

Chesapeake Financial Shares, Inc.  
Consolidated Balance Sheets

June 30,  
2008

December 31,  
2007

ASSETS		(Unaudited)	
Cash and due from banks.....		\$ 12,981,441	\$ 12,676,152
Federal funds sold.....		0	2,272,000
Securities available for sale			
U.S. Government agencies(book value of \$67,393,983			
-2008 and \$58,253,979-2007).....		65,961,062	58,558,789
Obligations of state and political subdivisions			
(book value of \$32,607,826-2008 and \$20,271,610			
-2007).....		32,607,826	21,186,152
Other Debt Securities(book value \$4,448,883-2008 and			
\$2,715,800-2007).....		4,448,883	2,715,800
Loans.....		353,192,571	333,720,835
Less: Allowance for loan loss.....		(4,493,106)	(4,388,538)
Net loans.....		348,699,465	329,332,297
Bank premises and equipment, net.....		16,094,402	16,191,860
Accrued interest receivable.....		2,106,607	1,931,802
Business Manager Assets.....		33,086,785	26,325,426
Other assets.....		13,126,037	11,811,754
Total assets.....		\$ 529,112,508	\$ 483,002,032
LIABILITIES AND SHAREHOLDERS' EQUITY		(Unaudited)	
Deposits			
Noninterest bearing deposits.....		\$ 63,302,300	\$ 63,432,028
Savings and interest bearing deposits.....		132,763,340	140,784,269
Certificates of deposit.....		210,576,423	178,997,456
Total deposits.....		406,642,063	383,213,753
Federal funds purchased & FHLB borrowing & TruPS.....		70,551,052	37,668,654
Accrued interest payable.....		731,841	1,014,869
Other liabilities.....		1,761,425	1,092,616
Note payable.....		16,017,412	26,349,019
Total liabilities.....		495,703,793	449,338,911
Commitments			
Shareholders' equity			
Preferred stock, par value \$1 per share;			
authorized 50,000 shares; none outstanding		0	0
Common stock, voting.....		14,123,020	11,934,590
Common stock, non-voting.....		0	0
	voting	non-voting	
	06/30/08	12/31/07	06/30/08
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Shares auth..	4,800,000	4,800,000	635,000
Shares o/s...	2,824,604	2,386,918	0
Paid in capital.....			0
Unrealized gains (losses) on securities available			173,833
for sale.....			(982,404)
Retained earnings.....			20,268,099
Total shareholders' equity.....			33,408,715
Total liabilities and shareholders' equity.....			\$ 529,112,508

See accompanying notes to consolidated financial statements.

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Chesapeake Financial Shares, Inc.  
Consolidated Statements of Earnings

Three Months Ended  
June 30,  
2008 2007

Interest Income	(Unaudited)	
Interest and fees on loans.....	\$ 5,919,995	\$ 6,068,606
Interest on federal funds sold.....	1,045	45,379
Interest on time deposits with banks.....	3,158	12,073
Interest on obligations of U.S. Agency Obligations....	1,116,197	541,010
Interest on obligations of state and political subs...	397,114	234,477
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Total interest income	7,437,509	6,901,545
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Interest Expense		
Interest on savings and interest bearing deposits.....	447,404	762,004
Interest on certificates of deposit.....	2,019,737	2,038,058
Interest on federal funds purchased.....	34,082	257,135
Other interest expense.....	742,327	188,686
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Total interest expense	3,243,550	3,245,883
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Net interest income.....	4,193,959	3,655,662
Provision for loan losses.....	40,000	40,000
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Net interest income after provision for loan losses...	4,153,959	3,615,662
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Noninterest Income		
Income from fiduciary activities.....	493,567	421,142
Service charges on deposit accounts.....	469,776	474,156
Net gain(loss) on other real estate owned.....	0	0
Securities gains (losses)-net.....	13,731	17,660
Merchant card income.....	757,687	711,602
ATM income.....	223,468	202,962
Cash Flow Income .....	1,315,811	1,114,694
Other income.....	568,905	405,678
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Total noninterest income.....	3,842,945	3,347,894
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Noninterest Expense		
Salaries.....	2,420,642	2,205,405
Employee benefits.....	608,675	537,453
Occupancy expenses.....	697,941	644,893
Merchant card expense.....	571,111	532,101
ATM expense.....	118,545	143,540
Cash Flow expense.....	275,730	204,292
Other expenses.....	1,387,412	1,255,582
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Total noninterest expense.....	6,080,056	5,523,266
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Income before income taxes.....	1,916,848	1,440,290
Income taxes.....	511,181	358,366
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Net income.....	\$ 1,405,667	\$ 1,081,924
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Earnings per share, primary.....	\$ 0.497	\$ 0.375
Earnings per share, assuming dilution.....	\$ 0.490	\$ 0.370
Dividends per share.....	\$ 0.100	\$ 0.083

See accompanying notes to consolidated financial statements.

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Chesapeake Financial Shares, Inc.  
Consolidated Statements of Earnings

Six Months Ended  
June 30,  
2008

2007

Interest Income	(Unaudited)	
Interest and fees on loans.....	\$ 11,946,513	\$ 11,878,413
Interest on federal funds sold.....	5,737	48,724
Interest on time deposits with banks.....	7,064	25,416
Interest on obligations of U.S. Agency Obligations....	2,038,344	1,148,797
Interest on obligations of state and political subs...	712,539	464,059
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Total interest income	14,710,197	13,565,409
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Interest Expense		
Interest on savings and interest bearing deposits.....	1,000,880	1,499,580
Interest on certificates of deposit.....	4,073,438	3,820,446
Interest on federal funds purchased.....	144,432	478,687
Other interest expense.....	1,406,353	471,761
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Total interest expense	6,625,103	6,270,474
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Net interest income.....	8,085,094	7,294,935
Provision for loan loss.....	100,000	160,000
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Net interest income after provision for loan losses...	7,985,094	7,134,935
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Non-interest Income		
Income from fiduciary activities.....	904,248	796,911
Service charges on deposit accounts.....	929,967	918,738
Net gain(loss) on other real estate owned	0	0
Securities gains (losses)-net.....	106,929	5,358
Merchant card income.....	1,437,492	1,289,589
ATM income.....	426,452	381,628
Cash Flow Income .....	2,420,203	1,941,079
Other income.....	1,291,422	826,947
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Total non-interest income.....	7,516,713	6,160,250
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Non-interest Expense		
Salaries .....	4,727,923	4,261,962
Employee Benefits.....	1,244,023	1,060,250
Occupancy expenses.....	1,436,146	1,221,322
Merchant card expense.....	1,079,300	967,332
ATM expense.....	257,812	280,299
Cash Flow expense.....	442,104	357,453
Other expenses.....	3,051,208	2,419,138
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Total non-interest expense.....	12,238,516	10,567,756
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Income before income taxes.....	3,263,291	2,727,429
Applicable income taxes.....	868,144	678,464
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Net income.....	\$ 2,395,147	\$ 2,048,965
	=====	=====
Earnings per share, primary.....	\$ 0.847	\$ 0.712
Earnings per share, assuming dilution.....	\$ 0.832	\$ 0.701
Dividends per share.....	\$ 0.200	\$ 0.167

See accompanying notes to consolidated financial statements.

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