WERE SEVERAL
NONRECURRING FACTORS IN
BOTH QUARTERS**

**PRETAX INCOME BEFORE THE
PROVISION AND
NONRECURRING FACTORS
INCREASED 69%**

**NET INTEREST INCOME WAS
UP 13%**

**NONINTEREST INCOME
EXCLUDING GAINS WERE UP
36%, WHILE NONINTEREST
EXPENSE INCREASED 7%**

interest margin to 3.34% from 3.17%, combined with growth of approximately \$31.2 million in average earning assets. Reflecting strong loan growth, the provision for credit losses (including cash management) increased to \$638,000 in 2026's second quarter from \$258,000 in the year-ago quarter. Noninterest income, excluding gains on securities and foreclosed assets and the one-time gain, rose 36% to \$8,605,000 from \$6,339,000, with notable increases in trust and wealth management, cash management fee income and service charges. Noninterest expense increased by 7% to \$16,238,000 from \$15,174,000 in 2025's second quarter.

FIRST HALF 2026 HIGHLIGHTS:

EPS: \$2.89 vs. (\$0.28)

**THERE WERE ALSO
NONRECURRING FACTORS IN
BOTH PERIODS**

**NET INTEREST INCOME GREW
16%**

Earnings for the first half of 2026 reflected many of the same strong underlying trends. Reported net income was \$13.6 million, or \$2.89 per diluted share, as compared with a net loss of \$1.3 million, or \$0.28 per diluted share, in the first half of 2025. The prior-year period included a \$9.3 million one-time loss related to the sale of \$75 million in relatively low-yielding securities. The pretax income before the provision and volatile items increased to \$14.3 million from \$8.2 million in the first half of 2025 (see adjacent table). Net interest income grew 16%, while noninterest income (excluding gains and losses on securities and the one-time gain) grew 29% and noninterest expense was up 6%.

First Half Results (\$000s)	2025	2026
Net Income	(1,304)	13,573
Pretax Income	(1,624)	16,697
Adjustments:		
Provision (includes Cash Mgt)	505	980
Security Gns/Losses & Foreclosed Assets	9,310	(669)
One-Time Gain on Sale of Ins. Investment	-	(2,752)
Pretax Inc. Bef. Volatile Items	8,191	14,256

**FROM JUNE 30, 2025 TO JUNE
30, 2026:**

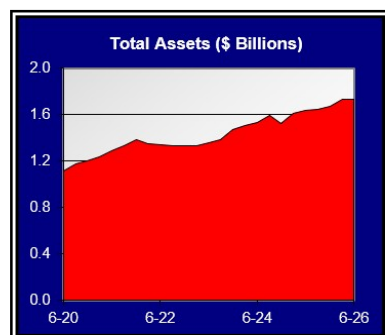
**NET LOANS INCREASED 16%
DEPOSITS GREW 2%
TOTAL ASSETS INCREASED 6%**

**TOTAL ASSETS HAVE
INCREASED 55% OVER THE
PAST SIX YEARS**

EQUITY /ASSETS: 8.32%

Sustained Organic Growth in Assets and Loans

Total assets stood at \$1.7 billion as of June 30, 2026, an increase of 6% from \$1.6 billion at June 30, 2025. Net loans grew 16% to \$1.02 billion from \$0.88 billion at the year-ago date, reflecting strong underlying loan demand, which is expected to continue. Total deposits increased 2% to \$1.48 billion from \$1.45 billion at June 30, 2025. Shareholders' equity rose 23% to \$144.1 million, or 8.3% of total assets, compared with \$116.7 million, or 7.1% of total assets, at June 30, 2025. The Company continues to maintain a conservative capital position. One of the more impressive aspects of Chesapeake's long-term performance has been its consistent organic growth over a longer horizon. Total assets have grown 55% since June 30, 2020, rising from approximately \$1.11 billion at that date to \$1.73 billion at June 30, 2026.



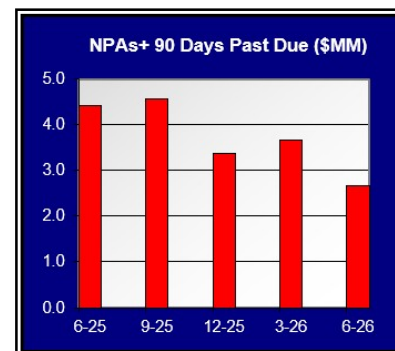
**NPAS/ASSETS: 0.15% AT
6/30/26, DOWN FROM 0.21% AT
3/31/26, AND 0.27% AT THE
YEAR-AGO DATE**

RESERVES INCREASED 11%

RESERVES/LOANS: 0.94%

Nonperforming Assets Were Down 39% from June 30, 2025

Chesapeake continued to maintain sound asset quality, with nonperforming assets showing improvement from both the year-ago and linked-quarter levels. Nonperforming assets ("NPAs," which exclude restructured loans) declined to \$2.7 million, or 0.15% of total assets, at June 30, 2026, from \$3.7 million, or 0.21% of total assets, at March 31, 2026, and \$4.4 million, or 0.27% of total assets, at June 30, 2025. The allowance for loan losses was \$9.8 million, or 0.94% of loans, at June 30, 2026, versus \$8.9 million, or 0.97% of loans, at the year-ago date.



**EPS:
2024A: \$2.42
2025A: \$2.12
2026E: \$4.85**

Projections Increased

We are increasing our 2026 projections to \$22.8 million, or \$4.85 per diluted share, from our prior estimate of \$18.8 million, or \$4.00 per diluted share. Actual results may vary considerably from these projections given economic uncertainties.

ADDITIONAL INFORMATION UPON REQUEST

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