

Chesapeake Financial Shares, Inc.  
Consolidated Balance Sheets

June 30,  
2009

December 31,  
2008

ASSETS		(Unaudited)	
Cash and due from banks.....	\$ 16,650,788	\$ 11,149,371	
Federal funds sold.....	4,396,000	5,705,000	
Securities available for sale			
U.S. Government agency & Other MBS (book value of \$85,316,507 -2009 and \$65,929,600-2008).....	74,588,072	58,437,726	
Obligations of state and political subdivisions (book value of \$44,577,664-2009 and \$33,353,917 -2008).....	44,249,736	33,198,176	
Other Debt Securities(book value \$3,981,783-2009 and \$4,289,983-2008).....	3,981,783	4,289,983	
Loans.....	360,481,476	363,632,894	
Less: Allowance for loan loss.....	(4,818,709)	(4,715,574)	
Net loans.....	355,662,767	358,917,320	
Bank premises and equipment, net.....	17,370,210	17,145,122	
Accrued interest receivable.....	2,540,207	2,288,419	
Cash Flow Assets.....	27,613,957	31,619,663	
Other assets.....	16,466,130	15,201,010	
Total assets.....	\$ 563,519,650	\$ 537,951,790	
LIABILITIES AND SHAREHOLDERS' EQUITY		(Unaudited)	
Deposits			
Noninterest bearing deposits.....	\$ 62,099,217	\$ 62,192,303	
Savings and interest bearing deposits.....	172,008,242	126,497,030	
Certificates of deposit.....	238,838,104	239,051,758	
Total deposits.....	472,945,563	427,741,091	
Federal funds purchased, FHLB Daily & Term borrowing.....	41,000,000	61,135,178	
Accrued interest payable.....	737,113	798,917	
Other liabilities.....	2,600,745	2,259,805	
Notes payable & TruPS.....	16,544,790	15,465,000	
Total liabilities.....	533,828,211	507,399,991	
Commitments			
Shareholders' equity			
Preferred stock, par value \$1 per share; authorized 50,000 shares; none outstanding	0	0	
Common stock, voting.....	13,912,665	13,977,065	
Common stock, non-voting.....	0	0	
	voting	non-voting	
	06/30/09	12/31/08	06/30/09 12/31/08
Shares auth..	5,760,000	5,760,000	635,000 635,000
Shares o/s...	2,782,533	2,795,413	0 0
Paid in capital.....			22,852 179,523
Unrealized gains (losses) on securities available for sale.....			(7,192,591) (5,047,426)
Retained earnings.....			22,948,513 21,442,637
Total shareholders' equity.....			29,691,439 30,551,799
Total liabilities and shareholders' equity.....	\$ 563,519,650	\$ 537,951,790	

See accompanying notes to consolidated financial statements.

Chesapeake Financial Shares, Inc.  
Consolidated Statements of Earnings

Three Months Ended  
June 30,  
2009 2008

	(Unaudited)	
<b>Interest Income</b>		
Interest and fees on loans.....	\$ 5,735,377	\$ 5,919,995
Interest on federal funds sold.....	40,248	1,045
Interest on time deposits with banks.....	1,238	3,158
Interest on obligations of U.S. Agency Obligations.....	1,306,485	1,116,197
Interest on obligations of state and political subs.....	459,872	397,114
<b>Total interest income</b>	<b>7,543,220</b>	<b>7,437,509</b>
<b>Interest Expense</b>		
Interest on savings and interest bearing deposits.....	473,187	447,404
Interest on certificates of deposit.....	1,900,883	2,019,737
Interest on federal funds purchased.....	0	34,082
Other interest expense.....	649,722	742,327
<b>Total interest expense</b>	<b>3,023,792</b>	<b>3,243,550</b>
Net interest income.....	4,519,428	4,193,959
Provision for loan losses.....	100,000	40,000
<b>Net interest income after provision for loan losses...</b>	<b>4,419,428</b>	<b>4,153,959</b>
<b>Noninterest Income</b>		
Income from fiduciary activities.....	485,128	493,567
Service charges on deposit accounts.....	435,229	469,776
Net gain(loss) on other real estate owned.....	0	0
Securities gains (losses)-net.....	(162,572)	13,731
Merchant card income.....	836,399	757,687
ATM income.....	222,373	223,468
Cash Flow Income .....	1,031,464	1,315,811
Other income.....	594,135	568,905
<b>Total noninterest income.....</b>	<b>3,442,156</b>	<b>3,842,945</b>
<b>Noninterest Expense</b>		
Salaries.....	2,435,770	2,420,642
Employee benefits.....	654,834	608,675
Occupancy expenses.....	752,423	697,941
Merchant card expense.....	599,303	571,111
ATM expense.....	147,763	118,545
Cash Flow expense.....	101,751	275,730
Other expenses.....	1,584,299	1,387,412
<b>Total noninterest expense.....</b>	<b>6,276,143</b>	<b>6,080,056</b>
Income before income taxes.....	1,585,441	1,916,848
Income taxes.....	426,360	511,181
<b>Net income.....</b>	<b>\$ 1,159,081</b>	<b>\$ 1,405,667</b>
<b>Earnings per share, primary.....</b>	<b>\$ 0.416</b>	<b>\$ 0.497</b>
<b>Earnings per share, assuming dilution.....</b>	<b>\$ 0.414</b>	<b>\$ 0.490</b>
<b>Dividends per share.....</b>	<b>\$ 0.105</b>	<b>\$ 0.100</b>

See accompanying notes to consolidated financial statements.

Chesapeake Financial Shares, Inc.  
Consolidated Statements of Earnings

Six Months Ended  
June 30,  
2009 2008

Interest Income	(Unaudited)	
Interest and fees on loans.....	\$ 11,545,783	\$ 11,946,513
Interest on federal funds sold.....	75,931	5,737
Interest on time deposits with banks.....	3,731	7,064
Interest on obligations of U.S. Agency Obligations.....	2,446,530	2,038,344
Interest on obligations of state and political subs.....	827,816	712,539
<b>Total interest income</b>	<b>14,899,791</b>	<b>14,710,197</b>
<b>Interest Expense</b>		
Interest on savings and interest bearing deposits.....	1,093,416	1,000,880
Interest on certificates of deposit.....	4,016,528	4,073,438
Interest on federal funds purchased.....	0	144,432
Other interest expense.....	1,360,165	1,406,353
<b>Total interest expense</b>	<b>6,470,109</b>	<b>6,625,103</b>
Net interest income.....	8,429,682	8,085,094
Provision for loan loss.....	250,000	100,000
<b>Net interest income after provision for loan losses...</b>	<b>8,179,682</b>	<b>7,985,094</b>
<b>Non-interest Income</b>		
Income from fiduciary activities.....	921,509	904,248
Service charges on deposit accounts.....	852,192	929,967
Net gain(loss) on other real estate owned	0	0
Securities gains (losses)-net.....	93,095	106,929
Merchant card income.....	1,580,741	1,437,492
ATM income.....	420,475	426,452
Cash Flow Income .....	2,006,810	2,420,203
Other income.....	1,176,283	1,291,422
<b>Total non-interest income.....</b>	<b>7,051,105</b>	<b>7,516,713</b>
<b>Non-interest Expense</b>		
Salaries .....	4,786,301	4,727,923
Employee Benefits.....	1,282,664	1,244,023
Occupancy expenses.....	1,540,802	1,436,146
Merchant card expense.....	1,161,466	1,079,300
ATM expense.....	274,650	257,812
Cash Flow expense.....	182,878	442,104
Other expenses.....	3,142,257	3,051,208
<b>Total non-interest expense.....</b>	<b>12,371,018</b>	<b>12,238,516</b>
Income before income taxes.....	2,859,769	3,263,291
Applicable income taxes.....	\$ 768,703	\$ 868,144
<b>Net income.....</b>	<b>\$ 2,091,066</b>	<b>\$ 2,395,147</b>
Earnings per share, primary.....	\$ 0.75	\$ 0.85
Earnings per share, assuming dilution.....	\$ 0.74	\$ 0.83
Dividends per share.....	\$ 0.210	\$ 0.200

See accompanying notes to consolidated financial statements.