

Chesapeake Financial Shares, Inc.
Consolidated Balance Sheets

June 30,
2006

December 31,
2005

ASSETS		(Unaudited)	
Cash and due from banks.....		\$ 12,912,230	\$ 10,449,268
Federal funds sold.....		7,000,000	0
Securities available for sale			
U.S. Government agencies(book value of \$34,648,373			
-2006 and \$26,735,063-2005).....		34,383,919	26,726,089
Obligations of state and political subdivisions			
(book value of \$24,871,699-2006 and \$23,967,901			
-2005).....		25,493,979	25,090,104
Other Debt Securities(book value \$1,516,900-2006 and			
\$1,566,400-2005).....		1,516,900	1,566,400
Loans.....		298,489,704	281,600,943
Less: Allowance for loan loss.....		(4,383,371)	(4,199,745)
Net loans.....		294,106,333	277,401,198
Bank premises and equipment, net.....		13,818,972	13,444,092
Accrued interest receivable.....		1,692,430	1,550,189
Business Manager Assets.....		16,836,950	17,708,720
Other assets.....		10,800,071	8,758,152
Total assets.....		\$ 418,561,784	\$ 382,694,212
LIABILITIES AND SHAREHOLDERS' EQUITY		(Unaudited)	
Deposits			
Noninterest bearing deposits.....		\$ 66,603,205	\$ 67,808,476
Savings and interest bearing deposits.....		142,962,608	124,843,854
Certificates of deposit.....		155,316,837	135,882,713
Total deposits.....		364,882,650	328,535,043
Federal funds purchased & FHLB borrowing & TruPS.....		10,765,660	17,310,000
Accrued interest payable.....		632,827	467,037
Other liabilities.....		1,808,242	1,366,764
Note payable.....		10,945,393	6,445,187
Total liabilities.....		389,034,772	354,124,031
Commitments			
Shareholders' equity			
Preferred stock, par value \$1 per share;			
authorized 50,000 shares; none outstanding		0	0
Common stock, voting.....		12,160,585	12,043,940
Common stock, non-voting.....		0	0
voting			
06/30/06	4,800,000	4,800,000	635,000
12/31/05	2,432,117	2,408,788	0
non-voting			
06/30/06		635,000	635,000
12/31/05		0	0
Paid in capital.....		267,197	155,230
Unrealized gains (losses) on securities available			
for sale.....		235,886	734,731
Retained earnings.....		16,862,944	15,636,280
Total shareholders' equity.....		29,526,612	28,570,181
Total liabilities and shareholders' equity.....		\$ 418,561,384	\$ 382,694,212

See accompanying notes to consolidated financial statements.

Chesapeake Financial Shares, Inc.
Consolidated Statements of Earnings

Three Months Ended
June 30,
2006 2005

Interest Income	(Unaudited)	
Interest and fees on loans.....	\$ 5,337,224	\$ 4,506,591
Interest on federal funds sold.....	42,107	22,593
Interest on time deposits with banks.....	23,207	11,578
Interest on obligations of U.S. Agency Obligations....	345,971	198,264
Interest on obligations of state and political subs...	324,304	305,734
	-----	-----
Total interest income	6,072,813	5,044,760
	-----	-----
Interest Expense		
Interest on savings and interest bearing deposits.....	677,353	286,134
Interest on certificates of deposit.....	1,402,062	913,861
Interest on federal funds purchased.....	137,497	131,246
Other interest expense.....	230,125	180,556
	-----	-----
Total interest expense	2,447,037	1,511,797
	-----	-----
Net interest income.....	3,625,776	3,532,963
Provision for loan losses.....	200,000	320,000
	-----	-----
Net interest income after provision for loan losses...	3,425,776	3,212,963
	-----	-----
Noninterest Income		
Income from fiduciary activities.....	353,839	258,945
Service charges on deposit accounts.....	332,431	275,540
Net gain(loss) on other real estate owned.....	0	-
Securities gains (losses)-net.....	(41,444)	(916)
Merchant card income.....	595,715	517,456
ATM income.....	184,136	152,571
Cash Flow Income	744,130	749,003
Other income.....	343,614	384,780
	-----	-----
Total noninterest income.....	2,512,421	2,337,379
	-----	-----
Noninterest Expense		
Salaries.....	1,944,503	1,662,881
Employee benefits.....	542,041	523,884
Occupancy expenses.....	578,689	528,176
Merchant card expense.....	453,002	394,145
ATM expense.....	115,068	116,255
Cash Flow expense.....	101,053	208,424
Other expenses.....	1,013,422	996,988
	-----	-----
Total noninterest expense.....	4,747,778	4,430,753
	-----	-----
Income before income taxes.....	1,190,419	1,119,589
Income taxes.....	290,334	278,626
	-----	-----
Net income.....	\$ 900,085	\$ 840,963
	=====	=====
Earnings per share, primary.....	\$ 0.363	\$ 0.346
Earnings per share, assuming dilution.....	\$ 0.371	\$ 0.337
Dividends per share.....	\$ 0.095	\$ 0.090

See accompanying notes to consolidated financial statements.

Page: 2

Chesapeake Financial Shares, Inc.
Consolidated Statements of Earnings

Six Months Ended
June 30,
2006 2005

	(Unaudited)	
	2006	2005
Interest Income		
Interest and fees on loans.....	\$ 10,342,426	\$ 8,826,985
Interest on federal funds sold.....	45,131	22,593
Interest on time deposits with banks.....	42,571	18,353
Interest on obligations of U.S. Agency Obligations....	647,938	459,143
Interest on obligations of state and political subs...	634,619	597,631
Total interest income	11,712,685	9,924,705
Interest Expense		
Interest on savings and interest bearing deposits.....	1,134,131	555,376
Interest on certificates of deposit.....	2,607,799	1,658,531
Interest on federal funds purchased.....	329,217	266,892
Other interest expense.....	451,853	347,005
Total interest expense	4,523,000	2,827,804
Net interest income.....	7,189,685	7,096,901
Provision for loan loss.....	400,000	590,000
Net interest income after provision for loan losses...	6,789,685	6,506,901
Non-interest Income		
Income from fiduciary activities.....	664,160	514,752
Service charges on deposit accounts.....	620,454	510,562
Net gain(loss) on other real estate owned	-	-
Securities gains (losses)-net.....	(90,489)	134,588
Merchant card income.....	1,109,253	935,825
ATM income.....	345,301	284,356
Cash Flow Income	1,400,561	1,392,707
Other income.....	732,946	741,925
Total non-interest income.....	4,782,186	4,514,715
Non-interest Expense		
Salaries	3,813,124	3,292,022
Employee Benefits.....	1,067,079	1,035,792
Occupancy expenses.....	1,128,781	988,093
Merchant card expense.....	843,722	707,057
ATM expense.....	224,801	222,446
Cash Flow expense.....	211,435	429,190
Other expenses.....	2,052,537	2,052,580
Total non-interest expense.....	9,341,479	8,727,180
Income before income taxes.....	2,230,392	2,294,436
Applicable income taxes.....	543,875	571,173
Net income.....	\$ 1,686,517	\$ 1,723,263
Earnings per share, primary.....	\$ 0.697	\$ 0.711
Earnings per share, assuming dilution.....	\$ 0.681	\$ 0.691
Dividends per share.....	\$ 0.190	\$ 0.180

See accompanying notes to consolidated financial statements.

Page 3