

Chesapeake Financial Shares, Inc. December 31, December 31,
Consolidated Balance Sheets 2008 2007

ASSETS		(Unaudited)	
Cash and due from banks.....		\$ 11,149,371	\$ 12,676,152
Federal funds sold.....		5,705,000	2,272,000
Securities available for sale			
U.S. Government agencies(book value of \$65,929,600			
-2008 and \$58,253,979-2007).....		58,437,726	58,558,789
Obligations of state and political subdivisions			
(book value of \$33,353,917-2008 and \$20,271,610			
-2007).....		33,198,176	21,186,152
Other Debt Securities(book value \$4,289,983-2008 and			
\$2,715,800-2007).....		4,289,983	2,715,800
Loans.....		363,632,894	333,720,835
Less: Allowance for loan loss.....		(4,715,574)	(4,388,538)
Net loans.....		358,917,320	329,332,297
Bank premises and equipment, net.....		16,913,535	16,638,151
Accrued interest receivable.....		2,288,419	1,931,802
Cash Flow Assets.....		31,466,234	26,325,426
Other assets.....		15,508,263	11,775,688
Total assets.....		\$ 537,874,027	\$ 483,412,257

LIABILITIES AND SHAREHOLDERS' EQUITY

		(Unaudited)	
Deposits			
Noninterest bearing deposits.....		\$ 62,192,303	\$ 63,432,028
Savings and interest bearing deposits.....		126,497,030	140,784,269
Certificates of deposit.....		239,051,758	178,997,456
Total deposits.....		427,741,091	383,213,753
Federal funds purchased, FHLB Daily borrowing & TruPS.		15,465,000	37,668,654
Accrued interest payable.....		798,917	1,014,869
Other liabilities.....		2,182,042	1,502,841
Notes payable & FHLBG Term borrowing.....		61,135,178	26,349,019
Total liabilities.....		507,322,228	449,749,136
Commitments			
Shareholders' equity			
Preferred stock, par value \$1 per share;			
authorized 50,000 shares; none outstanding		0	0
Common stock, voting.....		13,977,065	14,137,370
Common stock, non-voting.....		0	0
		voting	non-voting
		12/31/08	12/31/07
		12/31/08	12/31/07
Shares auth..	5,760,000	5,760,000	635,000
Shares o/s...	2,795,413	2,827,474	0
Paid in capital.....		179,523	173,833
Unrealized gains (losses) on securities available			
for sale.....		(5,047,426)	804,772
Retained earnings.....		21,442,637	18,547,146
Total shareholders' equity.....		30,551,799	33,663,121
Total liabilities and shareholders' equity.....		\$ 537,874,027	\$ 483,412,257

See accompanying notes to consolidated financial statements.

Chesapeake Financial Shares, Inc.
Consolidated Statements of Earnings

Three Months Ended
December 31,
2008 2007

Interest Income	(Unaudited)	
Interest and fees on loans.....	\$ 6,014,162	\$ 6,196,945
Interest on federal funds sold.....	3,063	1,371
Interest on time deposits with banks.....	1,991	4,306
Interest on obligations of U.S. Agency Obligations....	1,097,961	817,522
Interest on obligations of state and political subs...	379,661	264,826
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Total interest income	7,496,838	7,284,970
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Interest Expense		
Interest on savings and interest bearing deposits.....	406,438	651,542
Interest on certificates of deposit.....	2,078,586	2,123,980
Interest on federal funds purchased.....	1,348	360,646
Other interest expense.....	776,253	500,773
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Total interest expense	3,262,625	3,636,941
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Net interest income.....	4,234,213	3,648,029
Provision for loan losses.....	120,000	-
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Net interest income after provision for loan losses...	4,114,213	3,648,029
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Noninterest Income		
Income from fiduciary activities.....	430,917	444,880
Service charges on deposit accounts.....	419,505	509,121
Net gain(loss) on other real estate owned.....	-	5,167
Securities gains (losses)-net.....	100,000	69,226
Merchant card income.....	815,485	860,682
ATM income.....	201,759	211,361
Cash Flow Income	1,255,552	1,178,128
Other income.....	434,304	424,234
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Total noninterest income.....	3,657,522	3,702,799
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Noninterest Expense		
Salaries.....	2,541,998	2,396,774
Employee benefits.....	606,332	551,178
Occupancy expenses.....	752,327	728,255
Merchant card expense.....	618,424	623,898
ATM expense.....	121,051	134,620
Cash Flow expense.....	201,239	226,135
Other expenses.....	1,592,496	1,218,759
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Total noninterest expense.....	6,433,867	5,879,619
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Income before income taxes.....	1,337,868	1,471,209
Income taxes.....	235,344	576,451
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Net income.....	\$ 1,102,524	\$ 894,758
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Earnings per share, primary.....	\$ 0.393	\$ 0.314
Earnings per share, assuming dilution.....	\$ 0.387	\$ 0.307
Dividends per share.....	\$ 0.105	\$ 0.100

See accompanying notes to consolidated financial statements.

Page: 2

Consolidated Statements of Earnings

December 31,
2008 2,007

Interest Income		(Unaudited)	
Interest and fees on loans.....	\$ 23,906,904	\$ 24,222,716	
Interest on federal funds sold.....	11,602	70,165	
Interest on time deposits with banks.....	11,476	36,277	
Interest on obligations of U.S. Agency Obligations....	4,242,320	2,697,488	
Interest on obligations of state and political subs...	1,536,276	989,872	
Total interest income	29,708,578	28,016,518	
Interest Expense			
Interest on savings and interest bearing deposits.....	1,863,877	2,881,208	
Interest on certificates of deposit.....	8,187,777	8,033,324	
Interest on federal funds purchased.....	251,931	1,098,349	
Other interest expense.....	2,941,701	1,457,988	
Total interest expense	13,245,286	13,470,869	
Net interest income.....	16,463,292	14,545,649	
Provision for loan loss.....	400,000	160,000	
Net interest income after provision for loan losses...	16,063,292	14,385,649	
Non-interest Income			
Income from fiduciary activities.....	1,989,460	1,836,446	
Service charges on deposit accounts.....	1,810,365	1,881,126	
Net gain(loss) on other real estate owned	-	(167,964)	
Securities gains (losses)-net.....	106,929	86,761	
Merchant card income.....	3,088,190	3,027,268	
ATM income.....	845,767	798,245	
Cash Flow Income	5,029,630	4,275,417	
Other income.....	2,146,214	1,747,174	
Total non-interest income.....	15,016,555	13,484,473	
Non-interest Expense			
Salaries	9,720,571	8,721,752	
Employee Benefits.....	2,440,723	2,103,602	
Occupancy expenses.....	2,950,255	2,596,482	
Merchant card expense.....	2,337,442	2,249,933	
ATM expense.....	508,726	551,227	
Cash Flow expense.....	1,084,244	761,563	
Other expenses.....	5,915,683	4,823,212	
Total non-interest expense.....	24,957,644	21,807,771	
Income before income taxes.....	6,122,203	6,062,351	
Applicable income taxes.....	1,521,296	1,717,211	
Net income.....	\$ 4,600,907	\$ 4,345,140	
Earnings per share, primary.....	\$ 1.631	\$ 1.517	
Earnings per share, assuming dilution.....	\$ 1.604	\$ 1.490	
Dividends per share.....	\$ 0.405	\$ 0.350	

See accompanying notes to consolidated financial statements.

Page 3