

Chesapeake Financial Shares, Inc.  
Consolidated Balance Sheets

September 30, 2009      December 31, 2008

ASSETS		(Unaudited)	
Cash and due from banks.....		\$ 9,231,881	\$ 11,149,371
Federal funds sold.....		4,390,000	5,705,000
Securities available for sale			
U.S. Government agency & Other MBS (book value of \$89,799,833 -2009 and \$65,929,600-2008).....		82,805,130	58,437,726
Obligations of state and political subdivisions (book value of \$51,599,444-2009 and \$33,353,917 -2008).....		55,338,620	33,198,176
Other Debt Securities(book value \$x,xxx,xxx-2009 and \$4,289,983-2008).....		3,981,783	4,289,983
Loans.....		365,957,943	363,632,894
Less: Allowance for loan loss.....		(5,032,466)	(4,715,574)
Net loans.....		360,925,477	358,917,320
Bank premises and equipment, net.....		16,987,076	17,145,122
Accrued interest receivable.....		2,471,786	2,288,419
Cash Flow Assets.....		27,959,544	31,619,663
Other assets.....		16,200,932	15,201,010
Total assets.....		\$ 580,292,229	\$ 537,951,790
LIABILITIES AND SHAREHOLDERS' EQUITY		(Unaudited)	
Deposits			
Noninterest bearing deposits.....		\$ 68,620,671	\$ 62,192,303
Savings and interest bearing deposits.....		193,117,881	126,497,030
Certificates of deposit.....		220,794,722	239,051,758
Total deposits.....		482,533,274	427,741,091
Federal funds purchased, FHLB Daily & Term borrowing.....		42,212,000	61,135,178
Accrued interest payable.....		665,583	798,917
Other liabilities.....		2,745,699	2,259,805
Notes payable & TruPS.....		16,516,674	15,465,000
Total liabilities.....		544,673,230	507,399,991
Commitments			
Shareholders' equity			
Preferred stock, par value \$1 per share; authorized 50,000 shares; none outstanding		0	0
Common stock, voting.....		13,828,610	13,977,065
Common stock, non-voting.....		0	0
voting			
non-voting			
09/30/09	12/31/08	09/30/09	12/31/08
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Shares auth.   5,760,000	5,760,000	635,000	635,000
Shares o/s..   2,765,722	2,795,413	0	0
Paid in capital.....		0	179,523
Unrealized gains (losses) on securities available for sale.....		(2,197,602)	(5,047,426)
Retained earnings.....		23,987,991	21,442,637
Total shareholders' equity.....		35,618,999	30,551,799
Total liabilities and shareholders' equity.....		\$ 580,292,229	\$ 537,951,790

See accompanying notes to consolidated financial statements.

Chesapeake Financial Shares, Inc.

September 30, December 31,

Chesapeake Financial Shares, Inc.  
Consolidated Statements of Earnings

Three Months Ended  
September 30,  
2009 2008

Interest Income	(Unaudited)	
Interest and fees on loans.....	\$ 5,717,781	\$ 5,946,229
Interest on federal funds sold.....	26,087	2,802
Interest on time deposits with banks.....	728	2,421
Interest on obligations of U.S. Agency Obligations....	1,502,080	1,106,015
Interest on obligations of state and political subs...	516,030	444,076
<b>Total interest income</b>	<b>7,762,706</b>	<b>7,501,543</b>
<b>Interest Expense</b>		
Interest on savings and interest bearing deposits.....	485,761	456,559
Interest on certificates of deposit.....	1,612,333	2,035,753
Interest on federal funds purchased.....	0	106,151
Other interest expense.....	637,033	759,095
<b>Total interest expense</b>	<b>2,735,127</b>	<b>3,357,558</b>
<b>Net interest income</b> .....	<b>5,027,579</b>	<b>4,143,985</b>
<b>Provision for loan losses</b> .....	<b>250,000</b>	<b>180,000</b>
<b>Net interest income after provision for loan losses...</b>	<b>4,777,579</b>	<b>3,963,985</b>
<b>Noninterest Income</b>		
Income from fiduciary activities.....	642,204	654,295
Service charges on deposit accounts.....	432,639	460,893
Net gain(loss) on other real estate owned.....	(29,815)	0
Securities gains (losses)-net.....	(250,402)	(100,000)
Merchant card income.....	967,741	835,213
ATM income.....	229,862	217,556
Cash Flow Income .....	1,096,845	1,353,875
Other income.....	535,255	420,488
<b>Total noninterest income</b> .....	<b>3,624,329</b>	<b>3,842,320</b>
<b>Noninterest Expense</b>		
Salaries.....	2,469,422	2,450,650
Employee benefits.....	602,793	590,368
Occupancy expenses.....	803,444	761,782
Merchant card expense.....	701,636	639,718
ATM expense.....	156,540	129,863
Cash Flow expense.....	240,431	440,901
Other expenses.....	1,400,213	1,271,979
<b>Total noninterest expense</b> .....	<b>6,374,479</b>	<b>6,285,261</b>
<b>Income before income taxes</b> .....	<b>2,027,429</b>	<b>1,521,044</b>
<b>Income taxes</b> .....	<b>545,761</b>	<b>417,808</b>
<b>Net income</b> .....	<b>\$ 1,481,668</b>	<b>\$ 1,103,236</b>
<b>Earnings per share, primary</b> .....	<b>\$ 0.533</b>	<b>\$ 0.391</b>
<b>Earnings per share, assuming dilution</b> .....	<b>\$ 0.533</b>	<b>\$ 0.384</b>
<b>Dividends per share</b> .....	<b>\$ 0.105</b>	<b>\$ 0.100</b>

See accompanying notes to consolidated financial statements.

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Chesapeake Financial Shares, Inc.  
Consolidated Statements of Earnings

Nine Months Ended  
September 30,  
2009 2008

Interest Income	(Unaudited)	
Interest and fees on loans.....	\$ 17,263,564	\$ 17,892,742
Interest on federal funds sold.....	102,018	8,539
Interest on time deposits with banks.....	4,459	9,485
Interest on obligations of U.S. Agency Obligations....	3,948,610	3,144,359
Interest on obligations of state and political subs...	1,343,846	1,156,615
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Total interest income	22,662,497	22,211,740
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Interest Expense		
Interest on savings and interest bearing deposits.....	1,579,177	1,457,439
Interest on certificates of deposit.....	5,628,861	6,109,191
Interest on federal funds purchased.....	0	250,583
Other interest expense.....	1,997,198	2,165,448
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Total interest expense	9,205,236	9,982,661
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Net interest income.....	13,457,261	12,229,079
Provision for loan loss.....	500,000	280,000
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Net interest income after provision for loan losses...	12,957,261	11,949,079
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Non-interest Income		
Income from fiduciary activities.....	1,563,713	1,558,543
Service charges on deposit accounts.....	1,284,831	1,390,860
Net gain(loss) on other real estate owned	(29,815)	0
Securities gains (losses)-net.....	(157,307)	6,929
Merchant card income.....	2,548,482	2,272,705
ATM income.....	650,337	644,008
Cash Flow Income .....	3,103,655	3,774,078
Other income.....	1,711,538	1,711,910
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Total non-interest income.....	10,675,434	11,359,033
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Non-interest Expense		
Salaries .....	7,255,723	7,178,573
Employee Benefits.....	1,885,457	1,834,391
Occupancy expenses.....	2,344,246	2,197,928
Merchant card expense.....	1,863,102	1,719,018
ATM expense.....	431,190	387,675
Cash Flow expense.....	423,309	883,005
Other expenses.....	4,542,470	4,323,187
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Total non-interest expense.....	18,745,497	18,523,777
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Income before income taxes.....	4,887,198	4,784,335
Applicable income taxes.....	\$ 1,314,464	\$ 1,285,952
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Net income.....	\$ 3,572,734	\$ 3,498,383
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Earnings per share, primary.....	\$ 1.28	\$ 1.24
Earnings per share, assuming dilution.....	\$ 1.28	\$ 1.22
Dividends per share.....	\$ 0.315	\$ 0.300

See accompanying notes to consolidated financial statements.

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