

Chesapeake Financial Shares, Inc.  
Consolidated Balance Sheets

December 31,  
2003

December 31,  
2002

ASSETS		(Unaudited)	
Cash and due from banks.....		\$ 16,157,496	\$ 8,914,563
Federal funds sold.....		-	8,026,000
Securities available for sale			
U.S. Government agencies(book value of \$47,206,692			
-2003 and \$28,185,166-2002).....		47,589,166	28,503,616
Obligations of state and political subdivisions			
(book value of \$22,367,089-2003 and \$19,646,970			
-2002).....		24,125,095	20,984,866
Other Debt Securities(book value \$1,534,971-2003 and			
\$2,284,690-2002).....		1,883,185	2,602,135
Loans.....		217,582,533	196,336,553
Less: Allowance for loan loss.....		(2,631,043)	(3,069,340)
Net loans.....		214,951,490	193,267,213
Bank premises and equipment, net.....		8,136,072	7,479,435
Accrued interest receivable.....		1,441,495	1,322,375
Business Manager Assets.....		11,519,102	15,938,273
Other assets.....		6,621,040	6,086,191
Total assets.....		\$ 332,424,141	\$ 293,124,667
LIABILITIES AND SHAREHOLDERS' EQUITY		(Unaudited)	
Deposits			
Noninterest bearing deposits.....		\$ 54,022,141	\$ 41,636,862
Savings and interest bearing deposits.....		121,302,850	100,138,434
Certificates of deposit.....		114,567,302	113,896,230
Total deposits.....		289,892,293	255,671,526
Federal funds purchased & FHLB borrowing & TruPS.....		15,000,000	10,959,949
Accrued interest payable.....		295,754	259,481
Other liabilities.....		1,393,647	1,382,273
Note payable.....		1,632,226	760,399
Total liabilities.....		308,213,920	269,033,628
Commitments			
Shareholders' equity			
Preferred stock, par value \$1 per share;			
authorized 50,000 shares; none outstanding		0	0
Common stock, voting.....		5,961,105	6,441,135
Common stock, non-voting.....		0	0
	voting	non-voting	
	12/31/03	12/31/02	12/31/02
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Shares auth..	2,000,000	2,000,000	635,000
Shares o/s...	1,192,221	1,288,227	0
Paid in capital.....			73,927
Unrealized gains (losses) on securities available			
for sale.....			1,642,538
Retained earnings.....			16,532,651
Total shareholders' equity.....			24,210,221
Total liabilities and shareholders' equity.....			\$ 332,424,141

See accompanying notes to consolidated financial statements.

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Chesapeake Financial Shares, Inc.  
Consolidated Statements of Earnings

Three Months Ended  
December 31,

2003 2002

Interest Income	(Unaudited)	
Interest and fees on loans.....	\$ 3,587,481	\$ 3,553,296
Interest on federal funds sold.....	28,626	47,346
Interest on time deposits with banks.....	(2,582)	1,426
Interest on obligations of U.S. Agency Obligations....	213,822	122,196
Interest on obligations of state and political subs...	242,355	336,168
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Total interest income	4,069,702	4,060,432
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Interest Expense		
Interest on savings and interest bearing deposits.....	212,183	311,773
Interest on certificates of deposit.....	691,187	946,434
Interest on federal funds purchased.....	44,459	60,267
Other interest expense.....	148,338	26,529
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Total interest expense	1,096,167	1,345,003
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Net interest income.....	2,973,535	2,715,429
Provision for loan losses.....	150,000	163,334
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Net interest income after provision for loan losses...	2,823,535	2,552,095
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Noninterest Income		
Income from fiduciary activities.....	353,291	210,138
Service charges on deposit accounts.....	229,761	260,173
Securities gains (losses)-net.....	-	-
Merchant card income.....	416,948	345,609
ATM income.....	102,169	95,030
Business manager income.....	485,088	664,180
Other income.....	539,864	204,403
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Total noninterest income.....	2,127,121	1,779,533
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Noninterest Expense		
Salaries.....	1,368,145	1,109,003
Employee benefits.....	327,907	185,034
Occupancy expenses.....	539,368	406,652
Merchant card expense.....	349,750	298,213
ATM expense.....	95,462	89,537
Business manager expense.....	231,899	334,083
Other expenses.....	1,139,817	864,904
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Total noninterest expense.....	4,052,348	3,287,426
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Income before income taxes.....	898,308	1,044,202
Income taxes.....	165,609	263,485
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Net income.....	\$ 732,699	\$ 780,717
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Earnings per share, primary.....	\$ 0.62	\$ 0.61
Earnings per share, assuming dilution.....	\$ 0.60	\$ 0.59
Dividends per share.....	\$ 0.14	\$ 0.13

See accompanying notes to consolidated financial statements.

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Chesapeake Financial Shares, Inc.  
Consolidated Statements of Earnings

Twelve Months Ended  
December 31,  
2003 2002

Interest Income	(Unaudited)	
Interest and fees on loans.....	\$ 14,515,028	\$ 13,569,513
Interest on federal funds sold.....	56,000	162,966
Interest on time deposits with banks.....	-	7,374
Interest on obligations of U.S. Agency Obligations....	686,432	1,048,586
Interest on obligations of state and political subs...	1,082,757	1,013,065
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Total interest income	16,340,217	15,801,504
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Interest Expense		
Interest on savings and interest bearing deposits.....	993,253	1,273,856
Interest on certificates of deposit.....	2,955,850	3,782,904
Interest on federal funds purchased.....	180,605	242,160
Other interest expense.....	538,498	58,769
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Total interest expense	4,668,206	5,357,689
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Net interest income.....	11,672,011	10,443,815
Provision for loan loss.....	810,000	1,017,835
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Net interest income after provision for loan losses...	10,862,011	9,425,980
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Non-interest Income		
Income from fiduciary activities.....	1,315,061	1,181,470
Service charges on deposit accounts.....	1,003,682	930,861
Securities gains (losses)-net.....	-	(2,335)
Merchant card income.....	1,437,035	1,214,228
ATM income.....	410,320	338,717
Business manager income.....	2,319,157	2,619,332
Other income.....	1,330,085	828,095
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Total non-interest income.....	7,815,340	7,110,368
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Non-interest Expense		
Salaries .....	5,240,707	4,408,833
Employee Benefits.....	1,290,246	892,789
Occupancy expenses.....	2,185,869	2,063,620
Merchant card expense.....	1,234,704	1,054,277
ATM expense.....	335,664	300,005
Business manager expense.....	850,517	912,831
Other expenses.....	3,221,557	2,796,711
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Total non-interest expense.....	14,359,264	12,429,066
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Income before income taxes.....	4,318,087	4,107,282
Applicable income taxes.....	1,033,905	1,059,886
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Net income.....	\$ 3,284,182	\$ 3,047,396
	=====	=====
Earnings per share, primary.....	\$ 2.73	\$ 2.39
Earnings per share, assuming dilution.....	\$ 2.67	\$ 2.34
Dividends per share.....	\$ 0.56	\$ 0.49

See accompanying notes to consolidated financial statements.

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