

| Chesapeake Financial Shares, Inc. Consolidated Balance Sheets | June 30, \$2,010 | December 31, \$2,009 |
|---|---------------------|-------------------------|
| ----- | | |
| ASSETS | | |
| | (Unaudited) | |
| Cash and due from banks..... | \$ 24,457,001 | \$ 10,836,474 |
| Federal funds sold & interest bearing deposits in banks.. | 1,896,000 | 2,392,000 |
| Securities available for sale | | |
| U.S. Government agencies & Other MBS (book value of \$97,752,319-2010 and \$94,302,848-2009)..... | 87,537,853 | 88,742,219 |
| Obligations of state and political subdivisions (book value of \$62,392,472-2010 and \$53,901,472 -2009)..... | 63,875,915 | 54,189,167 |
| Other Debt Securities(book value \$3,981,783-2010 and \$3,981,783-2009)..... | 3,981,783 | 3,981,783 |
| Loans..... | 367,878,170 | 365,773,211 |
| Less: Allowance for loan loss..... | (5,464,788) | (5,165,792) |
| Net loans..... | 362,413,382 | 360,607,419 |
| Bank premises and equipment, net..... | 17,771,078 | 17,997,786 |
| Accrued interest receivable..... | 2,607,617 | 2,586,567 |
| Cash Flow Assets..... | 19,207,470 | 24,518,901 |
| Other assets..... | 20,553,551 | 20,827,890 |
| Total assets..... | \$ 604,301,650 | \$ 586,680,206 |
| | ===== | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| | (Unaudited) | |
| Deposits | | |
| Noninterest bearing deposits..... | \$ 64,373,966 | \$ 62,933,333 |
| Savings and interest bearing deposits..... | 221,848,146 | 203,675,719 |
| Certificates of deposit..... | 225,580,818 | 220,000,490 |
| Total deposits..... | 511,802,930 | 486,609,542 |
| Federal funds purchased, FHLB Daily & Term borrowing. | 33,000,000 | 45,023,274 |
| Accrued interest payable..... | 528,313 | 582,896 |
| Other liabilities..... | 2,866,378 | 2,204,938 |
| Notes payable & TruPS..... | 17,855,608 | 16,990,000 |
| Total liabilities..... | 566,053,229 | 551,410,650 |
| Commitments | | |
| Shareholders' equity | | |
| Preferred stock, par value \$1 per share; authorized 50,000 shares; none outstanding | 0 | 0 |
| Common stock, voting..... | 13,665,910 | 13,694,320 |
| Common stock, non-voting..... | 0 | 0 |
| | voting | non-voting |
| | 06/30/10 | 12/31/09 |
| | 06/30/10 | 12/31/09 |
| Shares auth.. | 5,760,000 | 5,760,000 |
| Shares o/s... | 2,733,182 | 2,738,864 |
| Paid in capital..... | 79,467 | 131,016 |
| Unrealized gains (losses) on securities available for sale..... | (1,298,407) | (2,440,877) |
| Unearned ESOP shares..... | (830,400) | (830,400) |
| Retained earnings..... | 26,631,851 | 24,715,497 |
| Total shareholders' equity..... | 38,248,421 | 35,269,556 |
| Total liabilities and shareholders' equity..... | \$ 604,301,650 | \$ 586,680,206 |
| | ===== | |

See accompanying notes to consolidated financial statements.

Chesapeake Financial Shares, Inc.
Consolidated Statements of Earnings

Three Months Ended
June 30,
2010 2009

| Interest Income | (Unaudited) | |
|--|--------------|--------------|
| Interest and fees on loans..... | \$ 5,715,612 | \$ 5,735,377 |
| Interest on federal funds sold..... | 13,045 | 40,248 |
| Interest on time deposits with banks & Other..... | 6,437 | 1,238 |
| Interest on U.S. Agency Obligations & MBS.... | 1,236,099 | 1,306,485 |
| Interest on obligations of state and political subs... | 643,005 | 459,872 |
| | ----- | ----- |
| Total interest income | 7,614,198 | 7,543,220 |
| | ----- | ----- |
| Interest Expense | | |
| Interest on savings and interest bearing deposits..... | 440,447 | 473,187 |
| Interest on certificates of deposit..... | 1,165,570 | 1,900,883 |
| Interest on federal funds purchased..... | 0 | 0 |
| Other interest expense..... | 504,692 | 649,722 |
| | ----- | ----- |
| Total interest expense | 2,110,709 | 3,023,792 |
| | ----- | ----- |
| Net interest income..... | 5,503,489 | 4,519,428 |
| Provision for loan losses..... | 150,000 | 100,000 |
| | ----- | ----- |
| Net interest income after provision for loan losses... | 5,353,489 | 4,419,428 |
| | ----- | ----- |
| Noninterest Income | | |
| Income from fiduciary activities..... | 514,114 | 485,128 |
| Service charges on deposit accounts..... | 423,424 | 435,229 |
| Net gain(loss) on other real estate owned..... | 0 | 0 |
| Securities gains (losses)-net..... | (593,006) | (162,572) |
| Merchant card income..... | 971,699 | 836,399 |
| ATM income..... | 267,526 | 222,373 |
| Cash Flow Income | 925,660 | 1,031,464 |
| Other income..... | 625,631 | 594,135 |
| | ----- | ----- |
| Total noninterest income..... | 3,135,048 | 3,442,156 |
| | ----- | ----- |
| Noninterest Expense | | |
| Salaries..... | 2,435,969 | 2,435,770 |
| Employee benefits..... | 723,793 | 654,834 |
| Occupancy expenses..... | 780,501 | 752,423 |
| Merchant card expense..... | 718,591 | 599,303 |
| ATM expense..... | 152,189 | 147,763 |
| Cash Flow expense..... | 124,998 | 101,751 |
| Other expenses..... | 1,732,991 | 1,584,299 |
| | ----- | ----- |
| Total noninterest expense..... | 6,669,032 | 6,276,143 |
| | ----- | ----- |
| Income before income taxes..... | 1,819,505 | 1,585,441 |
| Income taxes..... | \$ 489,655 | \$ 426,360 |
| | ----- | ----- |
| Net income..... | \$ 1,329,850 | \$ 1,159,081 |
| | ===== | ===== |
| Earnings per share, primary..... | \$ 0.486 | \$ 0.416 |
| Earnings per share, assuming dilution..... | \$ 0.484 | \$ 0.414 |
| Dividends per share..... | \$ 0.105 | \$ 0.105 |

See accompanying notes to consolidated financial statements.

Page: 2

Chesapeake Financial Shares, Inc.
Consolidated Statements of Earnings

Six Months Ended
June 30,
2010 2009

| Interest Income | (Unaudited) | |
|---|---------------------|---------------------|
| Interest and fees on loans..... | \$ 11,274,657 | \$ 11,545,783 |
| Interest on federal funds sold..... | 26,794 | 75,931 |
| Interest on time deposits with banks & Other..... | 10,671 | 3,731 |
| Interest on U.S. Agency Obligations & MBS.... | 2,591,514 | 2,446,530 |
| Interest on obligations of state and political subs... | 1,236,159 | 827,816 |
| Total interest income | 15,139,795 | 14,899,791 |
| Interest Expense | | |
| Interest on savings and interest bearing deposits..... | 904,931 | 1,093,416 |
| Interest on certificates of deposit..... | 2,473,141 | 4,016,528 |
| Interest on federal funds purchased..... | 0 | 0 |
| Other interest expense..... | 1,064,953 | 1,360,165 |
| Total interest expense | 4,443,025 | 6,470,109 |
| Net interest income..... | 10,696,770 | 8,429,682 |
| Provision for loan loss..... | 391,666 | 250,000 |
| Net interest income after provision for loan losses... | 10,305,104 | 8,179,682 |
| Non-interest Income | | |
| Income from fiduciary activities..... | 975,108 | 921,509 |
| Service charges on deposit accounts..... | 823,461 | 852,192 |
| Net gain(loss) on other real estate owned | 0 | 0 |
| Securities gains (losses)-net..... | (859,110) | 93,095 |
| Merchant card income..... | 1,795,962 | 1,580,741 |
| ATM income..... | 493,441 | 420,475 |
| Cash Flow Income | 1,794,365 | 2,006,810 |
| Other income..... | 1,005,679 | 1,176,283 |
| Total non-interest income..... | 6,078,137 | 7,051,105 |
| Non-interest Expense | | |
| Salaries | 4,766,409 | 4,786,301 |
| Employee Benefits..... | 1,436,055 | 1,282,664 |
| Occupancy expenses..... | 1,427,276 | 1,540,802 |
| Merchant card expense..... | 1,471,292 | 1,161,466 |
| ATM expense..... | 281,549 | 274,650 |
| Cash Flow expense..... | 208,330 | 182,878 |
| Other expenses..... | 3,384,099 | 3,142,257 |
| Total non-interest expense..... | 12,975,011 | 12,371,018 |
| Income before income taxes..... | 3,408,232 | 2,859,769 |
| Applicable income taxes..... | 917,013 | 768,703 |
| Net income..... | \$ 2,491,219 | \$ 2,091,066 |
| Earnings per share, primary..... | \$ 0.911 | \$ 0.751 |
| Earnings per share, assuming dilution..... | \$ 0.906 | \$ 0.744 |
| Dividends per share..... | \$ 0.210 | \$ 0.210 |

See accompanying notes to consolidated financial statements.

Page 3