

Chesapeake Financial Shares, Inc.  
Consolidated Balance Sheets

March 31,  
2004

December 31,  
2003

ASSETS					(Unaudited)			
Cash and due from banks.....					\$	12,049,978	\$	16,157,496
Federal funds sold.....						-		-
Securities available for sale								
U.S. Government agencies(book value of \$51,377,015								
-2004 and \$47,206,692-2003).....						51,890,072		47,589,166
Obligations of state and political subdivisions								
(book value of \$22,417,315-2004 and \$22,367,089								
-2003).....						24,408,800		24,125,095
Other Debt Securities(book value \$504,554-2004 and								
\$1,534,971-2003).....						622,845		1,883,185
Loans.....						224,506,972		217,582,533
Less: Reserve for loan loss.....						(2,787,630)		(2,631,043)
Net loans.....						221,719,342		214,951,490
Bank premises and equipment, net.....						8,659,398		8,136,072
Accrued interest receivable.....						1,467,825		1,441,495
Business Manager Assets.....						10,493,946		11,519,102
Other assets.....						5,935,123		6,621,040
Total assets.....					\$	337,247,329	\$	332,424,141
LIABILITIES AND SHAREHOLDERS' EQUITY					(Unaudited)			
Deposits								
Noninterest bearing deposits.....					\$	54,422,310	\$	54,022,141
Savings and interest bearing deposits.....						120,500,061		121,302,850
Certificates of deposit.....						107,152,057		114,567,302
Total deposits.....						282,074,428		289,892,293
Federal funds purchased.....						7,000,000		15,000,000
Accrued interest payable.....						273,386		295,754
Other liabilities.....						12,173,616		1,393,647
Note payable.....						10,718,483		1,632,226
Total liabilities.....						312,239,913		308,213,920
Commitments								
Shareholders' equity								
Preferred stock, par value \$1 per share;								
authorized 50,000 shares; none outstanding						0		0
Common stock, voting.....						5,987,705		5,961,105
Common stock, non-voting.....						0		0
voting								
3/31/04								
12/31/03								
non-voting								
3/31/04								
12/31/03								
Shares auth..	2,400,000	2,400,000	635,000	635,000				
Shares o/s...	1,197,541	1,192,221	0	0				
Paid in capital.....						0		73,927
Unrealized gains (losses) on securities available								
for sale.....						1,731,070		1,642,538
Retained earnings.....						17,288,641		16,532,651
Total shareholders' equity.....						25,007,416		24,210,221
Total liabilities and shareholders' equity.....					\$	337,247,329	\$	332,424,141

See accompanying notes to consolidated financial statements.

Chesapeake Financial Shares, Inc.  
Consolidated Statements of Earnings

Three Months Ended  
March 31,  
2004 2003

Interest Income	(Unaudited)	
Interest and fees on loans.....	\$ 3,580,334	\$ 3,536,433
Interest on federal funds sold.....	990	10,709
Interest on time deposits with banks.....	1,041	825
Interest on U.S. Treasury securities.....	-	-
Interest on obligations of U.S. Agency Obligations....	385,605	279,088
Interest on obligations of state and political subs...	288,155	273,382
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Total interest income	4,256,125	4,100,437
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Interest Expense		
Interest on savings and interest bearing deposits.....	172,097	284,797
Interest on certificates of deposit.....	653,679	819,672
Interest on federal funds purchased.....	18,255	12,767
Other interest expense.....	183,917	127,418
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Total interest expense	1,027,948	1,244,654
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Net interest income.....	3,228,177	2,855,783
Provision for loan losses.....	200,001	160,000
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Net interest income after provision for loan losses...	3,028,176	2,695,783
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Noninterest Income		
Income from fiduciary activities.....	293,434	256,442
Service charges on deposit accounts.....	240,685	247,948
Securities gains (losses)-net.....	249,631	-
Merchant card income.....	348,682	263,695
ATM income.....	108,268	93,536
Business manager income.....	460,611	656,205
Other income.....	255,144	238,649
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Total noninterest income.....	1,956,455	1,756,475
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Noninterest Expense		
Salaries.....	1,419,554	1,231,188
Employee benefits.....	372,455	280,125
Occupancy expenses.....	683,304	563,505
Merchant card expense.....	265,571	211,288
ATM expense.....	96,803	79,496
Business manager expense.....	127,711	233,271
Other expenses.....	910,189	791,815
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Total noninterest expense.....	3,875,587	3,390,688
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Income before income taxes.....	1,109,044	1,061,570
Income taxes.....	270,673	270,067
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Net income.....	\$ 838,371	\$ 791,503
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Earnings per share, primary.....	\$ 0.70	\$ 0.63
Earnings per share, assuming dilution.....	\$ 0.68	\$ 0.62
Dividends per share.....	\$ 0.16	\$ 0.13

See accompanying notes to consolidated financial statements.