OMB Control Number 1505-0222

CPP **ANNUAL USE OF CAPITAL SURVEY - 2010**

NAME OF INSTITUTION
(Include Holding Company Where Applicable)

Carrollton Bancorp

Person to be contacted regarding this report:	Mark Semanie	RSSD: (For Bank Holding Companies)	1469800
UST Sequence Number:	591	Holding Company Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	9,201,000	FDIC Certificate Number: (For Depository Institutions)	12433
CPP/CDCI Funds Repaid to Date:	0	Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	February13,2009	City:	Columbia
Date Repaid[1]:	N/A	State:	Maryland

[1]If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

☒	Increase lending or reduce lending less than otherwise would have occurred.	Gross loans at December 31, 2010 were approximately $3.7 million higher than December 31, 2009. While the increase is very small and came in the form of Loans Held for Sale, we would have had to shrink our loan portfolio without the use of the CPP due to a $1.5 million loss after CPP dividends.
☒	To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).	Loans held for sale increased by $8.2 million while Commercial loans decreased by $5.2 million and consumer loans increased by $654,000.
☐	Increase securities purchased (ABS, MBS, etc.).	

☐	Make other investments	
☐	Increase reserves for non-performing assets	
☐	Reduce borrowings	
☒	Increase charge-offs	The $1.5 million loss after CPP dividends was driven by $3.9 million in net charge-offs on loans, $1.9 million in write-downs of impaired investments and $616,000 in OREO losses. Without the CPP the Company would have had to shrink the loan portfolio to maintain acceptable capital ratios.
☐	Purchase another financial institution or purchase assets from another financial institution	
☐	Held as non-leveraged increase to total capital	

What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

The most significant action we are able to avoid is short term capital management activities that would have impaired long term profitability. Without the CPP we may have been forced to reduce our loan portfolio and sell investments to realize gains in order to bolster capital ratios. Both of these actions would have impaired future net interest income and profitability.

Instead, we are able to focus on repositioning our liability mix and improving net interest margins while continuing to work through asset quality issues.

What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

The CPP allowed us time to hire two key business development people that have focused on generating low cost commercial deposits. This allowed us to reduce our dependence on higher cost certificates of deposit and FHLB advances and dramatically improve net interest margins while also positioning our balance sheet to benefit from a rising interest rate environment.

Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.

We have been able to stay focused on the long term instead of enacting a short-term survival approach.