

Chesapeake Financial Shares, Inc. Consolidated Balance Sheets	September 30, 2006	December 31, 2005

ASSETS		
	(Unaudited)	
Cash and due from banks.....	\$ 7,790,448	\$ 10,449,268
Federal funds sold.....	0	0
Securities available for sale		
U.S. Government agencies(book value of \$38,432,153 -2006 and \$26,735,063-2005).....	38,468,796	26,726,089
Obligations of state and political subdivisions (book value of \$21,298,395-2006 and \$23,967,901 -2005).....	22,625,204	25,090,104
Other Debt Securities(book value \$1,516,900-2006 and \$1,566,400-2005).....	1,516,900	1,566,400
Loans.....	302,251,572	281,600,943
Less: Allowance for loan loss.....	(4,435,219)	(4,199,745)
Net loans.....	297,816,353	277,401,198
Bank premises and equipment, net.....	13,452,467	13,444,092
Accrued interest receivable.....	1,611,773	1,550,189
Business Manager Assets.....	18,619,064	17,708,720
Other assets.....	11,023,452	8,758,152

Total assets.....	\$412,924,457	\$ 382,694,212
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LIABILITIES AND SHAREHOLDERS' EQUITY		
	(Unaudited)	
Deposits		
Noninterest bearing deposits.....	\$ 67,315,908	\$ 67,808,476
Savings and interest bearing deposits.....	138,121,317	124,843,854
Certificates of deposit.....	152,831,054	135,882,713

Total deposits.....	358,268,279	328,535,043
Federal funds purchased & FHLB borrowing & TruPS.....	10,745,619	17,310,000
Accrued interest payable.....	673,362	467,037
Other liabilities.....	1,799,483	1,366,764
Note payable.....	10,935,512	6,445,187

Total liabilities.....	382,422,255	354,124,031
Commitments		
Shareholders' equity		
Preferred stock, par value \$1 per share; authorized 50,000 shares; none outstanding	0	0
Common stock, voting.....	11,989,935	12,043,940
Common stock, non-voting.....	0	0
	voting	non-voting
	09/30/06	12/31/05
	09/30/0	12/31/05

Shares aut	4,800,000	4,800,000
Shares o/s	2,397,987	2,408,788
	0	0
Paid in capital.....	0	155,230
Unrealized gains (losses) on securities available for sale.....	899,878	734,731
Retained earnings.....	17,612,389	15,636,280

Total shareholders' equity.....	30,502,202	28,570,181

Total liabilities and shareholders' equity.....	\$412,924,457	\$ 382,694,212
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See accompanying notes to consolidated financial statements.

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Consolidated Statements of Earnings

September 30,
2006 2005

Interest Income	(Unaudited)	
Interest and fees on loans.....	\$ 5,487,460	\$ 4,620,720
Interest on federal funds sold.....	33,736	39,083
Interest on time deposits with banks.....	22,182	15,168
Interest on obligations of U.S. Agency Obligations....	523,212	259,625
Interest on obligations of state and political subs...	302,883	304,860
Total interest income	6,369,473	5,239,456
Interest Expense		
Interest on savings and interest bearing deposits.....	787,310	368,399
Interest on certificates of deposit.....	1,723,079	1,121,317
Interest on federal funds purchased.....	128,860	49,555
Other interest expense.....	243,943	194,324
Total interest expense	2,883,192	1,733,595
Net interest income.....	3,486,281	3,505,861
Provision for loan losses.....	300,000	270,000
Net interest income after provision for loan losses...	3,186,281	3,235,861
Noninterest Income		
Income from fiduciary activities.....	541,582	468,833
Service charges on deposit accounts.....	334,476	261,176
Net gain(loss) on other real estate owned.....	0	-
Securities gains (losses)-net.....	56,935	0
Merchant card income.....	687,627	631,040
ATM income.....	183,832	161,690
Cash Flow Income	771,724	785,481
Other income.....	902,788	399,447
Total noninterest income.....	3,478,964	2,707,667
Noninterest Expense		
Salaries.....	2,028,050	1,807,991
Employee benefits.....	402,269	552,702
Occupancy expenses.....	619,496	596,870
Merchant card expense.....	525,145	483,084
ATM expense.....	123,450	133,070
Cash Flow expense.....	205,217	191,371
Other expenses.....	1,185,299	931,035
Total noninterest expense.....	5,088,926	4,696,123
Income before income taxes.....	1,576,319	1,247,405
Income taxes.....	384,871	310,474
Net income.....	\$ 1,191,448	\$ 936,931
Earnings per share, primary.....	\$ 0.492	\$ 0.387
Earnings per share, assuming dilution.....	\$ 0.482	\$ 0.376
Dividends per share.....	\$ 0.095	\$ 0.090

See accompanying notes to consolidated financial statements.

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	2006	2005

Interest Income	(Unaudited)	
Interest and fees on loans.....	\$ 15,829,886	\$ 13,447,705
Interest on federal funds sold.....	78,867	61,676
Interest on time deposits with banks.....	64,753	33,521
Interest on obligations of U.S. Agency Obligations....	1,171,150	718,768
Interest on obligations of state and political subs...	937,502	902,491
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Total interest income	18,082,158	15,164,161
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Interest Expense		
Interest on savings and interest bearing deposits.....	1,921,441	923,775
Interest on certificates of deposit.....	4,330,878	2,779,848
Interest on federal funds purchased.....	458,077	316,447
Other interest expense.....	695,796	541,329
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Total interest expense	7,406,192	4,561,399
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Net interest income.....	10,675,966	10,602,762
Provision for loan loss.....	700,000	860,000
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Net interest income after provision for loan losses...	9,975,966	9,742,762
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Non-interest Income		
Income from fiduciary activities.....	1,205,742	983,585
Service charges on deposit accounts.....	954,930	771,738
Net gain(loss) on other real estate owned	-	-
Securities gains (losses)-net.....	(33,554)	134,588
Merchant card income.....	1,796,880	1,566,865
ATM income.....	529,133	446,046
Cash Flow Income	2,172,285	2,178,188
Other income.....	1,635,734	1,141,372
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Total non-interest income.....	8,261,150	7,222,382
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Non-interest Expense		
Salaries	5,841,174	5,100,013
Employee Benefits.....	1,469,348	1,588,494
Occupancy expenses.....	1,748,277	1,584,963
Merchant card expense.....	1,368,867	1,190,141
ATM expense.....	348,251	355,516
Cash Flow expense.....	416,652	620,561
Other expenses.....	3,237,836	2,983,615
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Total non-interest expense.....	14,430,405	13,423,303
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Income before income taxes.....	3,806,711	3,541,841
Applicable income taxes.....	928,746	881,647
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Net income.....	\$ 2,877,965	\$ 2,660,194
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Earnings per share, primary.....	\$ 1.189	\$ 1.097
Earnings per share, assuming dilution.....	\$ 1.163	\$ 1.067
Dividends per share.....	\$ 0.285	\$ 0.270

See accompanying notes to consolidated financial statements.

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