

Chesapeake Financial Shares, Inc.

Consolidated Balance Sheet

PART I. Item 1. - FINANCIAL INFORMATION

Chesapeake Financial Shares, Inc.

Consolidated Balance Sheets

March 31,
2003

December 31,
2002

ASSETS		(Unaudited)	
Cash and due from banks.....		\$ 14,841,440	\$ 8,914,563
Federal funds sold.....		1,500,000	8,026,000
Securities available for sale			
U.S. Government agencies(book value of \$30,361,364			
-2003 and \$28,185,166-2002).....	30,591,948		28,503,616
Obligations of state and political subdivisions			
(book value of \$20,863,041-2003 and \$19,646,970			
-2002).....	22,242,582		20,984,866
Other Debt Securities(book value \$1,535,681-2003 and			
\$2,284,690-2002).....	1,858,365		2,602,135
Loans.....	209,753,801		196,336,553
Less: Allowance for loan loss.....	(3,328,856)		(3,069,340)
Net loans.....	206,424,945		193,267,213
Bank premises and equipment, net.....	8,080,448		7,479,435
Accrued interest receivable.....	1,412,658		1,322,375
Business Manager Assets.....	16,626,106		15,938,273
Other assets.....	5,658,474		6,086,191
Total assets.....	\$ 309,236,966		\$ 293,124,667
LIABILITIES AND SHAREHOLDERS' EQUITY		(Unaudited)	
Deposits			
Noninterest bearing deposits.....	\$ 52,682,452		\$ 41,636,862
Savings and interest bearing deposits.....	105,433,365		100,138,434
Certificates of deposit.....	109,214,902		113,896,230
Total deposits.....	267,330,719		255,671,526
Federal funds purchased & FHLB borrowing & TruPS.....	6,946,397		10,959,949
Accrued interest payable.....	346,124		259,481
Other liabilities.....	1,954,155		1,382,273
Note payable.....	10,752,244		760,399
Total liabilities.....	287,329,639		269,033,628
Commitments			
Shareholders' equity			
Preferred stock, par value \$1 per share;			
authorized 50,000 shares; none outstanding		-	-
Common stock, voting.....	5,944,575		6,441,135
Common stock, non-voting.....			
voting			
03/31/03	12/31/02	non-voting	
03/31/03	12/31/02	03/31/03	12/31/02
Shares auth..	2,400,000	2,400,000	635,000
Shares o/s...	1,188,915	1,288,227	0
Paid in capital.....			372,833
Unrealized gains (losses) on securities available			
for sale.....	1,275,654		1,302,701
Retained earnings.....	14,687,098		15,974,370
Total shareholders' equity.....	21,907,327		24,091,039
Total liabilities and shareholders' equity.....	\$ 309,236,966		\$ 293,124,667

See accompanying notes to consolidated financial statements.

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Chesapeake Financial Shares, Inc.

Consolidated Balance Sheet

Chesapeake Financial Shares, Inc.
Consolidated Statements of Earnings

Three Months Ended
March 31,
2003 2002

Interest Income	(Unaudited)	
Interest and fees on loans.....	\$ 3,536,433	\$ 3,250,215
Interest on federal funds sold.....	10,709	52,478
Interest on time deposits with banks.....	825	1,748
Interest on obligations of U.S. Agency Obligations....	279,088	289,991
Interest on obligations of state and political subs....	273,382	220,833
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Total interest income	4,100,437	3,815,265
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Interest Expense		
Interest on savings and interest bearing deposits.....	284,797	335,637
Interest on certificates of deposit.....	819,672	979,937
Interest on federal funds purchased.....	12,767	61,553
Other interest expense.....	127,418	10,854
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Total interest expense	1,244,654	1,387,981
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Net interest income.....	2,855,783	2,427,284
Provision for loan losses.....	160,000	199,999
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Net interest income after provision for loan losses...	2,695,783	2,227,285
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Noninterest Income		
Income from fiduciary activities.....	256,442	240,932
Service charges on deposit accounts.....	247,948	193,668
Securities gains (losses)-net.....	-	(\$2,405)
Merchant card income.....	263,695	216,737
ATM income.....	93,536	67,977
Business manager income.....	656,205	583,782
Other income.....	238,649	165,739
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Total noninterest income.....	1,756,475	1,466,430
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Noninterest Expense		
Salaries.....	1,231,188	1,031,248
Employee benefits.....	280,125	237,808
Occupancy expenses.....	563,505	506,019
Merchant card expense.....	211,288	180,048
ATM expense.....	79,496	71,275
Business manager expense.....	233,271	97,250
Other expenses.....	791,815	661,934
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Total noninterest expense.....	3,390,688	2,785,582
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Income before income taxes.....	1,061,570	908,133
Income taxes.....	270,067	233,901
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Net income.....	\$ 791,503	\$ 674,232
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Earnings per share, primary.....	\$0.63	\$0.54
Earnings per share, assuming dilution.....	\$0.62	\$0.53
Dividends per share.....	\$0.13	\$0.12

See accompanying notes to consolidated financial statements.

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