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Chesapeake Financial Shares, Inc. (CPKF – OTCQX)

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Price:	$ 31.72	**Diluted EPS ***	**2024A:**	$2.42	**P/E**	**2024A:**	13.1 x
52 Wk. Range:	$18.10 - $32.00	(FY: DEC)	**2025A:**	$2.12		**2025A:**	15.0 x
Div/Div Yld:	$0.68 /2.1%		**2026E:**	$3.30		**2026E:**	9.6 x
Shrs/Mkt Cap:	4.7 mm/ $149 mm	**Book Value: ****		$28.31	**Price/Book Value:**		1.12 x

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

** Book value includes $3.71 per share in accumulated other comprehensive losses (unrealized losses on available for sale securities).

SYMBOL: CPKF

ASSETS: $1.7 B

HQ: KILMARNOCK, VA

CONTACT:
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Background

Chesapeake Financial Shares, Inc. is a one-bank holding company originally chartered in 1900 and is based in Kilmarnock, VA. As of December 31, 2025, 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. Finally, for the 18th consecutive year, Chesapeake Financial Shares has been included in *American Banker* magazine's "Top 100 Community Banks" in the U.S.

4TH QUARTER HIGHLIGHTS:

Q4 2025 EARNINGS MORE THAN DOUBLED

EXCELLENT REVENUE GROWTH CONTRIBUTED TO THE EARNINGS GROWTH

BALANCE SHEET GROWTH WAS GOOD, AS WAS ASSET QUALITY

THE BANK CONTINUES TO EARN IMPRESSIVE ACCOLADES

Strong Fourth Quarter 2025 Results Were Driven by Strategic Portfolio Repositioning

Chesapeake Financial Shares, Inc. reported outstanding results for the fourth quarter of 2025, with net income more than doubling year-over-year and earnings per share exceeding projections by $0.58. This performance was primarily driven by the Company's strategy in early 2025 to reposition $75 million of its investment portfolio into higher-yielding assets, as well as the deployment of funds from a $25 million subordinated debt issuance which also occurred early in 2025. Both of these initiatives have significantly boosted interest income. Profitability was further bolstered by disciplined expense management, as noninterest expense remained flat compared to the year-ago quarter and trended downward on a linked quarterly basis.

Balance sheet growth was also solid (generally in the 7% to 10% range), with a notable 19% increase in shareholder equity. From an asset quality standpoint, the news was good as well, as nonperforming assets levels remained quite reasonable and decreased from the third quarter of 2025. Other accomplishments recognized in the fourth quarter were Chesapeake being named one of the "Top Performing Community Banks" in the United States by *American Banker* for the eighteenth consecutive year, the Bank being recognized as one of the "Best Banks to Work For" for the thirteenth consecutive year, and Chesapeake increasing its quarterly dividend to $0.17 per share effective March 1, 2026, marking an increase for 33 consecutive years.

EPS: $1.37 VS. $0.64

NET INTEREST INCOME INCREASED 21%

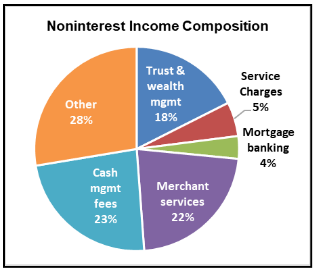
MARGINS HAD SOLID EXPANSION AND AVERAGE EARNING ASSETS GREW 5%

NONINTEREST INCOME WAS UP 33%, OR 14% EXCLUDING NONRECURRING INCOME

NEARLY EVERY COMPONENT OF NONINTEREST INCOME INCREASED FROM THE YEAR-AGO QUARTER

NONINTEREST EXPENSE WAS FLAT VS. THE YEAR-AGO QUARTER AND DECREASED 7% ON A LINKED QUARTER BASIS

In terms of specific results, Chesapeake reported net income of $6,455,000, or $1.37 per diluted share, in 2025's fourth quarter, up from $3,041,000, or $0.64 per diluted share, for the fourth quarter of 2024. The impressive earnings performance reflected growth of 21% in net interest income and 33% in noninterest income (14% growth excluding one nonrecurring item) compared to the year-ago quarter. Net interest income totaled $14,647,000 for the fourth quarter of 2025, up from $12,068,000 in the year-ago quarter, reflecting solid net interest margin expansion as well as 5% growth in average earning assets. Earnings also benefited from the strong increase in noninterest income, which benefited from substantial growth in every component except for mortgage banking income. Specifically, noninterest income totaled $7,413,000 in 2025's fourth quarter (or $6,377,000 excluding approximately $1 million in nonrecurring income), as compared to $5,573,000 in the year-ago quarter. As can be seen in the adjacent pie chart, noninterest income remains quite diversified and has benefitted from double-digit growth across several key specialized lines. For example, trust and wealth management fees increased 12%, while cash management and merchant services saw significant expansions of 32% and 26%, respectively. Service charges also contributed to the momentum with a 29% year-over-year increase. In terms of expenses, noninterest expense was $14,327,000 in 2025's fourth quarter, up slightly (1%) from the year-ago quarter and down 7% on a linked quarter basis. Finally, the provision for credit losses was $343,000 in 2025's fourth quarter, compared to $179,000 in the year-ago quarter.



FULL YEAR 2025 HIGHLIGHTS:

EPS: $2.12 VS. $2.42

EARNINGS WERE IMPACTED BY A $9.3 MILLION NONRECURRING LOSS RELATING TO RESTRUCTURING THE INVESTMENT PORTFOLIO

EXCLUDING ALL ONE-TIME ITEMS, ADJUSTED INCOME INCREASED 39%

"Core" Adjusted Income Increased 39% for the Year 2025

Reported net income for the year 2025 was $10.0 million, or $2.12 per diluted share, compared to $11.4 million, or $2.42 per diluted share, for the year 2024. Earnings comparisons were impacted by several nonrecurring items which are reflected in the adjacent table. The largest of these, the sale of roughly $75 million of relatively low-yielding securities during 2025's first quarter, resulted in a one-time pretax loss of $9.3 million. Excluding the one-time factors, pretax income before the provision totaled $20.4 million for 2025, up 39% from $14.7 million for 2024. Balance sheet growth from December 31, 2024 to December 31, 2025 was 9% for net loans, 7% for deposits and 10% for total assets, with shareholders' equity increasing 19% to $133 million, or 7.98% at the end of 2025.

Full Year Results ($000s)	2024	2025
Net Income	11,428	10,000
Pretax Income	13,377	11,688
Adjustments:	-	
Provision (incudes Cash Mgt)	1,098	1,140
Visa Signing Incentive	-	(35)
Gain on Sale of Branch	-	(409)
Reversal of contingent liability	-	(1,013)
Prior Year K1 Adjustments	-	(235)
Security Gns/Losses & Foreclosed Assets	177	9,262
Pretax Inc. Bef. Volatile Items	14,653	20,397

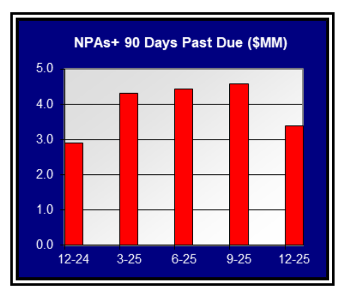
NPAS/ASSETS: 0.20% AT 12/31/25, 0.28% AT 9/30/25 AND 0.19% AT 12/31/24

RESERVES GREW 10%

RESERVES/LOANS: 0.97%

Asset Quality Remains Good

As of December 31, 2025, Chesapeake had nonperforming assets ("NPAs", which excludes restructured loans) of $3.4 million, or 0.20% of total assets, down from $4.6 million, or 0.28% of total assets, at September 30, 2025, and as compared to $2.9 million, or 0.19% of total assets, at the year-ago date. The allowance for loan losses was up 10% to $9.3 million (0.97% of loans held for investment), at December 31, 2025, from $8.5 million (0.96% of loans) at the year-ago date.



EPS:
2024A: $2.42
2025A: $2.12
2026E: $3.30

Projections Increased

For 2026, we are increasing earnings projections to $15.5 million, or $3.30 per diluted share, up from our prior projection of $15.2 million, or $3.25 per diluted share. Actual results are likely to vary considerably from these projections given economic uncertainties.

ADDITIONAL INFORMATION UPON REQUEST