

Company Info

PRESS RELEASE

For Immediate Release

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CARROLLTON BANCORP REPORTS QUARTERLY DIVIDEND & SECOND QUARTER EARNINGS

BALTIMORE, MARYLAND - Carrollton Bancorp (NASDAQ: CRRB) announced today a quarterly dividend of \$0.09 per share, payable September 2, 2003 to shareholders of record on August 15, 2003. Robert A. Altieri, President & CEO, stated that the cash dividend rate was based on stable current earnings and future prospects for the Company. Net income for the quarter ended June 30, 2003 was \$265,000, or \$0.09 per share, compared to \$886,000, or \$0.31 per share for the same period of 2002. Net income for the six months ended June 30, 2003 was \$614,000, or \$0.22 per share, compared to \$1,212,000, or \$0.43 per share, for the same period of 2002. The results for the quarter and six month periods ended June 30, 2002 include a pre-tax gain of \$688,000 on the Bank's sale of its interest in a branch in Baltimore County. As described below, earnings for the quarter and year to date were negatively impacted by a historically low interest rate environment.

Over the past two years, the industry has experienced record-breaking interest rate reductions. These historically low interest rates have slowed the Company's ability to reach its income goals. The commitment to the Company's business strategies set forth in 2001 continue to show positive balance sheet results; however, the volatile market conditions and ongoing economic uncertainty have had an impact on the Company's ability to transition into an institution rivaling its peers in profitability. Significant balance sheet improvement was recognized in 2002 by focusing on commercial lending and less on long-term commodity type asset growth, and more improvement has been accomplished in 2003. As planned, this resulted in double digit commercial loan growth for each quarter since the plan's inception. The unprecedented rate reductions and rapid reduction in the Company's residential loan portfolio, coupled with interest expense on high cost certificates of deposit and borrowings have resulted in lower than expected earnings. Conversely, the third quarter of 2003 will be marked with the favorable repricing of \$28.5 million of these high funding cost certificates of deposit originated in 2000. The Company will continue to reprice liabilities and reduce interest expense while focusing lending efforts on a growing commercial lending portfolio.

In the second quarter of 2003, the Company activated Carrollton Mortgage Services, Inc. CMSI is a full service mortgage subsidiary of Carrollton Bank offering mortgage products that are sold on the secondary market. This reactivation has and will increase fee income in 2003 without significant interest rate risk as these loans will be sold as originated.

Noninterest income continues to be a large contributor to the Company's profitability during this transition period. Noninterest income for the first six months of 2003 was \$4,088,000 compared to \$4,132,000 in 2002, a decrease of 1%. Results for the second quarter of 2002 included a pre-tax gain of \$688,000, \$422,000 net of tax, on the branch divestiture. Results for 2003 and 2002 included gains of \$347,000 and \$103,000, respectively, on security sales.

Market conditions continue to adversely affect the profitability of Carrollton Financial Services, Inc. Carrollton Financial Services, Inc. had fee income of \$241,000 in the first six months of 2003 compared to \$412,000 for the comparable period of 2002, a 42% decrease. The Company has taken steps to increase brokerage fee income by licensing existing sales associates to market specific products in its Financial Centers in 2003.

Mr. Altieri stated that management and the Board of Directors believe that earnings will improve based on monthly results and economic forecasts. We believe "the direction and approach we are taking for the future is the proven approach for a more profitable commercial bank. While the prevailing low interest rates on loan products and high funding cost of borrower funds strains our net interest margin, we believe we are positioned to enhance profitability once interest rates return to more traditional levels. We have informed our shareholders of our course of action as well as the fact that it is a multi-year transformation, and we believe that our shareholders see the value in the long-term prospects for the Company, and will bear with us in the process."

Carrollton Bancorp is the parent company of Carrollton Bank, a commercial bank serving the deposit and financing needs of both consumers and businesses through a system of ten branch offices in central Maryland and a network of 153 ATMs located in Maryland, Virginia, and West Virginia of which all ATMs will be fully depreciated prior to the fourth quarter of 2004. The Company provides brokerage services through Carrollton Financial Services, Inc., and mortgage services through Carrollton Mortgage Services, Inc., subsidiaries of the

Bank.

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