

Chesapeake Financial Shares, Inc.
Consolidated Balance Sheets

September 30
2005

December 31,
2004

ASSETS		(Unaudited)	
Cash and due from banks.....		\$ 15,104,834	\$ 11,118,466
Federal funds sold.....		0	0
Securities available for sale			
U.S. Government agencies(book value of \$29,032,390			
-2005 and \$31,333,760-2004).....		29,015,301	31,515,193
Obligations of state and political subdivisions			
(book value of \$23,437,790-2005 and \$21,075,405			
-2004).....		24,810,942	22,627,331
Other Debt Securities(book value \$1,252,700-2005 and			
\$2,023,454-2004).....		1,252,700	2,126,569
Loans.....		277,717,766	264,572,609
Less: Reserve for loan loss.....		(4,124,909)	(3,341,346)
Net loans.....		273,592,857	261,231,263
Bank premises and equipment, net.....		11,849,026	9,273,220
Accrued interest receivable.....		1,477,097	1,437,993
Business Manager Assets.....		17,760,044	16,851,197
Other assets.....		9,491,449	7,366,285
Total assets.....		\$ 384,354,250	\$ 363,547,517
LIABILITIES AND SHAREHOLDERS' EQUITY		(Unaudited)	
Deposits			
Noninterest bearing deposits.....		\$ 68,788,658	\$ 69,631,725
Savings and interest bearing deposits.....		125,038,571	128,322,412
Certificates of deposit.....		139,832,276	111,412,561
Total deposits.....		333,659,505	309,366,698
Federal funds purchased.....		9,305,148	19,313,000
Accrued interest payable.....		409,738	316,504
Other liabilities.....		1,888,323	1,244,941
Note payable.....		10,974,237	6,540,557
Total liabilities.....		356,236,951	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	non-voting	
	9/30/05	12/31/04	9/30/05
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Shares auth..	2,400,000	2,400,000	635,000
Shares o/s...	1,207,254	1,207,418	0
Paid in capital.....			0
Unrealized gains (losses) on securities available			264,082
for sale.....			895,002
Retained earnings.....			21,186,027
Total shareholders' equity.....			28,117,299
Total liabilities and shareholders' equity.....			\$ 384,354,250

See accompanying notes to consolidated financial statements.

Chesapeake Financial Shares, Inc.
Consolidated Statements of Earnings

Three Months Ended
September 30,
2005 2004

Interest Income	(Unaudited)	
Interest and fees on loans.....	\$ 4,620,720	\$ 3,735,030
Interest on federal funds sold.....	39,083	5,342
Interest on time deposits with banks.....	15,168	2,397
Interest on obligations of U.S. Agency Obligations....	259,625	259,997
Interest on obligations of state and political subs...	304,860	288,745
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Total interest income	5,239,456	4,291,511
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Interest Expense		
Interest on savings and interest bearing deposits.....	368,399	199,862
Interest on certificates of deposit.....	1,121,317	677,633
Interest on federal funds purchased.....	49,555	20,335
Other interest expense.....	194,324	88,171
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Total interest expense	1,733,595	986,001
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Net interest income.....	3,505,861	3,305,510
Provision for loan losses.....	270,000	290,001
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Net interest income after provision for loan losses...	3,235,861	3,015,509
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Noninterest Income		
Income from fiduciary activities.....	468,833	446,746
Service charges on deposit accounts.....	261,176	238,008
Securities gains (losses)-net.....	0	1,191
Merchant card income.....	631,040	491,696
ATM income.....	161,690	131,359
Business manager income.....	785,481	580,583
Other income.....	399,447	289,737
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Total noninterest income.....	2,707,667	2,179,320
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Noninterest Expense		
Salaries.....	1,807,991	1,532,147
Employee benefits.....	552,702	424,181
Occupancy expenses.....	596,870	605,699
Merchant card expense.....	483,084	305,173
ATM expense.....	133,070	101,090
Business manager expense.....	191,371	114,261
Other expenses.....	931,035	834,540
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Total noninterest expense.....	4,696,123	3,917,091
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Income before income taxes.....	1,247,405	1,277,738
Income taxes.....	310,474	301,312
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Net income.....	\$ 936,931	\$ 976,426
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Earnings per share, primary.....	\$ 0.77	\$ 0.81
Earnings per share, assuming dilution.....	\$ 0.75	\$ 0.79
Dividends per share	\$ 0.18	\$ 0.17

See accompanying notes to consolidated financial statements.

Chesapeake Financial Shares, Inc.
Consolidated Statements of Earnings

Nine Months Ended
September 30,
2005 2004

Interest Income	(Unaudited)	
Interest and fees on loans.....	\$ 13,447,705	\$ 11,078,347
Interest on federal funds sold.....	61,676	6,677
Interest on time deposits with banks.....	33,521	4,803
Interest on obligations of U.S. Agency Obligations....	718,768	907,741
Interest on obligations of state and political subs...	902,491	862,165
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Total interest income	15,164,161	12,859,733
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Interest Expense		
Interest on savings and interest bearing deposits.....	923,775	545,150
Interest on certificates of deposit.....	2,779,848	1,954,733
Interest on federal funds purchased.....	316,447	61,265
Other interest expense.....	541,329	582,086
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Total interest expense	4,561,399	3,143,234
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Net interest income.....	10,602,762	9,716,499
Provision for loan loss.....	860,000	780,003
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Net interest income after provision for loan losses...	9,742,762	8,936,496
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Non-interest Income		
Income from fiduciary activities.....	983,585	995,600
Service charges on deposit accounts.....	771,738	738,358
Securities gains (losses)-net.....	134,588	275,315
Merchant card income.....	1,566,865	1,252,304
ATM income.....	446,046	365,347
Business manager income.....	2,178,188	1,581,500
Other income.....	1,141,372	858,908
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Total non-interest income.....	7,222,382	6,067,332
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Non-interest Expense		
Salaries	5,100,013	4,463,893
Employee Benefits.....	1,588,494	1,210,349
Occupancy expenses.....	1,584,963	1,757,853
Merchant card expense.....	1,190,141	920,183
ATM expense.....	355,516	295,808
Business manager expense.....	620,561	325,754
Other expenses.....	2,983,615	2,708,245
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Total non-interest expense.....	13,423,303	11,682,085
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Income before income taxes.....	3,541,841	3,321,743
Applicable income taxes.....	881,647	810,557
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Net income.....	\$ 2,660,194	\$ 2,511,186
	=====	=====
Earnings per share, primary.....	\$ 2.19	\$ 2.09
Earnings per share, assuming dilution.....	\$ 2.13	\$ 2.04
Dividends per share	\$ 0.54	\$ 0.50

See accompanying notes to consolidated financial statements.

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