

PART I. Item 1. - FINANCIAL INFORMATION

Chesapeake Financial Shares, Inc.

Consolidated Balance Sheets

June 30,  
2003

December 31,  
2002

ASSETS		(Unaudited)	
Cash and due from banks.....	\$	18,264,839	\$ 8,914,562
Federal funds sold.....		-	8,025,999
Time deposits with banks.....		-	-
Securities available for sale			
U.S. Government agencies(book value of \$24,967,123			
-2003 and \$28,185,166-2002).....		25,004,733	28,503,616
Obligations of state and political subdivisions			
(book value of \$20,136,482-2003 and \$19,646,970			
-2002).....		22,142,190	20,984,866
Other Debt Securities(book value \$2,319,272-2003 and			
\$2,284,690-2002).....		2,716,574	2,602,135
Loans.....		218,917,011	196,336,553
Less: Reserve for loan loss.....		(3,460,097)	(3,069,340)
Net loans.....		215,456,914	193,267,213
Bank premises and equipment, net.....		8,123,733	7,479,435
Accrued interest receivable.....		1,302,218	1,322,375
Business Manager Assets.....		14,794,952	15,938,273
Other assets.....		5,749,392	6,086,191
Total assets.....	\$	313,555,545	\$ 284,210,103
LIABILITIES AND SHAREHOLDERS' EQUITY		(Unaudited)	
Deposits			
Noninterest bearing deposits.....	\$	52,549,756	\$ 41,636,862
Savings and interest bearing deposits.....		105,109,672	100,138,434
Certificates of deposit.....		112,039,881	113,896,230
Total deposits.....		269,699,309	255,671,526
Federal funds purchased.....		8,435,744	10,959,949
Accrued interest payable.....		303,225	259,481
Other liabilities.....		1,528,935	1,382,273
Note payable.....		10,743,977	760,399
Total liabilities.....		290,711,190	269,033,628
Commitments			
Shareholders' equity			
Preferred stock, par value \$1 per share;			
authorized 50,000 shares; none outstanding		-	-
Common stock, voting.....		5,937,285	6,441,135
Common stock, non-voting.....		-	-
voting			
6/30/03		12/31/02	
non-voting			
6/30/03		12/31/02	
Shares auth..	2,400,000	2,400,000	635,000
Shares o/s...	1,187,457	1,288,227	0
Paid in capital.....			372,833
Unrealized gains (losses) on securities available			
for sale.....		1,610,809	1,302,701
Retained earnings.....		15,296,261	15,974,370
Total shareholders' equity.....		22,844,355	24,091,039
Total liabilities and shareholders' equity.....	\$	313,555,545	\$ 293,124,667

See accompanying notes to consolidated financial statements.

Page 1

PART I. Item 1. - FINANCIAL INFORMATION (cont'd.)  
Chesapeake Financial Shares, Inc.  
Consolidated Statements of Earnings

Three Months Ended  
June 30,  
2003 2002

Interest Income	(Unaudited)	
Interest and fees on loans.....	\$ 3,650,188	\$ 3,346,313
Interest on federal funds sold.....	1,128	33,818
Interest on time deposits with banks.....	829	2,327
Interest on obligations of U.S. Agency Obligations....	136,328	360,075
Interest on obligations of state and political subs...	283,647	\$226,557
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Total interest income	4,072,120	3,969,090
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Interest Expense		
Interest on savings and interest bearing deposits.....	265,575	297,689
Interest on certificates of deposit.....	726,422	936,747
Interest on federal funds purchased.....	65,665	57,822
Other interest expense.....	142,896	\$10,747
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Total interest expense	1,200,558	1,303,005
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Net interest income.....	2,871,562	2,666,085
Provision for loan losses.....	150,000	254,501
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Net interest income after provision for loan losses...	2,721,562	2,411,584
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Noninterest Income		
Income from fiduciary activities.....	261,511	255,287
Service charges on deposit accounts.....	270,528	\$237,363
Securities gains (losses)-net.....	-	70
Merchant card income.....	334,600	294,697
ATM income.....	111,278	84,149
Business manager income.....	635,439	655,428
Other income.....	256,021	231,233
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Total noninterest income.....	1,869,377	1,758,227
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Noninterest Expense		
Salaries.....	1,253,225	1,123,927
Employee benefits.....	348,850	183,971
Occupancy expenses.....	536,303	409,877
Merchant card expense.....	310,268	265,992
ATM expense.....	76,968	70,329
Business manager expense.....	203,201	306,101
Other expenses.....	639,056	716,663
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Total noninterest expense.....	3,367,871	3,076,860
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Income before income taxes.....	1,223,068	1,092,951
Income taxes.....	309,951	320,195
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Net income.....	\$ 913,117	\$ 772,756
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Earnings per share, primary.....	\$ 0.77	\$ 0.60
Earnings per share, assuming dilution.....	\$ 0.75	\$ 0.59
Dividends per share.....	\$ 0.14	\$ 0.12

See accompanying notes to consolidated financial statements.

PART I. - FINANCIAL INFORMATION (cont'd.)  
Chesapeake Financial Shares, Inc.  
Consolidated Statements of Earnings

Six Months Ended  
June 30,

	2003	\$2,002
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Interest Income	(Unaudited)	
Interest and fees on loans.....	\$ 7,186,621	\$ 6,596,528
Interest on federal funds sold.....	11,837	86,296
Interest on time deposits with banks.....	1,654	4,075
Interest on obligations of U.S. Agency Obligations....	415,416	650,066
Interest on obligations of state and political subs....	557,029	447,390
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Total interest income	8,172,557	7,784,355
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Interest Expense		
Interest on savings and interest bearing deposits.....	550,372	633,326
Interest on certificates of deposit.....	1,546,094	1,916,684
Interest on federal funds purchased.....	78,432	119,375
Other interest expense.....	270,314	21,601
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Total interest expense	2,445,212	2,690,986
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Net interest income.....	5,727,345	5,093,369
Provision for loan loss.....	310,000	454,500
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Net interest income after provision for loan losses...	5,417,345	4,638,869
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Non-interest Income		
Income from fiduciary activities.....	517,953	496,219
Service charges on deposit accounts.....	518,476	431,031
Securities gains (losses)-net.....	-	(2,335)
Merchant card income.....	598,295	511,434
ATM income.....	204,814	152,126
Business manager income.....	1,291,644	1,239,210
Other income.....	494,670	396,972
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Total non-interest income.....	3,625,852	3,224,657
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Non-interest Expense		
Salaries .....	2,484,413	2,155,175
Employee Benefits.....	628,975	421,779
Occupancy expenses.....	1,099,808	915,896
Merchant card expense.....	521,556	446,040
ATM expense.....	156,464	141,604
Business manager expense.....	436,472	403,351
Other expenses.....	1,430,871	1,378,597
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Total non-interest expense.....	6,758,559	5,862,442
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Income before income taxes.....	2,284,638	2,001,084
Applicable income taxes.....	580,018	554,096
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Net income.....	\$ 1,704,620	\$ 1,446,988
	=====	=====
Earnings per share, primary.....	\$ 1.40	\$ 1.14
Earnings per share, assuming dilution.....	\$ 1.37	\$ 1.12
	\$ 0.27	\$ 0.24

See accompanying notes to consolidated financial statements.