

Chesapeake Financial Shares, Inc.  
Consolidated Balance Sheets

December 31,  
2005

December 31,  
2004

ASSETS		(Unaudited)	
Cash and due from banks.....		\$ 10,449,269	\$ 11,118,466
Federal funds sold.....		0	0
Securities available for sale			
U.S. Government agencies(book value of \$26,735,063			
-2005 and \$31,333,760-2004).....		26,726,089	31,515,193
Obligations of state and political subdivisions			
(book value of \$23,967,901-2005 and \$22,594,305			
-2004).....		25,090,104	22,727,331
Other Debt Securities(book value \$1,566,400-2005 and			
\$1,923,453-2004).....		1,566,400	2,026,569
Loans.....		281,600,943	264,572,609
Less: Allowance for loan loss.....		(4,199,745)	(3,341,346)
Net loans.....		277,401,198	261,231,263
Bank premises and equipment, net.....		13,786,009	9,273,220
Accrued interest receivable.....		1,550,189	1,437,993
Business Manager Assets.....		17,708,720	16,851,197
Other assets.....		8,595,468	7,366,285
Total assets.....		\$ 382,873,446	\$ 363,547,517
LIABILITIES AND SHAREHOLDERS' EQUITY		(Unaudited)	
Deposits			
Noninterest bearing deposits.....		\$ 67,808,476	\$ 69,631,725
Savings and interest bearing deposits.....		124,843,853	128,322,412
Certificates of deposit.....		135,882,714	111,412,561
Total deposits.....		328,535,043	309,366,698
Federal funds purchased & FHLB borrowing & TruPS.....		17,310,000	19,313,000
Accrued interest payable.....		467,037	316,504
Other liabilities.....		1,546,000	1,244,941
Note payable.....		6,445,187	6,540,557
Total liabilities.....		354,303,267	336,781,700
Commitments			
Shareholders' equity			
Preferred stock, par value \$1 per share;			
authorized 50,000 shares; none outstanding		0	0
Common stock, voting.....		12,043,940	12,074,180
Common stock, non-voting.....		0	0
	voting	non-voting	
	12/31/05	12/31/04	12/31/05
	12/31/05	12/31/04	12/31/04
Shares auth..	4,800,000	4,800,000	635,000
Shares o/s...	2,408,788	2,414,836	0
Paid in capital.....			155,230
Unrealized gains (losses) on securities available			
for sale.....			734,731
Retained earnings.....			15,636,278
Total shareholders' equity.....			28,570,179
Total liabilities and shareholders' equity.....			\$ 382,873,446

See accompanying notes to consolidated financial statements.

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Chesapeake Financial Shares, Inc.  
Consolidated Statements of Earnings

Three Months Ended  
December 31,  
2005 2004

Interest Income	(Unaudited)	
Interest and fees on loans.....	\$ 4,838,558	\$ 4,200,028
Interest on federal funds sold.....	9,078	5,800
Interest on time deposits with banks.....	17,067	4,067
Interest on obligations of U.S. Agency Obligations....	292,628	280,755
Interest on obligations of state and political subs...	312,580	278,963
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Total interest income	5,469,911	4,769,613
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Interest Expense		
Interest on savings and interest bearing deposits.....	412,698	230,785
Interest on certificates of deposit.....	1,150,966	704,649
Interest on federal funds purchased.....	86,608	30,421
Other interest expense.....	202,761	222,780
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Total interest expense	1,853,033	1,188,635
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Net interest income.....	3,616,878	3,580,978
Provision for loan losses.....	130,000	315,001
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Net interest income after provision for loan losses...	3,486,878	3,265,977
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Noninterest Income		
Income from fiduciary activities.....	326,060	311,628
Service charges on deposit accounts.....	286,014	253,872
Net gain(loss) on other real estate owned.....	0	(144,000)
Securities gains (losses)-net.....	(23,368)	39,874
Merchant card income.....	633,334	509,637
ATM income.....	164,240	138,601
Cash Flow Income .....	788,017	604,408
Other income.....	469,039	248,192
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Total noninterest income.....	2,643,336	1,962,212
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Noninterest Expense		
Salaries.....	1,822,895	1,533,588
Employee benefits.....	533,805	458,523
Occupancy expenses.....	553,314	398,891
Merchant card expense.....	484,323	371,220
ATM expense.....	130,293	105,644
Cash Flow expense.....	239,177	87,489
Other expenses.....	981,337	840,361
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Total noninterest expense.....	4,745,144	3,795,716
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Income before income taxes.....	1,385,070	1,432,473
Income taxes.....	372,751	395,335
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Net income.....	\$ 1,012,319	\$ 1,037,138
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Earnings per share, primary.....	\$ 0.41	\$ 0.43
Earnings per share, assuming dilution.....	\$ 0.42	\$ 0.42
Dividends per share.....	\$ 0.095	\$ 0.090

See accompanying notes to consolidated financial statements.

Chesapeake Financial Shares, Inc.  
Consolidated Statements of Earnings

Twelve Months Ended  
December 31,  
2005 2004

Interest Income	(Unaudited)	
Interest and fees on loans.....	\$ 18,286,263	\$ 15,278,375
Interest on federal funds sold.....	70,754	12,477
Interest on time deposits with banks.....	50,588	8,870
Interest on obligations of U.S. Agency Obligations....	1,011,396	1,188,496
Interest on obligations of state and political subs...	1,215,071	1,141,128
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Total interest income	20,634,072	17,629,346
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Interest Expense		
Interest on savings and interest bearing deposits.....	1,336,473	775,935
Interest on certificates of deposit.....	3,930,814	2,659,382
Interest on federal funds purchased.....	403,055	91,686
Other interest expense.....	744,090	804,866
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Total interest expense	6,414,432	4,331,869
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Net interest income.....	14,219,640	13,297,477
Provision for loan loss.....	990,000	1,095,004
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Net interest income after provision for loan losses...	13,229,640	12,202,473
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Non-interest Income		
Income from fiduciary activities.....	1,309,645	1,307,228
Service charges on deposit accounts.....	1,057,752	992,230
Net gain(loss) on other real estate owned	0	(144,000)
Securities gains (losses)-net.....	111,220	315,189
Merchant card income.....	2,200,199	1,761,941
ATM income.....	610,286	503,948
Cash Flow Income .....	2,966,205	2,185,908
Other income.....	1,610,411	1,107,100
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Total non-interest income.....	9,865,718	8,029,544
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Non-interest Expense		
Salaries .....	6,922,908	5,997,481
Employee Benefits.....	2,122,299	1,668,872
Occupancy expenses.....	2,138,277	2,156,744
Merchant card expense.....	1,674,464	1,291,403
ATM expense.....	485,809	401,452
Cash Flow expense.....	859,738	413,243
Other expenses.....	3,964,952	3,548,606
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Total non-interest expense.....	18,168,447	15,477,801
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Income before income taxes.....	4,926,911	4,754,216
Applicable income taxes.....	\$ 1,254,398	\$ 1,205,892
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Net income.....	\$ 3,672,513	\$ 3,548,324
	=====	=====
Earnings per share, primary.....	\$ 1.52	\$ 1.48
Earnings per share, assuming dilution.....	\$ 1.48	\$ 1.44
Dividends per share.....	\$ 0.365	\$ 0.340

See accompanying notes to consolidated financial statements.

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