

Company Info



FOR IMMEDIATE RELEASE

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CARROLLTON BANCORP REPORTS THIRD QUARTER NET INCOME AND A \$0.12 QUARTERLY DIVIDEND

BALTIMORE, MARYLAND - Carrollton Bancorp, (NASDAQ: CRRB) the parent company of Carrollton Bank, announced today net income for the third quarter of 2007 of \$813,000 (\$0.29 per diluted share) compared to \$855,000 (\$0.30 per diluted share) for the third quarter of 2006, a 5% decrease. Net income for the nine month period ended September 30, 2007 totaled \$1.9 million (\$0.66 per diluted share) compared to \$1.8 million (\$0.62 per diluted share) for the prior year period, a 5% increase.

Carrollton Bancorp also announced a quarterly dividend of \$0.12 per share, payable December 1, 2007 to shareholders of record on November 9, 2007.

The Company's earnings performance for the nine months ended September 30, 2007 was impacted by the decision to stop servicing money service businesses (MSB) as of September 2006, the slowdown in the housing market, hiring consultants to assist in documenting internal controls for compliance with Sarbanes-Oxley (SOX), and legal fees and related expenses for one significant non-accrual commercial loan.

The earnings for the nine months ended September 30, 2006 included a before tax charge of approximately \$1.8 million (\$1.2 million after tax) representing the loss from a check kiting scheme by one of the Bank's commercial customers and a charge of approximately \$2.3 million representing a prepayment penalty for restructuring a \$35 million FHLB advance at 6.84% maturing February 2, 2010. The prepayment charge was substantially offset by a gain of approximately \$2.2 million from the sale of equity securities.

Total assets for the period ended September 30, 2007 compared to September 30, 2006 reflect a 2% decrease to \$346.3 million. Cash and cash equivalents decreased \$8.5 million and were reinvested in higher yielding loans. Gross loans increased 2% or \$5.4million from \$265.6 million at September 30, 2006 to \$271.0 million at September 30, 2007. Investments decreased 5% or \$2.8 million to \$53.0 million at September 30, 2007. Total deposits decreased 1% or \$4.1 million to \$276.5 million while higher cost borrowings decreased 6% or \$1.9 million. During the same period, stockholders' equity increased \$1.8 million or 5% to \$36.1 million or 10.4 % of total assets compared to 9.7% at September 30, 2006. The increase was due primarily to net income and exercise of stock options, partially offset by the repurchase of shares, and dividends paid.

The asset quality of the loan portfolio continues to be strong despite the delinquency of a significant commercial loan by a single borrower. The Company recorded a provision for loan losses of \$99,000 in the third quarter of 2007 and none in the third quarter of 2006. The allowance for loan losses represented 1.19% of outstanding loans at September 30, 2007. Carrollton Bancorp has experienced a minor decrease in its net interest income as evidenced by the \$71,000 or 2% decrease when comparing the third quarter of 2007 to 2006. The decrease in net interest income was due to a decrease in the Company's net interest margin to 4.42% for the quarter ended September 30, 2007 from 4.58% in the comparable quarter in 2006. The decrease in the net interest income from the 16 basis point decrease in the net interest margin was substantially offset by the \$6.6 million increase in average interest earning assets.

Mr. Robert A. Altieri, President and Chief Executive Officer, stated "We have seen a 15 basis point decrease in our year to date net interest margin, but, are extremely pleased to have a net interest margin of 4.40%. The Bank will continue to aggressively manage our balance sheet while continuing to execute a cost cutting and efficiency project to improve profitability. The Company's core business is strong."

Noninterest income continues to be a large contributor to the Company's profitability. The majority of the Company's non-interest income is derived from two sources; the Bank's Electronic Banking Division and Carrollton Mortgage Services, Inc., (CMSI) a subsidiary of Carrollton Bank. Noninterest income was substantially the same at \$1.6 million in the third quarter of 2007 and 2006.

Noninterest expenses were substantially the same at \$3.9 million in the third quarter of 2007 and 2006. Salaries and employee benefits decreased due to the elimination of several positions partially offset by normal salary increases and additional personnel for the new branch opened in May 2007. Occupancy costs increased due to normal lease escalation charges, the new branch rent started in March, 2007 and a significant increase in a 30-year branch lease that expired.

Comparing the first nine months of 2007 and 2006, net interest income decreased by \$163,000 or 2% due to the Company's net interest margin declining 15 basis points to 4.40% for the first nine months of 2007 compared to 2006. This was a result of deposit and borrowing costs increasing more rapidly than yields on interest earning assets. The decrease in net interest income from the decrease in the net interest margin was partially offset by the \$6.7 million increase in average interest earning assets.

The Company recorded a provision for loan losses of \$264,000 for the first nine months of 2007, and none in 2006.

For the first nine months of 2007, noninterest income was \$4.8 million compared to \$7.5 million for the same period in 2006, a decrease of \$2.7 million or 36%. The decrease was due primarily to the \$2.2 million gain on the sale of securities in 2006, a 22% or \$205,000 decrease in service charges, a 9% or \$158,000 decrease in the fees and commissions earned by CMSI and a 10% or \$159,000 decrease on Point of Sale revenue and ATM fees.

Noninterest expenses were \$12.3 million for the first nine months of 2007 compared to \$15.5 million for the same period in 2006, a 20% decrease. The decrease was due to the \$1.8 million charge from the check kiting scheme in 2006, the \$2.3 million prepayment penalty for restructuring the FHLB advance in 2006 partially offset by the \$783,000 increase in other operating expenses. The \$783,000 increase was due to \$202,000 in consulting fees for compliance with SOX, increased legal fees and related costs due to a significant commercial loan to one borrower and a \$155,000 write down and cost to dispose of a real estate owned property in 2007 compared to a recovery of legal fees and related expenses on the payoff of a delinquent loan in 2006.

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 11 branch offices in central Maryland. The Company opened its eleventh branch in May 2007 at 10301 York Road, Cockeysville, Maryland. The Company provides brokerage services through Carrollton Financial Services, Inc., and mortgage services through Carrollton Mortgage Services, Inc., subsidiaries of the Bank.

This release contains forward-looking statements within the meaning of and pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. A forward-looking statement encompasses any estimate, prediction, opinion or statement of belief contained in this release and the underlying management assumptions. Forward-looking statements are based on current expectations and assessments of potential developments affecting market conditions, interest rates and other economic conditions, and results may ultimately vary from the statements made in this release.

A summary of financial information follows. For additional information, contact James M. Uveges, Chief Financial Officer, (410) 536-7308.

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