

Chesapeake Financial Shares, Inc.
Consolidated Balance Sheets

December 31, 2004 December 31, 2003

ASSETS		(Unaudited)	
Cash and due from banks.....		\$ 11,118,466	\$ 16,157,496
Federal funds sold.....		0	0
Securities available for sale			
U.S. Government agencies(book value of \$31,333,760			
-2004 and \$47,206,692-2003).....		31,515,193	47,589,166
Obligations of state and political subdivisions			
(book value of \$22,594,305-2004 and \$22,367,089			
-2003).....		24,146,231	24,125,095
Other Debt Securities(book value \$504,554-2004 and			
\$1,534,971-2003).....		607,669	1,883,185
Loans.....		264,572,609	217,582,533
Less: Allowance for loan loss.....		(3,341,346)	(2,631,043)
Net loans.....		261,231,263	214,951,490
Bank premises and equipment, net.....		9,273,220	8,136,072
Accrued interest receivable.....		1,437,993	1,441,495
Business Manager Assets.....		16,851,197	11,519,102
Other assets.....		7,366,285	6,621,040
Total assets.....		\$ 363,547,517	\$ 332,424,141
LIABILITIES AND SHAREHOLDERS' EQUITY		(Unaudited)	
Deposits			
Noninterest bearing deposits.....		69,631,725	54,022,141
Savings and interest bearing deposits.....		128,322,412	121,302,850
Certificates of deposit.....		111,412,561	114,567,302
Total deposits.....		309,366,698	289,892,293
Federal funds purchased & FHLB borrowing & TruPS.....		19,313,000	15,000,000
Accrued interest payable.....		316,504	295,754
Other liabilities.....		1,244,941	1,393,647
Note payable.....		6,540,557	1,632,226
Total liabilities.....		336,781,700	308,213,920
Commitments			
Shareholders' equity			
Preferred stock, par value \$1 per share;			
authorized 50,000 shares; none outstanding		0	0
Common stock, voting.....		6,037,090	5,961,105
Common stock, non-voting.....		0	0
voting			
12/31/04	12/31/03	non-voting	
12/31/04	12/31/03	12/31/04	12/31/03
Shares auth..	2,400,000	2,400,000	635,000
Shares o/s...	1,207,418	1,192,221	0
Paid in capital.....			
Unrealized gains (losses) on securities available			
for sale.....			
Retained earnings.....			
Total shareholders' equity.....		26,765,817	24,210,221
Total liabilities and shareholders' equity.....		\$ 363,547,517	\$ 332,424,141

See accompanying notes to consolidated financial statements.

Chesapeake Financial Shares, Inc.
Consolidated Statements of Earnings

Three Months Ended
December 31,
2004 2003

Interest Income	(Unaudited)	
Interest and fees on loans.....	\$ 4,200,028	\$ 3,587,481
Interest on federal funds sold.....	5,800	28,626
Interest on time deposits with banks.....	4,067	(2,582)
Interest on obligations of U.S. Agency Obligations....	280,755	213,822
Interest on obligations of state and political subs...	278,963	242,355
 Total interest income	 <u>4,769,613</u>	 <u>4,069,702</u>
 Interest Expense		
Interest on savings and interest bearing deposits.....	230,785	212,183
Interest on certificates of deposit.....	704,649	691,187
Interest on federal funds purchased.....	30,421	44,459
Other interest expense.....	222,780	148,338
 Total interest expense	 <u>1,188,635</u>	 <u>1,096,167</u>
Net interest income.....	3,580,978	2,973,535
Provision for loan losses.....	315,001	150,000
 Net interest income after provision for loan losses...	 <u>3,265,977</u>	 <u>2,823,535</u>
 Noninterest Income		
Income from fiduciary activities.....	311,628	353,291
Service charges on deposit accounts.....	253,872	229,761
Net gain(loss) on other real estate owned.....	(144,000)	0
Securities gains (losses)-net.....	39,874	0
Merchant card income.....	509,637	416,948
ATM income.....	138,601	102,169
Business manager income.....	604,408	485,088
Other income.....	248,192	315,284
 Total noninterest income.....	 <u>1,962,212</u>	 <u>1,902,541</u>
 Noninterest Expense		
Salaries.....	1,533,588	1,368,145
Employee benefits.....	458,523	327,907
Occupancy expenses.....	407,891	539,368
Merchant card expense.....	371,220	349,750
ATM expense.....	105,644	95,462
Business manager expense.....	87,489	231,899
Other expenses.....	831,361	915,237
 Total noninterest expense.....	 <u>3,795,716</u>	 <u>3,827,768</u>
Income before income taxes.....	1,432,473	898,308
Income taxes.....	395,335	165,609
 Net income.....	 <u>\$ 1,037,138</u>	 <u>\$ 732,699</u>
 Earnings per share, primary.....	 \$ 0.87	 \$ 0.62
Earnings per share, assuming dilution.....	\$ 0.85	\$ 0.60
Dividends per share.....	\$ 0.18	\$ 0.16

See accompanying notes to consolidated financial statements.

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Chesapeake Financial Shares, Inc.
Consolidated Statements of Earnings

Twelve Months Ended
December 31,
2004 2003

Interest Income	(Unaudited)	
Interest and fees on loans.....	\$ 15,278,375	\$ 14,515,028
Interest on federal funds sold.....	12,477	56,000
Interest on time deposits with banks.....	8,870	0
Interest on obligations of U.S. Agency Obligations....	1,188,496	686,432
Interest on obligations of state and political subs...	1,141,128	1,082,757
 Total interest income	 <u>17,629,346</u>	 <u>16,340,217</u>
 Interest Expense		
Interest on savings and interest bearing deposits.....	775,935	993,253
Interest on certificates of deposit.....	2,659,382	2,955,850
Interest on federal funds purchased.....	91,686	180,605
Other interest expense.....	804,866	538,498
 Total interest expense	 <u>4,331,869</u>	 <u>4,668,206</u>
Net interest income.....	13,297,477	11,672,011
Provision for loan loss.....	1,095,004	810,000
 Net interest income after provision for loan losses...	 <u>12,202,473</u>	 <u>10,862,011</u>
 Non-interest Income		
Income from fiduciary activities.....	1,307,228	1,315,061
Service charges on deposit accounts.....	992,230	1,003,682
Net gain(loss) on other real estate owned	(144,000)	0
Securities gains (losses)-net.....	315,189	0
Merchant card income.....	1,761,941	1,437,035
ATM income.....	503,948	410,320
Business manager income.....	2,185,908	2,319,157
Other income.....	1,107,100	1,105,505
 Total non-interest income.....	 <u>8,029,544</u>	 <u>7,590,760</u>
 Non-interest Expense		
Salaries	5,997,481	5,240,707
Employee Benefits.....	1,668,872	1,290,246
Occupancy expenses.....	2,165,744	2,185,869
Merchant card expense.....	1,291,403	1,234,704
ATM expense.....	401,452	335,664
Business manager expense.....	413,243	850,517
Other expenses.....	3,539,606	2,996,977
 Total non-interest expense.....	 <u>15,477,801</u>	 <u>14,134,684</u>
Income before income taxes.....	4,754,216	4,318,087
Applicable income taxes.....	1,205,892	1,033,905
 Net income.....	 <u>\$ 3,548,324</u>	 <u>\$ 3,284,182</u>
 Earnings per share, primary.....	 \$ 2.95	 \$ 2.73
Earnings per share, assuming dilution.....	\$ 2.88	\$ 2.67
Dividends per share.....	\$ 0.68	\$ 0.57

See accompanying notes to consolidated financial statements.

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