

Chesapeake Financial Shares, Inc.  
Consolidated Balance Sheets

June 30,  
2005

December 31,  
2004

ASSETS		(Unaudited)	
Cash and due from banks.....		\$ 13,421,527	\$ 11,118,466
Federal funds sold.....		8,000,000	-
Securities available for sale			
U.S. Government agencies(book value of \$23,590,264			
-2005 and \$31,333,760-2004).....		23,696,315	31,515,193
Obligations of state and political subdivisions			
(book value of \$22,449,360-2005 and \$21,075,405			
-2004).....		24,201,349	22,627,331
Other Debt and Equity Securities(book value \$1,352,700			
-2005 and \$2,023,454-2004).....		1,352,700	2,126,569
Loans.....		277,881,829	264,572,609
Less: Reserve for loan loss.....		(3,896,510)	(3,341,346)
Net loans.....		273,985,319	261,231,263
Bank premises and equipment, net.....		11,756,045	9,273,220
Accrued interest receivable.....		1,472,791	1,437,993
Business Manager Assets.....		16,903,457	16,851,197
Other assets.....		7,873,643	7,366,285
Total assets.....		\$ 382,663,146	\$ 363,547,517
LIABILITIES AND SHAREHOLDERS' EQUITY		(Unaudited)	
Deposits			
Noninterest bearing deposits.....		\$ 68,733,488	\$ 69,631,725
Savings and interest bearing deposits.....		127,797,321	128,322,412
Certificates of deposit.....		139,689,767	111,412,561
Total deposits.....		336,220,576	309,366,698
Federal funds purchased.....		5,000,000	19,313,000
Accrued interest payable.....		405,738	316,504
Other liabilities.....		1,504,509	1,244,941
Note payable.....		11,803,345	6,540,557
Total liabilities.....		354,934,168	336,781,700
Commitments			
Shareholders' equity			
Preferred stock, par value \$1 per share;			
authorized 50,000 shares; none outstanding		0	0
Common stock, voting.....		6,036,270	6,037,090
Common stock, non-voting.....		0	0
voting			
6/30/05			
12/31/04			
non-voting			
6/30/05			
12/31/04			
Shares auth..	2,400,000	2,400,000	635,000
Shares o/s...	1,207,254	1,207,418	0
Paid in capital.....			264,082
Unrealized gains (losses) on securities available			
for sale.....		1,226,306	1,212,073
Retained earnings.....		20,466,402	19,252,572
Total shareholders' equity.....		27,728,978	26,765,817
Total liabilities and shareholders' equity.....		\$ 382,663,146	\$ 363,547,517

See accompanying notes to consolidated financial statements.

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Chesapeake Financial Shares, Inc.  
Consolidated Statements of Earnings

Three Months Ended  
June 30,  
2005 \$2,004

Interest Income	(Unaudited)	
Interest and fees on loans.....	\$ 4,506,591	\$ 3,762,983
Interest on federal funds sold.....	22,593	345
Interest on time deposits with banks.....	11,578	1,365
Interest on U.S. Treasury securities.....	-	-
Interest on obligations of U.S. Agency Obligations....	198,264	262,139
Interest on obligations of state and political subs...	305,734	285,265
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Total interest income	5,044,760	4,312,097
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Interest Expense		
Interest on savings and interest bearing deposits....	286,134	173,191
Interest on certificates of deposit.....	913,861	623,421
Interest on federal funds purchased.....	131,246	22,675
Other interest expense.....	180,556	309,998
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Total interest expense	1,511,797	1,129,285
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Net interest income.....	3,532,963	3,182,812
Provision for loan losses.....	320,000	290,001
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Net interest income after provision for loan losses...	3,212,963	2,892,811
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Noninterest Income		
Income from fiduciary activities.....	258,945	255,420
Service charges on deposit accounts.....	275,540	259,665
Securities gains (losses)-net.....	(916)	24,493
Merchant card income.....	517,456	411,926
ATM income.....	152,571	125,720
Business manager income.....	749,003	540,306
Other income.....	384,780	314,027
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Total noninterest income.....	2,337,379	1,931,557
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Noninterest Expense		
Salaries.....	1,662,881	1,512,192
Employee benefits.....	523,884	413,713
Occupancy expenses.....	528,176	565,653
Merchant card expense.....	394,145	349,439
ATM expense.....	116,255	97,915
Business manager expense.....	208,424	83,782
Other expenses.....	996,988	866,713
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Total noninterest expense.....	4,430,753	3,889,407
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Income before income taxes.....	1,119,589	934,961
Income taxes.....	278,626	238,572
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Net income.....	\$ 840,963	\$ 696,389
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Earnings per share, primary.....	\$0.69	\$0.58
Earnings per share, assuming dilution.....	\$0.67	\$0.56
Dividends per share.....	\$0.18	\$0.17

See accompanying notes to consolidated financial statements.

Chesapeake Financial Shares, Inc.  
Consolidated Statements of Earnings

Six Months Ended  
June 30,  
2005 2004

Interest Income	(Unaudited)	
	2005	2004
Interest and fees on loans.....	\$ 8,826,985	\$ 7,343,317
Interest on federal funds sold.....	22,593	1,335
Interest on time deposits with banks.....	18,353	2,406
Interest on U.S. Treasury securities.....	-	-
Interest on obligations of U.S. Agency Obligations....	459,143	647,744
Interest on obligations of state and political subs...	597,631	573,420
<b>Total interest income</b>	<b>9,924,705</b>	<b>8,568,222</b>
<b>Interest Expense</b>		
Interest on savings and interest bearing deposits....	555,376	345,288
Interest on certificates of deposit.....	1,658,531	1,277,100
Interest on federal funds purchased.....	266,892	40,930
Other interest expense.....	347,005	493,915
<b>Total interest expense</b>	<b>2,827,804</b>	<b>2,157,233</b>
Net interest income.....	7,096,901	6,410,989
Provision for loan loss.....	590,000	490,002
<b>Net interest income after provision for loan losses...</b>	<b>6,506,901</b>	<b>5,920,987</b>
<b>Non-interest Income</b>		
Income from fiduciary activities.....	514,752	548,854
Service charges on deposit accounts.....	510,562	500,350
Securities gains (losses)-net.....	134,588	274,124
Merchant card income.....	935,825	760,608
ATM income.....	284,356	233,988
Business manager income.....	1,392,707	1,000,917
Other income.....	741,925	569,171
<b>Total non-interest income.....</b>	<b>4,514,715</b>	<b>3,888,012</b>
<b>Non-interest Expense</b>		
Salaries .....	3,292,022	2,931,746
Employee Benefits.....	1,035,792	786,168
Occupancy expenses.....	988,093	1,152,154
Merchant card expense.....	707,057	615,010
ATM expense.....	222,446	194,718
Business manager expense.....	429,190	211,493
Other expenses.....	2,052,580	1,873,705
<b>Total non-interest expense.....</b>	<b>8,727,180</b>	<b>7,764,994</b>
Income before income taxes.....	2,294,436	2,044,005
Applicable income taxes.....	571,173	509,245
<b>Net income.....</b>	<b>\$ 1,723,263</b>	<b>\$ 1,534,760</b>
Earnings per share, primary.....	\$ 1.42	\$ 1.28
Earnings per share, assuming dilution.....	\$ 1.38	\$ 1.25
Dividends per share.....	\$ 0.36	\$ 0.33

See accompanying notes to consolidated financial statements.