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Zacks Small-Cap Research

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Chesapeake Financial Shares, Inc. (CPKF-OTCQX)

CPKF: Third Quarter Net Earnings on Target; Raising Estimates

We have chosen $26.25 as our new valuation, based upon CPKF's 2025 P/E of $27.50 and forward Price/Tangible Book Value of $25.00.

Current Price (11/14/24)	$18.70
Valuation	**$26.25**

OUTLOOK

We are increasing our diluted EPS estimate for 2024 by $0.02, from $2.30 to $2.32, an 8% gain from 2023's actual diluted EPS of $2.15, and our diluted EPS estimate for 2025 from $2.40 per share to $2.45 per share, representing a 6% gain over our 2024 estimate. We expect good gains in net interest income in 2024 and 2025 as solid loan growth, estimated at 8% in both 2024 and 2025, will be aided by improving prospects for CPKF's net interest margin (NIM). We have raised our net interest margin estimate for 2024 by 4 basis points from 3.45% to 3.49% and our 2025 NIM estimate by 2 basis points from 3.50% to 3.52%, up 3 basis points from our 2024 estimate. We also expect a continuing boost to revenues and earnings from CPKF's specialty lines of business. We are maintaining our estimates for the loan loss provision in 2024 at $1.0 million and in 2025 at $1.2 million. As to expenses, higher compensation costs due to increases in full-time equivalent employees from the factoring acquisition, new hires in merchant services, and replacement staffing will be a headwind. But, we expect noncompensation costs to be well controlled and to provide a partial offset. CPKF just raised the quarterly dividend by 3% to $0.16 per share and has raised its annual dividend payment every year for the past thirty-two years since 1991. In 2024 for the seventeenth consecutive year, CPKF was included in the American Banker magazine list of the "Top 100 Community Banks". Chesapeake Bank again garnered a top ranking in the American Banker's list of "Best Banks to Work for", and had a #41 spot in 2024, out of the 90 banks listed.

SUMMARY DATA

52-Week High	**$20.25**
52-Week Low	**$16.50**
One-Year Return (%)	**14.96**
Beta	**0.50**
Average Daily Volume (sh)	**1,478**
Shares Outstanding (mil)	**5**
Market Capitalization ($mil)	**$88**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**4**
Insider Ownership (%)	**40**
Annual Cash Dividend	**$0.64**
Dividend Yield (%)	**3.42**
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	**8.1**
P/E using 2025 Estimate	**7.6**
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	15.8 A	17.3 A	18.0 A	17.8 E	68.9 E
2025					73.4 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	0.65 A	0.55 A	0.54 E	2.32 E
2025					2.45 E

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

THIRD QUARTER

CPKF's third quarter net earnings increased $0.1 million, or 5% to $2.6 million year over year, while 2024's third quarter diluted EPS rose $0.02, or 5%, to $0.55.

This was about the same as our estimate, which had called for a $0.1 million increase in net earnings to $2.6 million, but a $0.03 increase in diluted EPS to $0.56 (off by $0.01), the result of higher average shares outstanding than we had estimated.

While net earnings and our estimate were the same, there were differences between reported results and our estimates for certain individual line items. Net revenues were $0.6 million more than the $17.3 million we had anticipated, as net interest income of $11.8 million was $0.4 million higher than our $11.4 million estimate and total noninterest income was $0.2 million greater than our $6.0 million estimate. This was partly offset by total noninterest expense of $14.7 million that was $0.8 million more than the $13.9 million we had projected. In addition, income tax expense of $0.5 million was $0.1 million less than we expected due to a lower effective income tax rate, while the provision for credit losses was $0.1 million below our $0.3 million estimate.

We note that 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.

Compared to the year-ago quarter, net earnings increased $0.1 million, or 5% to $2.6 million. Of note, net interest income rose $1.8 million, or 18%, to $11.8 million due to a 15 basis-point increase in the net interest margin to 3.52% from 3.37% and a larger earning asset base, though this was partly offset by a $0.2 million, or 5%, decline in total noninterest income, the result of a $0.7 million, or 30%, fall in other miscellaneous income. Notably, all business lines demonstrated strength, posting higher year-over-year net revenues. On the expense side, there was a $1.5 million increase in total noninterest expense, the result of $1.1 million higher compensation costs and a $0.4 million gain in other miscellaneous expense.

We are increasing our diluted EPS estimate for 2024 by $0.02, from $2.30 to $2.32, an 8% gain from 2023's actual diluted EPS of $2.15. At the same time, we are raising our diluted EPS estimate for 2025 from $2.40 per share to $2.45 per share, representing a 6% gain over our 2024 estimate.

We expect good gains in net interest income in 2024 and 2025 as solid loan growth, estimated at 8% in 2024 (down from our previous 10% estimate as loan growth softened a bit in the third quarter) and 8% in 2025, will be aided by improving prospects for CPKF's net interest margin. In fact, we are raising our net interest margin estimates for both 2024 and 2025, reflecting better loan pricing as loan rates reset, gains in investment income from a larger securities portfolio, reduced deposit cost pressures, and a greater contribution from swaps income. We note that 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 have raised our net interest margin estimate for 2024 by 4 basis points from 3.45% to 3.49%, down 1 basis point from 3.50% in 2023, and our 2025 NIM estimate by 2 basis points from 3.50% to 3.52%, up 3 basis points from our 2024 estimate.

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 this year and next 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.

We are maintaining our estimates for the loan loss provision in 2024 at $1.0 million and in 2025 at $1.2 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.

At the October 18, 2024 Chesapeake Financial Shares Board of Directors meeting, the Board raised the quarterly dividend to $0.16 per share from $0.155 per share (a 3% increase), paid on December 15, 2024. Notably, CPKF has increased the annual dividend payment every year for the past thirty-two years since 1991.

On October 3, 2024, Chesapeake Bank announed a new partnership with Silverflow, an innovative cloud-native payment processing company. Chesapeake Bank through its division, Chesapeake Payment Systems, will significantly enhance its service offerings, adding the capabilities of a more advanced infrastructure. This partnership not only improves the bank's processing capabilities but also positions it as an early adopter of new technology.

On October 18, 2024, Chesapeake Bank announced the addition of Ron Andrews to the Bank's Board of Directors. Mr. Andrews is an experienced senior bank operations leader who has built and led banking businesses and operations in the United States and the United Kingdom during the course of his 37-year career. Mr. Andrews has served on Chesapeake Bank's Technology Advisory Board since 2016.

In 2024 for the seventeenth consecutive year, Chesapeake Financial Shares, Inc. has been included in the American Banker magazine listing of the “Top 100 Community Banks” in the United States. The bank ranked at #54 in the nation out of approximately 361 community banks with total assets under $2 billion in the study, up from #58 last year and #148 when CPKF first broke into the rankings in 2008, when it was the “Top 200 Community Banks” and there were many more community banks. The ranking is based on a three-year average of return on average equity (ROAE), which for CPKF was 14.73%. Chesapeake Bank again garnered a top ranking in the American Banker’s list of “Best Banks to Work for”, and had a #41 spot in 2024, out of the 90 banks listed.

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

<u>Net Interest Income</u>

Net interest income rose $1.8 million, or 18%, year over year in the third quarter to $11.8 million ($0.4 million above our $11.4 million estimate), as a 13% increase in average interest-earning assets was aided by a net interest margin of 3.52% that was 15 basis points higher than the 3.37% earned in the year-ago quarter and 7 basis points greater than our 3.45% estimate, in part due to one-time loan fees.

We are raising our net interest margin estimates for both 2024 and 2025, reflecting better loan pricing as loan rates reset, gains in investment income from a larger securities portfolio, reduced deposit cost pressures, and a greater contribution from swaps income. We note that 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 have raised our net interest margin estimate for 2024 by 4 basis points from 3.45% to 3.49%, down 1 basis point from 3.50% in 2023, and our 2025 NIM estimate by 2 basis points from 3.50% to 3.52%, up 3 basis points from our 2024 estimate.

<u>Noninterest Income</u>
Noninterest income decreased $0.2 million, or 5%, year over year to $6.2 million, largely the result of a $0.7 million, or 30%, fall in other miscellaneous income. Notably, all business lines demonstrated strength, posting higher year-over-year net revenues.

Our estimate for total noninterest income is $23.1 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 this year and next year. In addition, 2024 results should benefit from the absence of a $2.9 million loss on securities sales as occurred in 2023. Our estimate for 2025 is $24.6 million, as we expect all business lines to post higher results.

<u>Loss Provision</u>
The loan loss provision fell $65,000, or 25%, to $200,000 compared to the year-ago quarter and was $50,000 below our $250,000 estimate. Loan loss reserves rose $0.1 million to $8.5 million (0.97% of loans) compared with the second quarter (0.94% of loans) and were $0.7 million above the $7.8 million (0.98% of loans) in the year-ago quarter.

Including the loss allowance for cash management receivables, the total loss allowance increased $0.2 million to $10.3 million (1.13% of loans plus cash management receivables) compared with 1.10% at the end of the previous quarter and 1.20% at the end of the comparable year-ago quarter.

As to other asset quality measures, CPKF recorded net charge-offs of $23,000 in the third quarter. This compares to net charge-offs of $18,000 in the year-ago quarter and net charge-offs of $233,000 for the full year in 2023.

We are maintaining our estimates for the loan loss provision in 2024 at $1.0 million and in 2025 at $1.2 million.

We project that the total loss allowance will increase to 1.12% of total loans plus receivables at yearend 2024 from 1.09% actual at the end of 2023 before declining 2 basis points to 1.10% at the end of 2025.

<u>Noninterest Expense</u>
Noninterest expense advanced $1.5 million, or 11%, to $14.7 million ($0.8 million more than the $13.9 million we had projected) from the prior-year quarter, the result of $1.1 million higher compensation costs and a $0.4 million gain in other miscellaneous expense.

We project that compensation costs will increase from $28.4 million actual in 2023 to $31.9 million in 2024 and $34.2 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 $22.6 million and $23.5 million in 2025, compared to 2023's $22.2 million actual.

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

<u>Income Taxes</u>
The Company had a 16.3% effective tax rate in the third quarter. This compares to a 17.5% tax rate in the year-ago quarter and our estimate of an effective tax rate of 18.5%.

We estimate the effective tax rate for 2024 and 2025 will be 18.0%.

Net Income

CPKF's third quarter net earnings increased $0.1 million, or 5% to $2.6 million year over year, while 2024's third quarter diluted EPS rose $0.02, or 5%, to $0.55.

This was about the same as our estimate, which had called for a $0.1 million increase in net earnings to $2.6 million, but a $0.03 increase in diluted EPS to $0.56 (off by $0.01), the result of higher average shares outstanding than we had estimated.

Profitability

CPKF posted a 9.5% ROE and 0.67% ROA for the third quarter of 2024, compared to 11.2% and 0.72%, respectively, in the prior-year quarter.

Loans and Asset Quality

Gross loans increased $76 million, or 9%, year over year, and fell about $3 million, or less than 1%, sequentially to $878 million**.**

By category, 1-4 family loans gained $3.7 million, or 2%, to $239 million; construction and land development loans were flat at $85 million; other loans were flat at $55 million; and consumer loans were flat at $13 million. Negatively, commercial and industrial loans fell $4.4 million, or 3%, to $145 million, stemming from the loan payoff of one large customer relationship; commercial real estate loans decreased $2.7 million, or 1%, to $341 million; and cash management receivables decreased $1.4 million, or 4%, to $32 million due to loan payoffs.

Loan demand is solid, though we are cutting our estimate of loan growth to 8% from 10% in 2024 as loan growth softened a bit in the third quarter, while maintaining our 2025 estimate at 8%.

Asset quality measures remained strong during 2024's third quarter. Total nonperforming assets decreased $3.5 million to $5.0 million from $8.5 million sequentially, largely due to restructured loans that are in compliance with their modified terms, which fell to $6.4 million, and were related to one large commercial relationship. Nonaccrual loans increased $3.1 million to $4.3 million, while other real estate owned was declined $0.1 million to $0.7 million. In total, nonperforming assets (NPAs), including troubled debt restructurings that are current in payments, fell 38 basis points to 0.55% of outstandings + OREO at from 0.93% of outstandings + OREO at June 30, 2024, and increased 15 basis points year over year from 0.40%.

The loss allowance as a percent of nonperforming assets increased to 206% from 118% sequentially, primarily due to a decrease in nonperforming assets and a slight increase in the loss reserve for loans plus cash management receivables.

Liquidity and Funding

Cash and equivalents increased $23 million to $66 million from $43 million at the end of the third quarter, while the securities portfolio rose $26 million to $519 million. By category, asset-backed securities (primarily student loans under the FFELP program) and other securities increased $33 million to $126 million, the municipal securities portfolio increased $7 million to $185 million, the private-label mortgage securities portfolio fell $5 million to $162 million, and US government-related securities fell $9 million to $46 million.

On a relative basis, municipal securities were 36% of the entire available-for-sale securities portfolio, the private-label mortgage securities portfolio was 31%, US government-related securities were 9%, and asset-backed securities and other were 24%.

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 $140 million at September 30, 2024 from $0 at yearend 2022, while large time deposits rose $78 million to $100 million from $22 million over the same period. Because of this, liquid assets as a percent of purchased funds weakened, to 43% at September 30, 2024 from 100%-plus levels of years prior to 2023.

That said, core deposit funding, which fell $8 million to $1,170 million at the end of September 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 deteriorated slightly during the third quarter, as growth in risk-weighted assets outpaced growth in Tier 1 and Total capital, but remained strong. The Tier 1 capital ratio fell 7 basis points sequentially to 11.04% at the end of 2024's third quarter from 11.11% at June 30, 2024, while the Total capital ratio decreased 11 basis points, declining to 13.47% from 13.58%.

Total shareholders' equity increased $7.3 million during the third quarter, due to a $1.9 million advance in retained earnings, and a $5.4 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 23 basis points to 6.67% at the end of the third quarter from 6.44% in the prior quarter.

Reflecting these factors plus an 33,000 rise in common shares outstanding, tangible book value per share increased during the third quarter, by $1.41 per share, to $22.32 from $20.91.

OVERVIEW

Chesapeake Financial Shares, Inc. (CPKF or the Company) is a financial holding company headquartered in Kilmarnock, Virginia, with $1,589 million in total assets at September 30, 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.

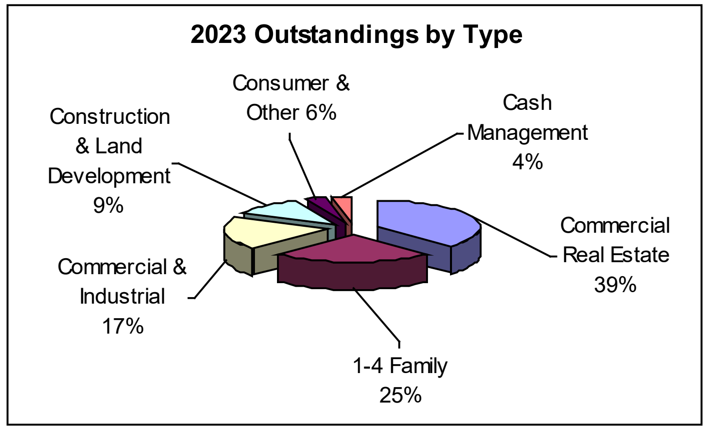
Operations are carried on through Chesapeake Bank, a state-chartered bank as well as Federal Reserve and FDIC member bank, and Chesapeake Wealth Management, an independent wealth management firm with trust powers that manages about $490 million in assets (at 2023 yearend) through its subsidiaries involved 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).

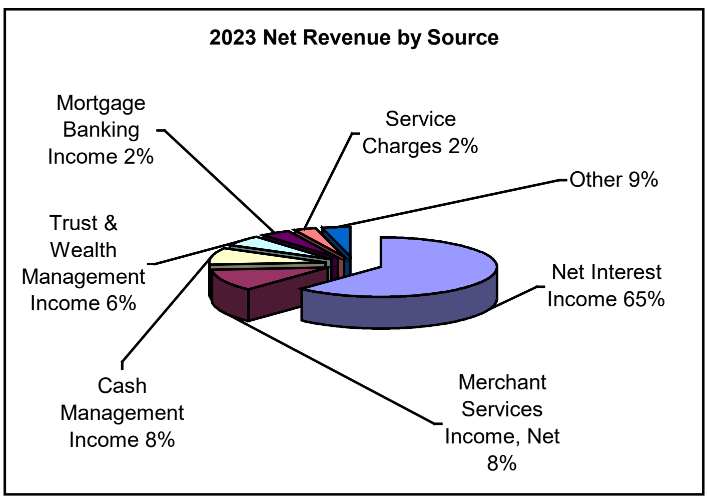
The lending portfolio is dominated by real estate loans, as shown in the chart at right. At December 31, 2023, the lending book consisted of commercial real estate (accounting for 39% of total gross outstandings), 1-4 family (25%), commercial and industrial (17%), construction and land development (9%), 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 2.2% year to date, worse than both the 14.1% median price gain for our small-cap bank universe and the 24.7% price increase for the S&P 500, as shown in the following table.

At its current price, CPKF is trading at a 32% 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 11.2X, CPKF's target price based upon our 2025 EPS estimate is about $27.50.

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 $25.00, which compares to CPKF's current tangible book value per share of $22.32.

We have chosen $26.25 as our new valuation, based upon CPKF's 2025 P/E of $27.50 and forward Price/Tangible Book Value of $25.00.

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	**2.2**	**9.5**	**8.1**	**7.6**	**8.9**	**12.9**	**0.61**	**1.05**	**3.4**
S&P 500	**24.7**	**27.1**	**24.1**	**21.6**	**40.4**	**N/A**	**12.8**	**N/A**	**1.3**
Median	**14.1**	**12.9**	**12.3**	**11.2**	**8.9**	**11.3**	**0.78**	**1.09**	**2.5**
Average	19.6	18.3	19.9	13.4	9.1	11.8	0.8	1.1	2.5
High	71.5	201.1	245.8	80.4	19.1	18.2	2.0	1.8	5.2
Low	(28.9)	8.3	8.1	7.8	0.7	5.9	0.1	0.6	-----

*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	45.8	48.8
Non-interest income	20.3	19.6	18.9	19.9	22.3	23.1	24.6
Total net revenue	49.8	53.1	60.5	64.0	63.9	68.9	73.4
Loan loss provision	0.5	2.0	(0.4)	0.7	0.8	1.0	1.2
Non-interest expense	36.0	37.3	43.6	45.1	50.7	54.6	58.0
Income taxes & other	1.9	2.1	2.3	2.3	2.3	2.4	2.6
Zacks adjusted income before NRI	11.4	11.7	15.0	15.9	10.1	10.9	11.6
GAAP net income	11.4	11.7	15.0	17.6	10.1	10.9	11.6
Diluted EPS before NRI	2.29	2.39	3.11	3.37	2.15	2.32	2.45
Reported EPS	2.29	2.39	3.11	3.73	2.15	2.32	2.45
Dividends per share	0.49	0.50	0.53	0.58	0.61	0.63	0.64
Liquid assets	98.0	120.2	98.8	79.6	93.9	112.6	117.1
Outstandings, gross	566.7	625.0	699.7	778.1	864.4	932.4	1,009.3
Total assets	958.3	1,204.7	1,385.8	1,329.0	1,471.0	1,613.2	1,718.9
Core deposits	799.5	984.2	1,101.6	1,144.5	1,118.1	1,178.7	1,214.5
Purchased funds	39.6	85.3	122.4	67.8	210.3	272.7	331.5
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	115.6	128.2
Profitability							
Return on avg assets	1.22%	1.06%	1.14%	1.19%	0.73%	0.71%	0.70%
Return on avg equity	11.09%	10.27%	11.87%	18.88%	11.11%	10.22%	9.50%
Net interest margin	3.98%	3.80%	3.80%	3.70%	3.50%	3.49%	3.52%
Loan loss provision % avg assets	0.06%	0.18%	(0.03)%	0.05%	0.06%	0.06%	0.07%
Noninterest income % avg assets	2.18%	1.76%	1.44%	1.49%	1.61%	1.50%	1.48%
Noninterest expense % avg assets	3.86%	3.36%	3.32%	3.37%	3.66%	3.54%	3.48%
Preprovision pretax income % avg assets	1.48%	1.42%	1.29%	1.42%	0.95%	0.93%	0.93%
Tangible efficiency ratio	75%	72%	73%	67%	76%	79%	79%
Payout ratio	21%	21%	17%	16%	28%	27%	26%
Asset Quality							
Net charge-offs % avg outstandings	0.10%	(0.05)%	0.38%	(0.03)%	0.12%	0.03%	0.08%
Allowance % outstandings	1.18%	1.47%	1.17%	1.21%	1.09%	1.12%	1.10%
NPAs % loans + OREO	1.36%	1.11%	0.61%	0.52%	0.31%	0.56%	0.59%
Allowance % NPAs	86%	132%	194%	232%	347%	200%	185%
Liquidity & Funding							
Liquid assets % purchased funds	247%	141%	81%	117%	45%	41%	35%
Core deposits % outstandings	141%	157%	157%	147%	129%	126%	120%
Liquid assets % assets	10%	10%	7%	6%	6%	7%	7%
Outstandings % assets	59%	52%	50%	59%	59%	58%	59%
Capital Adequacy							
Total equity % assets	11.00%	10.18%	9.10%	5.95%	6.70%	7.16%	7.46%
Tangible equity % assets	11.00%	10.18%	9.10%	5.95%	6.36%	6.75%	7.08%
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%	118.0%	115.5%

Chesapeake Financial Shares, Inc.

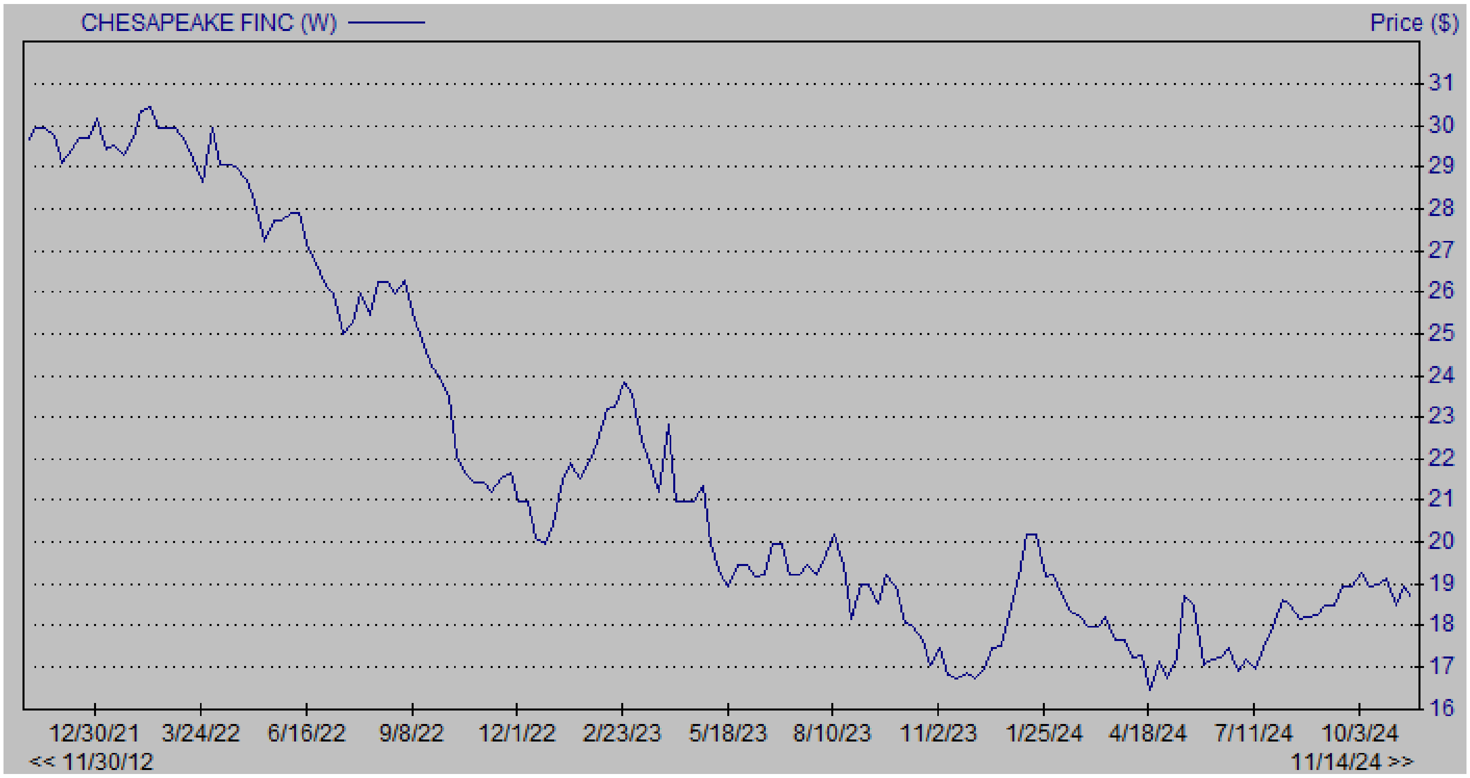
Income Statement and Balance Sheet

(Dollars in millions, except per share data)

	2023				2024			
Summary Financial Data	**Q1 A**	**Q2 A**	**Q3 A**	**Q4 A**	**Q1 A**	**Q2 A**	**Q3 A**	**Q4 E**
Net interest income	10.6	10.2	10.0	10.8	10.6	11.5	11.8	11.8
Non-interest income	5.0	6.2	6.5	4.6	5.1	5.8	6.2	6.0
Total net revenue	15.6	16.4	16.5	15.4	15.7	17.3	18.0	17.8
Loan loss provision	0.2	0.2	0.3	0.2	0.2	0.3	0.2	0.3
Non-interest expense	11.0	12.5	13.2	14.0	12.3	13.3	14.7	14.3
Income taxes & other	0.7	0.7	0.5	0.3	0.5	0.7	0.5	0.7
Zacks adjusted income before NRI	3.7	3.0	2.5	0.9	2.7	3.0	2.6	2.5
GAAP net income	3.7	3.0	2.5	0.9	2.7	3.0	2.6	2.5
Diluted EPS before NRI	0.78	0.65	0.53	0.19	0.58	0.65	0.55	0.54
Reported EPS	0.78	0.65	0.53	0.19	0.58	0.65	0.55	0.54
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	97.7	111.5	112.6
Outstandings, gross	797.1	818.7	836.8	864.4	900.0	914.8	910.6	932.4
Total assets	1,331.4	1,354.8	1,382.3	1,471.0	1,511.9	1,533.1	1,589.3	1,613.2
Core deposits	1,112.4	1,100.9	1,110.4	1,118.1	1,154.5	1,177.8	1,169.9	1,178.7
Purchased funds	91.3	125.2	148.3	210.3	213.3	209.9	259.7	272.7
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	105.4	112.8	115.6
Profitability								
Return on avg assets*	1.11%	0.91%	0.72%	0.25%	0.74%	0.80%	0.67%	0.64%
Return on avg equity *	17.56%	13.50%	11.23%	3.93%	10.94%	11.68%	9.53%	8.91%
Net interest margin*	3.58%	3.45%	3.37%	3.54%	3.38%	3.55%	3.52%	3.50%
Loan loss provision % avg assets*	0.05%	0.05%	0.08%	0.05%	0.05%	0.09%	0.05%	0.07%
Noninterest income % avg assets*	1.51%	1.84%	1.89%	1.28%	1.38%	1.52%	1.58%	1.50%
Noninterest expense % avg assets*	3.30%	3.72%	3.87%	3.94%	3.30%	3.50%	3.76%	3.58%
Preprovision pretax inc.% avg assets*	1.39%	1.16%	0.96%	0.38%	0.93%	1.05%	0.85%	0.88%
Tangible efficiency ratio	70%	70%	79%	85%	78%	77%	81%	80%
Payout ratio	19%	23%	28%	81%	27%	24%	28%	30%
Asset Quality								
Net charge-offs % avg outstandings*	0.02%	0.02%	0.01%	0.42%	(0.03)%	0.02%	0.01%	0.09%
Allowance % outstandings	1.21%	1.20%	1.20%	1.09%	1.08%	1.10%	1.13%	1.12%
NPAs % loans + OREO	0.51%	0.36%	0.40%	0.31%	0.18%	0.93%	0.55%	0.56%
Allowance % NPAs	237%	337%	298%	347%	603%	118%	206%	200%
Liquidity & Funding								
Liquid assets % purchased funds	90%	70%	57%	45%	41%	47%	43%	41%
Core deposits % outstandings	140%	134%	133%	129%	128%	129%	128%	126%
Liquid assets % assets	6%	6%	6%	6%	6%	6%	7%	7%
Outstandings % assets	60%	60%	61%	59%	60%	60%	57%	58%
Capital Adequacy								
Total equity % assets	6.71%	6.71%	6.19%	6.70%	6.78%	6.88%	7.10%	7.16%
Tangible equity % assets	6.71%	6.71%	5.69%	6.23%	6.33%	6.44%	6.67%	6.75%
Tier 1 capital ratio	13.13%	12.66%	11.83%	11.25%	11.06%	11.11%	11.04%	
Total capital ratio	15.98%	15.41%	14.56%	13.77%	13.53%	13.58%	13.47%	

*Annualized.

HISTORICAL STOCK PRICE



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