

Chesapeake Financial Shares, Inc.  
Consolidated Balance Sheets

June 30,  
2004

December 31,  
2003

ASSETS		(Unaudited)	
Cash and due from banks.....		\$ 13,580,263	\$ 16,157,496
Federal funds sold.....		0	0
Securities available for sale			
U.S. Government agencies(book value of \$44,647,306			
-2004 and \$47,206,692-2003).....		44,910,325	47,589,166
Obligations of state and political subdivisions			
(book value of \$22,485,746-2004 and \$22,367,089			
-2003).....		23,440,089	24,125,095
Other Debt Securities(book value \$504,554-2004 and			
\$1,534,971-2003).....		581,490	1,883,185
Loans.....		235,951,836	217,582,533
Less: Reserve for loan loss.....		(2,977,326)	(2,631,043)
Net loans.....		232,974,510	214,951,490
Bank premises and equipment, net.....		8,494,727	8,136,072
Accrued interest receivable.....		1,413,612	1,441,495
Business Manager Assets.....		12,293,404	11,519,102
Other assets.....		7,105,367	6,621,040
Total assets.....		\$ 344,793,787	\$ 332,424,141
LIABILITIES AND SHAREHOLDERS' EQUITY		(Unaudited)	
Deposits			
Noninterest bearing deposits.....		60,608,365	54,022,141
Savings and interest bearing deposits.....		123,452,415	121,302,850
Certificates of deposit.....		107,465,566	114,567,302
Total deposits.....		291,526,346	289,892,293
Federal funds purchased.....		5,405,000	15,000,000
Accrued interest payable.....		266,018	295,754
Other liabilities.....		12,168,032	1,393,647
Note payable.....		10,709,749	1,632,226
Total liabilities.....		320,075,145	308,213,920
Commitments			
Shareholders' equity			
Preferred stock, par value \$1 per share;			
authorized 50,000 shares; none outstanding		0	0
Common stock, voting.....		6,017,105	5,961,105
Common stock, non-voting.....		0	0
voting			
6/30/04	12/31/03	non-voting	
6/30/04	12/31/03	6/30/04	12/31/03
Shares auth..	2,400,000	2,400,000	635,000
Shares o/s...	1,203,421	1,192,221	0
Paid in capital.....			73,927
Unrealized gains (losses) on securities available			
for sale.....		854,237	1,642,538
Retained earnings.....		17,847,300	16,532,651
Total shareholders' equity.....		24,718,642	24,210,221
Total liabilities and shareholders' equity.....		\$ 344,793,787	\$ 332,424,141

Chesapeake Financial Shares, Inc.  
Consolidated Statements of Earnings

Three Months Ended  
June 30,  
2004 2003

Interest Income	(Unaudited)	
Interest and fees on loans.....	\$ 3,762,983	\$ 3,650,188
Interest on federal funds sold.....	345	1,128
Interest on time deposits with banks.....	1,365	829
Interest on U.S. Treasury securities.....	0	0
Interest on obligations of U.S. Agency Obligations....	262,139	136,328
Interest on obligations of state and political subs...	285,265	283,647
<b>Total interest income</b>	<b>4,312,097</b>	<b>4,072,120</b>
<b>Interest Expense</b>		
Interest on savings and interest bearing deposits.....	173,191	265,575
Interest on certificates of deposit.....	623,421	726,422
Interest on federal funds purchased.....	22,675	65,665
Other interest expense.....	309,998	142,896
<b>Total interest expense</b>	<b>1,129,285</b>	<b>1,200,558</b>
Net interest income.....	3,182,812	2,871,562
Provision for loan losses.....	290,001	150,000
<b>Net interest income after provision for loan losses...</b>	<b>2,892,811</b>	<b>2,721,562</b>
<b>Noninterest Income</b>		
Income from fiduciary activities.....	255,420	261,511
Service charges on deposit accounts.....	259,665	270,528
Securities gains (losses)-net.....	24,493	0
Merchant card income.....	411,926	334,600
ATM income.....	125,720	111,278
Business manager income.....	540,306	635,439
Other income.....	314,027	256,021
<b>Total noninterest income.....</b>	<b>1,931,557</b>	<b>1,869,377</b>
<b>Noninterest Expense</b>		
Salaries.....	1,512,192	1,253,225
Employee benefits.....	413,713	348,850
Occupancy expenses.....	565,653	536,303
Merchant card expense.....	349,439	310,268
ATM expense.....	97,915	76,968
Business manager expense.....	83,782	203,201
Other expenses.....	866,713	639,056
<b>Total noninterest expense.....</b>	<b>3,889,407</b>	<b>3,367,871</b>
Income before income taxes.....	934,961	1,223,068
Income taxes.....	238,572	309,951
<b>Net income.....</b>	<b>\$ 696,389</b>	<b>\$ 913,117</b>
Earnings per share, primary.....	\$ 0.58	\$ 0.77
Earnings per share, assuming dilution.....	\$ 0.56	\$ 0.75
Dividends per share	\$ 0.17	\$ 0.14

Chesapeake Financial Shares, Inc.  
Consolidated Statements of Earnings

Six Months Ended  
June 30,  
2004 2003

Interest Income	(Unaudited)	
Interest and fees on loans.....	\$ 7,343,317	\$ 7,186,621
Interest on federal funds sold.....	1,335	11,837
Interest on time deposits with banks.....	2,406	1,654
Interest on U.S. Treasury securities.....	0	0
Interest on obligations of U.S. Agency Obligations....	647,744	415,416
Interest on obligations of state and political subs...	573,420	557,029
<b>Total interest income</b>	<b>8,568,222</b>	<b>8,172,557</b>
<b>Interest Expense</b>		
Interest on savings and interest bearing deposits.....	345,288	550,372
Interest on certificates of deposit.....	1,277,100	1,546,094
Interest on federal funds purchased.....	40,930	78,432
Other interest expense.....	493,915	270,314
<b>Total interest expense</b>	<b>2,157,233</b>	<b>2,445,212</b>
Net interest income.....	6,410,989	5,727,345
Provision for loan loss.....	490,002	310,000
<b>Net interest income after provision for loan losses...</b>	<b>5,920,987</b>	<b>5,417,345</b>
<b>Non-interest Income</b>		
Income from fiduciary activities.....	548,854	517,953
Service charges on deposit accounts.....	500,350	518,476
Securities gains (losses)-net.....	274,124	0
Merchant card income.....	760,608	598,295
ATM income.....	233,988	204,814
Business manager income.....	1,000,917	1,291,644
Other income.....	569,171	494,670
<b>Total non-interest income.....</b>	<b>3,888,012</b>	<b>3,625,852</b>
<b>Non-interest Expense</b>		
Salaries .....	2,931,746	2,484,413
Employee Benefits.....	786,168	628,975
Occupancy expenses.....	1,152,154	1,099,808
Merchant card expense.....	615,010	521,556
ATM expense.....	194,718	156,464
Business manager expense.....	211,493	436,472
Other expenses.....	1,873,705	1,430,871
<b>Total non-interest expense.....</b>	<b>7,764,994</b>	<b>6,758,559</b>
Income before income taxes.....	2,044,005	2,284,638
Applicable income taxes.....	509,245	580,018
<b>Net income.....</b>	<b>\$ 1,534,760</b>	<b>\$ 1,704,620</b>
Earnings per share, primary.....	\$ 1.28	\$ 1.40
Earnings per share, assuming dilution.....	\$ 1.25	\$ 1.37
Dividends per share	\$ 0.33	\$ 0.27