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Chesapeake isn't content to be a 'community bank' in name only.



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CEOCFO: Mr. Szyperski, what is the vision behind Chesapeake Bank?

Mr. Szyperski: Our tagline for Chesapeake Bank is "It's all about community." I know it sounds a little trite but we really do execute against that tightly. From an employee perspective, they understand that the mission of our institution is greater than just making money for shareholders although we do that well. That is a by-product of us serving our communities.

It is all about community and we have had that tagline for ten or fifteen years. It seems very fitting and it is a good banner for people to rally behind. I think we are authentic in the way we execute against that.

CEOCFO: Would you tell us about the geographical range you serve and what the area is like?

Mr. Szyperski: We are a small community bank of about \$1.3 billion. We have four distinct markets, one is where our headquarters is, it is called the Northern Neck of Virginia and that is this bit of land that is between the Rappahannock and Potomac rivers, which is a large peninsula. Across that next river is Mathews, Hayes and Gloucester, called the Middle Peninsula that has a slightly different demographic than the Northern Neck does.

Then you go over to the next river and we are in Williamsburg and York County. Williamsburg is highly hospitality driven and a big retirement community also. Finally, our fourth market is Richmond and Chesterfield which is right below Richmond and they are more urban/suburban, bigger market, very different from the Northern Neck.

CEOCFO: *What might be different from a branch in one of those areas to another, do you need to personalize what you do for the individual markets?*

Mr. Szyperski: I think from a service delivery perspective we try not to differentiate too much. Even though the markets are very different, on how we deliver our services whether it is on the banking side with deposits, the lending or wealth management, we always lead with people. You cannot pick up a periodical and not read about Fintech or how much technology has changed and we understand that. We invest significantly in technology, but we never want the technology to supplant the relationships our customers have with our people.

In each of those four markets, we service them from a community perspective differently but not from a product delivery perspective of how we handle each of our customers. We try to keep that people-driven and as consistent as we can.

CEOCFO: *How does Chesapeake Bank break down between business and consumer and would you like to see it change?*

Mr. Szyperski: It is pretty clear-cut actually. About 75% of our loan portfolio is small business so we have always been that way by necessity and some of the roots of our organization come from rural areas. We need to support small businesses and a lot of them are sole proprietorships. There is a grey area between individual and when it relates to small business but in general it is pretty clear-cut.

Most of our deposit base comes from consumers so in the most simplistic sense we have a lot of consumer deposits that help fund our commercial lending, which is our specialty. We pride ourselves on quick turnarounds for our business loans which is one of our competitive advantages.

CEOCFO: *How have you helped and continue to help your business clients through the pandemic, over and above what one would expect from a bank?*

Mr. Szyperski: We consider our relationships with our customers very much a partnership so when everything seemed to be plunging into the abyss back in March of 2020, we were right there with them. No one could really look forward to see what the future portended and we tell people Chesapeake Bank is a small business, it is not like we just serve small businesses, we are a small business that also happens to serve small businesses. We were very responsive despite the very grey nature of what came out of Washington D.C. related to the Paycheck Protection Program. It came out with a lot of conflicting information but we jumped on it quickly. We did not use it as a business acquisition tool because with a limited pot of money, we wanted to make sure our customers got the money they needed as quickly as possible.

From a community perspective we were seen in each of the four markets as outperforming our competitors and making sure that we allayed the fears of commercial customers in making sure they got the PPP funds. I think that is very consistent in how we handle our lending. We see it as a partnership with our borrowers and we take a lot of pride looking around in each of our markets at things that have happened, with financing we were able to provide, as well as the ingenuity of our customers. It is very easy to see in small communities because it is a

smaller fishbowl but you can definitely feel as an organization that we have moved the needle.

From a non-direct customer perspective, related to the pandemic, we have stepped up giving to not-for-profits in community during that time. We felt that we were in a position to step in the breach when a lot of people were contracting. A lot of our not-for-profits were seeing decreases in contributions because of the pandemic but also a greater need for their services, so it was really burning the candle at both ends. We used that as an opportunity organizationally to help more so than we had in the past.

CEOCFO: *In general, with so many organizations that need help, how do you decide where to focus your efforts?*

Mr. Szyperski: That is a hard question because no one comes with bad requests. All of the requests pull at your heartstrings and have a lot of merit, so as a general guidepost that we use, we look for not-for-profits that serve the broader needs of the community rather than individuals. For instance, we have a YMCA in each of our markets and the YMCA services the complete spectrum of our communities from those in need who cannot afford to pay dues to participate, to those who can and benefit from its services.

The "Y" is one that covers the waterfront in a broad sense of helping the community so we try to use that as a yardstick.

CEOCFO: *Would you tell us about The Buck Stays Here?*

Mr. Szyperski: The Buck Stays Here is a tagline for our Shop Local campaign, and the whole impetus is to get people focusing on supporting local merchants. I cannot remember the exact numbers, but for every dollar spent with a local merchant, \$0.70 stays in the local economy compared to \$0.40 when spent with a national chain. It lifts the tide for all boats in the community if people can try to shop locally rather than simply shopping on Amazon and having boxes dropped on their doorstep. It is a macroeconomic theory that if we support our local businesses, the local businesses will support their communities. They are the ones who see their names on the Little League jerseys in baseball season. Local businesses are the ones who make items and donate services for the charity auctions. It is totally symbiotic and it is much easier to see in a smaller community, to see the flow.

The same principle applies to all of our communities. The Buck Stays Here is the moniker, the lead dog. We try to get small businesses set up on a blog, they each have their own little mini website and we have it accessible by region, by types of business to try to steer business locally. I tell our director of marketing and other senior management that nothing is more discouraging to me than when I go to the dump and look at the cardboard recycling machine there and I mostly see Amazon boxes sitting there. That is sort of a mortal blow to the long-term viability of our community, so that is the basis behind it and it has been very successful and it is very well received by the businesses as well as consumers.

CEOCFO: *What is the competitive landscape? Are there many community banks in your area?*

Mr. Szyperski: There are, but that delineates by each region. In the Northern Neck market there are three other community banks in our rural county of ten thousand. That is essentially our only true banking competition here in the Northern Neck.

When you go over to the Middle Peninsula, Bank of America closed a branch in our Mathews market, so we are now the only branch in that market. In Gloucester County we compete against BB&T, Sun Trust, as well as credit unions in that market. In Williamsburg it is the complete waterfront of competitors, it runs all the way from community banks to credit unions to Sun Trust, Bank of America, and Wells Fargo.

In Richmond the competition is even greater. So it depends on our markets but we have varied competition in each of our markets.

CEOCFO: *Do you do much outreach for new customers?*

Mr. Szyperski: We do, we find that our #1 way of acquiring new customers is word-of-mouth from existing customers, which is a great problem to have. We have been reaching out in our markets. There has been some merger and acquisition activity which is very unsettling to their customers, so people have been coming to us because they dislike the disruption and changes occurring.

CEOCFO: *Chesapeake Bank was recognized as one of the "Best Banks to Work For." How does that play out day-to-day?*

Mr. Szyperski: American Banker has only been doing that survey for nine years and we made it all nine years. We do not do it to make their listing, I think it is just a natural by-product of what we do. I think top to bottom in the organization, we care for each other. While we still have a mission for our community and while we have a mission to provide an above average return for shareholders, the way that happens is paying attention to our human resource function and our individual employees.

I talk to our new employees during the orientation session when they are onboarded and I tell them I have three constituencies I have to pay attention to as CEO, they are shareholders, customers and employees. I ask them which one is the most important and invariably the new employees will jump to customers because without customers you do not have a business, which is a good answer. Some of them jump to shareholders because if we do not provide a good return, shareholders decide to put us on the market and we would cease to exist which is also a good answer.

I always come back to our employees, if we do a good job by our employees, they will handle our 24,000 customers well and if we handle the customer that takes care of the shareholder portion of the equation. We take the survey every year and even though we have made the list every year, we come out with a white paper of what we are going to be working on to improve because we know that bar gets higher each year. It is really not rocket science but it is a matter of just paying attention to each individual employee and them knowing that we care about them and we appreciate what they do for us.

CEOCFO: *Is the investment community paying attention?*

Mr. Szyperski: We have a group that has been helping us throughout 2021 to develop a plan of how we brand ourselves. Their point which I agree with is sometimes we let our overall corporate humility get in the way of letting people know what we do for our communities.

Likewise, their quote that they used in their debrief meetings with us is "Sometimes You Guys Whisper when You Should Shout." We are trying to take that under advisement while still being consistent with our corporate culture and doing a little more outreach to the investor community to get on their radar. I would say we have done some of that but we have not been all-in so for our strategic plan for 2022 we are looking to ramp that up a little bit.

CEOCFO: *Why choose Chesapeake Bank?*

Mr. Szyperski: We do a very good job of meshing a "great place to work" which is one of our phrases that we use, with aligning people to the corporate mission of shareholders and community. We have a great track record of it. In addition to one of the "Best Banks to Work For," we have been in American Banker, the "Top 200 (Publicly Traded) Community Banks" in the country for the last fourteen years straight and that is based on a 3-year rolling return on average equity.

From return to shareholders and the investor community, we have a demonstrated record of producing above average returns and that is while still serving our community, it is not instead of serving our community. I think we are a great example of synthesizing all those various conflicting needs to getting a common purpose and a common goal and doing well with it.

