

UNITED STATES  
SECURITY AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10 - QSB

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OF 15 (d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2003

☐ TRANSITION REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE  
ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 000-32957

Globe Bancorp, Inc.

(Exact name of small business issuer as specified in its charter)

LOUISIANA

(State or other jurisdiction of  
incorporation or organization)

(72-1498296)

(I R S Employer  
Identification No.)

4051 VETERANS BOULEVARD, SUITE 100, METAIRIE, LOUISIANA 70002

(Address of principal executive offices)

Issuer's telephone number, including area code: 504-887-0057

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15 (d) of the Exchange Act during the past 12 months (or for such shorter period that the issuer was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

APPLICABLE ONLY TO CORPORATE ISSUERS

Shares of common stock, par value \$.01 per share, outstanding as of November 3, 2003: 277,000

Transitional Small Business Disclosure Format (check one): Yes ☐ No ☒

**GLOBE BANCORP, INC.**  
**Form 10 - QSB**  
**Quarter Ended September 30, 2003**

**Interim Financial Information required by Rule 10-01 of Regulation S-X and Item 303 of Regulation S-B is included in this Form 10-QSB as referenced below:**

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**GLOBE BANCORP, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION**  
**SEPTEMBER 30, 2003 AND DECEMBER 31, 2002**

	<u>SEPTEMBER</u> <u>30, 2003</u> (Unaudited)	<u>DECEMBER</u> <u>31, 2002*</u> (Unaudited)
<b>ASSETS</b>		
Cash	\$ 258,206	\$ 173,053
Interest-bearing deposits	924,441	124,384
Federal funds sold	<u>2,302,528</u>	<u>3,427,069</u>
Total cash and cash equivalents	3,485,175	3,724,506
Securities available for sale	2,784,891	3,100,700
Securities held to maturity	1,696,521	2,809,338
Loans receivable, net	24,308,087	23,201,585
Accrued interest receivable	113,751	133,172
Federal Home Loan Bank stock, restricted, at cost	360,300	354,200
Prepaid expenses and other assets	119,306	118,838
Premises and equipment, net	<u>106,913</u>	<u>111,596</u>
Total assets	<u>\$32,974,944</u>	<u>\$33,553,935</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Deposits	\$23,082,146	\$23,675,900
Federal Home Loan Bank advances	3,833,200	4,105,380
Advances from borrowers for taxes and insurance	327,962	147,922
Accrued expenses and other liabilities	<u>148,486</u>	<u>77,692</u>
Total liabilities	<u>27,391,794</u>	<u>28,006,894</u>
Preferred stock - \$.01 par value, 500,000 shares authorized, none issued or outstanding	-	-
Common stock - \$.01 par value, 3,000,000 shares authorized, 304,175 shares issued and outstanding at September 30, 2003	3,042	3,042
Additional paid-in capital	2,725,844	2,725,844
Retained earnings, substantially restricted	3,492,560	3,422,821
Treasury stock - 27,175 shares, at cost	(408,984)	(408,984)
Accumulated other comprehensive (loss) income	(18,417)	15,213
Unearned compensation	<u>(210,895)</u>	<u>(210,895)</u>
Total stockholders' equity	<u>5,583,150</u>	<u>5,547,041</u>
Total liabilities and stockholders' equity	<u>\$32,974,944</u>	<u>\$33,553,935</u>

The accompanying notes are an integral part of these consolidated financial statements.

\*The consolidated statement of financial condition at December 31, 2002 has been taken from the audited consolidated statement of financial condition of that date. See notes to unaudited consolidated financial statements.

**GLOBE BANCORP, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**

	Three Months Ended		Nine Months Ended	
	September	September	September	September
	30, 2003	30, 2002	30, 2003	30, 2002
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>INTEREST INCOME:</b>				
Loans receivable	\$358,630	\$421,695	\$1,128,801	\$1,195,428
Securities available for sale	17,331	16,761	77,887	91,386
Securities held to maturity	22,462	44,256	85,975	129,938
Trading account securities	-	883	-	8,841
Other interest earning assets	11,540	20,745	31,783	62,238
Total interest income	<u>409,963</u>	<u>504,340</u>	<u>1,324,446</u>	<u>1,487,831</u>
<b>INTEREST EXPENSE:</b>				
Deposits	150,594	202,059	498,131	628,608
Federal Home Loan Bank advances	45,022	64,793	140,643	202,305
Total interest expense	<u>195,616</u>	<u>266,852</u>	<u>638,774</u>	<u>830,913</u>
Net interest income	214,347	237,488	685,672	656,918
Provision for (recovery of) loan losses	-	-	-	(1,024)
Net interest income after provision for (recovery of) loan losses	<u>214,347</u>	<u>237,488</u>	<u>685,672</u>	<u>657,942</u>
<b>NONINTEREST INCOME:</b>				
Service charges	1,897	453	4,864	1,815
Net realized gain on sales of securities available for sale	-	-	351	19,737
Gain on trading account securities	-	3,132	-	11,648
Total noninterest income	<u>1,897</u>	<u>3,585</u>	<u>5,215</u>	<u>33,200</u>
<b>NONINTEREST EXPENSES:</b>				
Salaries and employee benefits	89,168	79,429	265,721	226,431
Occupancy expense	28,673	23,792	82,705	69,540
Taxes and assessments	15,000	13,425	46,974	43,129
Professional fees	13,069	10,045	48,671	39,220
Service bureau expense	15,671	14,388	37,524	37,183
Office expense	1,757	2,586	12,103	14,692
General insurance	4,694	4,728	14,081	14,004
SAIF deposit insurance and examination fees	4,179	3,682	11,833	10,373
Net realized loss on sales of securities available for sale	-	290	-	-
Other	1,334	3,440	3,335	10,588
Total noninterest expenses	<u>173,545</u>	<u>155,805</u>	<u>522,947</u>	<u>465,160</u>
Income before income taxes	42,699	85,268	167,940	225,982
Income tax expense	<u>11,908</u>	<u>27,687</u>	<u>53,417</u>	<u>72,342</u>
<b>NET INCOME</b>	<u>\$ 30,791</u>	<u>\$ 57,581</u>	<u>\$114,523</u>	<u>\$153,640</u>
Basic earnings per common share	<u>\$0.12</u>	<u>\$0.19</u>	<u>\$0.45</u>	<u>\$0.55</u>
Diluted earnings per common share	<u>\$0.12</u>	<u>\$0.19</u>	<u>\$0.45</u>	<u>\$0.55</u>

The accompanying notes are an integral part of these consolidated financial statements.

**GLOBE BANCORP, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September</b>	<b>September</b>	<b>September</b>	<b>September</b>
	<b>30, 2003</b>	<b>30, 2002</b>	<b>30, 2003</b>	<b>30, 2002</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>COMPREHENSIVE INCOME:</b>				
<b>NET INCOME</b>	<b>\$30,791</b>	<b>\$57,581</b>	<b>\$114,523</b>	<b>\$153,640</b>
<b>Other comprehensive income (loss)</b>				
Unrealized gain (loss) on investment securities available for sale, net of deferred tax expense (benefit) and reclassification adjustments	<u>5,406</u>	<u>(7,724)</u>	<u>(33,630)</u>	<u>(16,141)</u>
<b>COMPREHENSIVE INCOME</b>	<u><b>\$36,197</b></u>	<u><b>\$49,857</b></u>	<u><b>\$80,893</b></u>	<u><b>\$137,499</b></u>

The accompanying notes are an integral part of these consolidated financial statements.

**GLOBE BANCORP, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**Nine Months Ended September 30, 2003 and 2002**

(UNAUDITED)

	<u>Preferred Stock</u>	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Retained Earnings Substantially Restricted</u>	<u>Treasury Stock</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Unearned Compensation</u>	<u>Total Equity</u>
Balance, January 1, 2002	\$ -	\$ 3,042	\$ 2,721,753	\$ 3,302,976	\$ -	\$ 30,998	\$ (225,200)	\$ 5,833,569
Cash dividends				(42,220)				(42,220)
Net income				153,640				153,640
Other comprehensive (loss), net of tax: Unrealized (loss) on securities						(16,141)		(16,141)
Balance, September 30, 2002	<u>\$ -</u>	<u>\$ 3,042</u>	<u>\$ 2,721,753</u>	<u>\$ 3,414,396</u>	<u>\$ -</u>	<u>\$ 14,857</u>	<u>\$ (225,200)</u>	<u>\$ 5,928,848</u>
Balance, January 1, 2003	\$ -	\$ 3,042	\$ 2,725,844	\$ 3,422,821	\$ (408,984)	\$ 15,213	\$ (210,895)	\$ 5,547,041
Cash dividends				(44,784)				(44,784)
Net income				114,523				114,523
Other comprehensive (loss), net of tax: Unrealized (loss) on securities						(33,630)		(33,630)
Balance, September 30, 2003	<u>\$ -</u>	<u>\$ 3,042</u>	<u>\$ 2,725,844</u>	<u>\$ 3,492,560</u>	<u>\$ (408,984)</u>	<u>\$ (18,417)</u>	<u>\$ (210,895)</u>	<u>\$ 5,583,150</u>

The accompanying notes are an integral part of these consolidated financial statements.

**GLOBE BANCORP, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Nine months ended September 30,	
	2003	2002
	(Unaudited)	(Unaudited)
<b>Cash flows from operating activities:</b>		
Net income	\$ 114,523	\$ 153,640
Adjustments to reconcile net income to net cash provided by operating activities:		
Premium and discount amortization on securities	23,832	11,996
(Accretion) on loans	(116)	(2,011)
Capitalization of loan origination costs	(31,264)	(19,914)
Loan fees received	57,051	15,008
Purchases of trading account securities	-	(2,055,320)
Proceeds from sale of trading account securities	-	2,066,781
(Gain) on trading account securities	-	(11,648)
Net (gain) on sales of securities available for sale	(351)	(19,737)
(Recovery of) loan losses	-	(1,024)
Depreciation and amortization	22,709	17,083
Federal Home Loan Bank stock dividends	(6,100)	(7,500)
(Increase) in accrued interest receivable	19,420	(9,652)
(Increase) in prepaid expenses and other assets	(468)	(4,969)
Increase in other liabilities	<u>88,118</u>	<u>53,035</u>
<b>Net cash provided by operating activities</b>	<u>287,354</u>	<u>185,768</u>
<b>Cash flows from investing activities:</b>		
Loan originations	(10,224,760)	(5,296,678)
Principal repayments on loans	9,092,588	2,073,427
Purchases of securities available for sale	(2,796,887)	(1,000,503)
Purchases of securities held to maturity	-	(1,478,526)
Proceeds from sales of securities available for sale	477,425	3,288,958
Principal repayments on securities available for sale	2,574,123	704,031
Principal repayments on securities held to maturity	1,099,531	372,450
Purchases of Federal Home Loan Bank stock	-	(35,100)
Additions to equipment and leasehold improvements	<u>(18,026)</u>	<u>(51,207)</u>
<b>Net cash provided (used in) by investing activities</b>	<u>203,994</u>	<u>(1,423,148)</u>
<b>Cash flows from financing activities:</b>		
Net (decrease) increase in deposit accounts	(593,755)	2,067,900
Net (decrease) in Federal Home Loan Bank advances	(272,180)	(298,105)
Net increase in advances from borrowers for taxes and insurance	180,040	22,782
Cash dividends	<u>(44,784)</u>	<u>(42,220)</u>
<b>Net cash (used in) provided by financing activities</b>	<u>(730,679)</u>	<u>1,750,357</u>
<b>Net (decrease) increase in cash and cash equivalents</b>	(239,331)	512,977
<b>Cash and cash equivalents at beginning of the period</b>	<u>3,724,506</u>	<u>4,425,434</u>
<b>Cash and cash equivalents at end of period</b>	<u><u>\$3,485,175</u></u>	<u><u>\$4,938,411</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

**GLOBE BANCORP, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2003**  
**(UNAUDITED)**

**Note 1 - Principles of Consolidation -**

The accompanying consolidated financial statements at September 30, 2003 and December 31, 2002 and for the three and nine month periods ended September 30, 2003 and 2002 include the accounts of Globe Bancorp, Inc. (the Company) and its wholly owned subsidiary, Globe Homestead Savings Bank (the Bank). Currently, the business and management of Globe Bancorp, Inc. is primarily the business and management of the Bank. The Company's business is conducted principally through the Bank. All significant intercompany transactions and balances have been eliminated in the consolidation.

**Note 2 - Basis of Presentation -**

The accompanying unaudited financial statements were prepared in accordance with instructions for Form 10-QSB and, therefore, do not include information or footnotes necessary for a complete presentation of financial position, results of operations and cash flows in conformity with U.S. generally accepted accounting principles. However, all adjustments (consisting only of normal recurring accruals), which, in the opinion of management, are necessary for a fair presentation of the financial statements, have been included. The results of operations for the three and nine month periods ended September 30, 2003 are not necessarily indicative of the results to be expected for the year ended December 31, 2003.

**Note 3 - Employee Stock Ownership Plan -**

The Company sponsors a leveraged employee stock ownership plan (ESOP) that covers all employees who have at least one year of service with the Bank. The ESOP shares were initially pledged as collateral for its debt. The debt is being repaid based on a fifteen-year amortization and the shares are being released for allocation to active employees annually over the fifteen-year period. The shares pledged as collateral are deducted from stockholders' equity as unearned ESOP shares in the accompanying balance sheets.

As shares are released from collateral, the Company reports compensation expense equal to the current market price of the shares released. The Bank has accrued \$21,000 of ESOP expense through September 30, 2003.

The ESOP shares as of September 30, 2003 were as follows:

Shares released for allocation or committed to be released	3,245
Unreleased shares	<u>21,089</u>
Total ESOP shares	<u>24,334</u>
	=====
Fair value of unreleased shares	\$463,958 (1)
	=====

(1) Based on market price on September 30, 2003.

**Note 3 - Earnings Per Share**

Basic earnings per share are computed by dividing net income by the weighted average number of shares of common stock outstanding, which were 255,911 for the three and nine month periods ended September 30, 2003. Diluted earnings per share are calculated by dividing net income by the weighted average number of shares of common stock outstanding, including the effect of diluted securities. The weighted average number of shares was 255,911 for the three and nine month periods ended September 30, 2003.



## **GLOBE BANCORP, INC. AND SUBSIDIARY**

### **Item 2 - Management's Discussion and Analysis of Consolidated Financial Condition and Results of Operations**

#### **General**

The following discussion compares the consolidated financial condition of Globe Bancorp, Inc. and Subsidiary at September 30, 2003 to December 31, 2002 and the results of operations for the three and nine month periods ended September 30, 2003 with the same periods in 2002. Currently, the business and management of Globe Bancorp, Inc. is primarily the business and management of the Bank. This discussion should be read in conjunction with the interim consolidated financial statements and footnotes included herein.

This quarterly report on Form 10-QSB includes statements that may constitute forward-looking statements, usually containing the words "believe", "estimate", "expect", "intend" or similar expressions. These statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements inherently involve risk and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements. Factors that could cause future results to vary from current expectations include, but are not limited to, the following: changes in economic conditions (both generally and more specifically in the markets in which the Company operates); changes in interest rates, accounting principles, policies or guidelines and in government legislation and regulation (which change from time to time and over which the Company has no control); and other risks detailed in this quarterly report on Form 10-QSB and the Company's other Securities and Exchange Commission filings. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as the date hereof. The Company undertakes no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date hereof.

Our profitability depends primarily on our net interest income, which is the difference between interest and dividend income on interest-earning assets, principally loans, investment securities and interest-earning deposits in other institutions, and interest expense on interest-bearing deposits and borrowings from the Federal Home Loan Bank of Dallas. Net interest income is dependent upon the level of interest rates and the extent to which such rates are changing. Our profitability also depends, to a lesser extent, on noninterest income, provision for loan losses, noninterest expenses and income tax expense. During the period reported herein, net interest income after provision for loan losses exceeded total noninterest expense. Total noninterest expense consists of general, administrative and other expenses, such as compensation and benefits, occupancy and equipment expense, deposit insurance premiums and miscellaneous other expenses.

Globe Bancorp, Inc. is the holding company for the Bank. Substantially all of the Company's assets are currently held in, and its operations are conducted through, its sole subsidiary, the Bank. Historically, the Bank's business has consisted primarily of originating single-family real estate loans secured by property in its market area. The Bank's loans are primarily funded by certificates of deposit, which typically have higher rates than transaction accounts. Typically, single-family loans involve a lower degree of risk and carry a lower yield than commercial real estate, construction and consumer loans. The combination of these factors has resulted in historically lower interest rate spreads and returns on equity. Although the Bank may attempt to expand its loan products by emphasizing certain consumer lending, we presently anticipate that our business will continue to primarily consist of originating single-family loans funded primarily by deposits.

Our operations and profitability are subject to changes in interest rates, applicable statutes and regulations and general economic conditions, as well as other factors beyond our control.

## **GLOBE BANCORP, INC. AND SUBSIDIARY**

### **Changes in Financial Condition**

Total assets decreased by \$579,000 or 1.73% from December 31, 2002 to September 30, 2003. The decrease was primarily due to decreases of \$1,113,000 or 39.61% in securities held to maturity, \$239,000 or 6.43% in cash and cash equivalents and \$316,000 or 10.19% in securities available for sale, partially offset by an increase of \$1,106,000 or 4.77% in loans receivable.

The Bank did not have any classified assets on September 30, 2003 or December 31, 2002.

Deposits decreased by \$594,000 or 2.51% from December 31, 2002 to September 30, 2003. The decrease was made up entirely by decreases in interest-bearing deposits.

Federal Home Loan Bank ("FHLB") advances decreased \$272,000 or 6.63% from December 31, 2002 to September 30, 2003. The decrease was due to normal loan amortization during the period.

Total stockholders' equity increased by \$36,000 or 0.65% in the first nine months of 2003. Equity was increased by net income of \$115,000 which increase was partially offset by dividends of \$45,000 and by a \$34,000 decrease in accumulated other comprehensive income during the period. Stockholders' equity at September 30, 2003 totaled \$5,583,000 or 16.93% of total assets compared to \$5,547,000 16.53% of total assets at December 31, 2002.

### **Liquidity and Capital Resources**

In the past, the Bank was required under federal regulations to maintain specified levels of "liquid" investments in qualifying types of U.S. Government, federal agency and other investments having maturities of up to five years. OTS regulations required that a savings institution maintain liquid assets of not less than 4% of its average daily balance of net withdrawable deposit accounts and borrowings due in one year or less. At September 30, 2003, the Bank's liquidity was 18.04% or \$3,432,000 in excess of the prior minimum OTS requirement. In March 2002, the OTS issued an interim rule that removed the requirement that savings institutions maintain an average daily balance of 4.0% of its liquidity base. The proposed rules require all savings institutions and service corporations to maintain sufficient liquidity to ensure their safe and sound operations. The Bank believes that it maintains sufficient liquidity to operate in a safe and sound manner.

At September 30, 2003, the Bank had outstanding commitments to originate \$419,000 of loans, consisting primarily of one-to-four family mortgage loans. At the same time, commitments under unused lines of credit and loans in process amounted to \$760,000. In addition, as of September 30, 2003, the total amount of certificates of deposit and Federal Home Loan Bank advances that were scheduled to mature in the following twelve months were \$9,249,000 and \$393,000, respectively. The Bank believes that it has adequate resources to fund all of its commitments and that it can adjust the rate on certificates of deposit to retain deposits in changing interest rate environments. If the Bank requires funds beyond its internal funding capabilities, advances from the Federal Home Loan Bank of Dallas are available as an additional source of funds.

The Bank is required to maintain regulatory capital sufficient to meet tangible, core and risk-based capital ratios of at least 1.5%, 4.0% and 8.0%, respectively. At September 30, 2003, the Bank exceeded each of its capital requirements with ratios of 14.90%, 14.90% and 34.94%, respectively.

## GLOBE BANCORP, INC. AND SUBSIDIARY

### Results of Operations

Net income decreased by \$27,000 or 46.53% in the quarter ended September 30, 2003 and decreased by \$39,000 or 25.46% in the nine month period ended September 30, 2003 compared to the respective periods in 2002. The decrease in net income for the nine month period was primarily due to an increase in noninterest expense and a decrease in noninterest income that were partially offset by an increase in net interest income and a decrease in income tax expense. The decrease in net income for the three month period was primarily due to an increase in noninterest expense and decreases in net interest income and noninterest income that were partially offset a decrease in income tax expense.

Interest income decreased \$94,000 or 18.71% for the quarter ended September 30, 2003 and decreased by \$163,000 or 10.98% in the nine month period ended September 30, 2003 compared to the same periods in 2002. This was primarily due to decreases in income from loans receivable, securities and other interest-earning assets due primarily to decreased yields.

The decrease in interest income on loans receivable of \$63,000 or 14.96% for the quarter ended September 30, 2003 and \$67,000 or 5.57% for the nine month period ended September 30, 2003 were due to decreases in the average yield on such loans. The average balance of loans receivable increased to \$23,514,000 for the nine month period ended September 30, 2003 compared to \$22,641,000 for the same period in 2002, due to increased loan originations. The average balance of loans receivable for the three month periods ended September 30, 2003 and 2002 did not change materially. The average yield decreased to 6.02% and 6.40% for the three and nine month periods ended September 30, 2003 compared to 7.05% and 7.04% for the same periods in 2002, reflecting the declining interest rate environment.

The decreases in interest income on investment securities of \$22,000 or 35.71% for the quarter ended September 30, 2003 and \$66,000 or 28.81% for the nine month period ended September 30, 2003 were due to a decrease in the yield on such assets that was partially offset by an increase in the average balance of such assets. The average balance of investment securities increased to \$4,804,000 and \$5,938,000 for the three and nine month periods ended September 30, 2003 compared to \$4,518,000 and \$5,370,000 for the same periods in 2002. Such increase in the average balance was attributable to a decrease in other interest-earning assets and the investment of excess funds in investment securities. The average yield on such assets decreased to 3.33% and 3.68% for the three and nine month periods ended September 30, 2003 compared to 5.40% and 5.71% for the same periods in 2002, reflecting the declining interest rate environment.

The decreases in interest income on other interest-earning assets of \$9,000 or 44.37% for the quarter ended September 30, 2003 and \$30,000 or 48.93% for the nine month period ended September 30, 2003 were due to a decrease in short-term interest rates that caused the average yield on other interest-earning assets to decrease from 1.78% and 1.78% for the three and nine month periods ended September 30, 2002 to 1.07% and 1.16% for the same periods in 2003. The average balance of such assets decreased from \$4,729,000 and \$4,649,000 for the three and nine month period ended September 30, 2002 to \$4,117,000 and \$3,554,000 for the same periods in 2003.

Interest expense decreased \$71,000 or 26.69% in the three months ended September 30, 2003 and decreased \$192,000 or 23.12% in the nine month period ended September 30, 2003 over the comparable periods in 2002. These decreases were due to decreases in interest expense on deposits and FHLB advances.

## GLOBE BANCORP, INC. AND SUBSIDIARY

The decrease in interest expense on deposits of \$51,000 or 25.47% for the quarter ended September 30, 2003 and \$130,000 or 20.76% for the nine month period ended September 30, 2003 were due to a decrease in the average rate paid on deposits that was partially offset by an increase in the average balance of such deposits. The average rate paid on deposits decreased from 3.63% and 3.88% for the three and nine month periods ended September 30, 2002 to 2.58% and 2.81% for the same periods in 2003. Such decreases reflect the declining interest rate environment. The average balance of deposits increased to \$23,398,000 and \$23,631,000 for the three and nine month periods ended September 30, 2003 compared to \$22,235,000 and \$21,614,000 for the same periods in 2002.

Interest expense on FHLB advances decreased \$20,000 or 30.51% for the quarter ended September 30, 2003 and \$62,000 or 30.48% for the nine month period ended September 30, 2003 compared to the same periods in 2002. These decreases were due to a decrease in the average balance of such liabilities from \$5,238,000 and \$5,332,000 for the three and nine month periods ended September 30, 2002 to \$3,879,000 and \$3,970,000 for the same periods in 2003. These decreases in average balances were due to the repayment of a FHLB advance in the latter part of 2002 and regular amortization. A decline in short-term interest rates caused the average rate paid on FHLB advances to decrease from 4.96% and 5.05% for the three and nine month periods ended September 30, 2002 to 4.64% and 4.74% for the same periods in 2003, reflecting the declining interest rate environment.

Net interest income decreased \$23,000 or 9.74% in the three months ended September 30, 2003 compared to the same period in 2002. This was primarily due to decreases in the interest rate spread and in the ratio of average interest-earning assets to average interest-bearing liabilities. Net interest income increased \$28,000 or 4.21% for the nine month period ended September 30, 2003 over the comparable 2002 period. This was primarily due to an increase in the interest rate spread partially offset by a decrease in the ratio of average interest-earning assets to average interest-bearing liabilities. The interest rate spread decreased to 2.13% for the three month period ended September 30, 2003 from 2.18% for the same period in 2002. The interest rate spread increased to 2.26% for the nine month period ended September 30, 2003 from 1.96% for the same period in 2002. The ratio of average interest-earning assets to average interest-bearing liabilities decreased to 120.13% and 119.58% for the three and nine month periods ended September 30, 2003 from 120.87% and 121.21% for the same periods in 2002. The net interest margin was 2.61% and 2.77% for three and the nine month periods ended September 30, 2003 compared to 2.85% and 2.68% for the same periods in 2002.

There was no provision for loan losses for the three month periods ended September 30, 2003 and 2002. There was no provision for loan losses for the nine month period ended September 30, 2003 compared to a recovery of \$1,000 for the same period in 2002. The Bank did not have any non-accruing loans at September 30, 2003 or September 30, 2002. The allowance for loan losses amounted to \$100,000 at September 30, 2003, representing 0.41% of the total loans outstanding. The allowance for loan losses did not change for the quarter ended September 30, 2003. The Bank believes its allowance for loan losses were sufficient as of September 30, 2003 to cover losses inherent in our loan portfolio at September 30, 2003. However, no assurance can be given that we will not sustain losses that are significantly different from the amount reserved, or that subsequent evaluations of the loan portfolio, in light of the factors then prevailing, would not result in a significant change in the allowance for loan losses.

Non-interest income decreased \$2,000 or 47.08% for the three months ended September 30, 2003 and \$28,000 or 84.29% for the nine month period ended September 30, 2003 compared to the respective periods in 2002. The three month decrease was attributable to a decrease in the gain on trading account securities which decrease was partially offset by an increase in service charges. The nine month decrease was attributable to decreases in the gain on trading account securities and the net gain on sale of securities available for sale which decreases were partially offset by an increase in service charges.

## **GLOBE BANCORP, INC. AND SUBSIDIARY**

The gain on trading account securities decreased \$3,000 or 100.00% for the quarter ended September 30, 2003 and decreased by \$12,000 or 100.00% in the nine month period ended September 30, 2003 compared to the same periods in 2002. The decrease in gain on trading account securities was due to decreased sales activity during the relevant 2003 periods.

Net gain on sale of securities available for sale decreased \$19,000 or 98.22% for the nine month period ended September 30, 2003. We did not have any gain on trading account securities for the three month periods ended September 30, 2003 or 2002. The decrease in the net gain on sale of securities available for sale was due to decreased sales activity during the relevant 2003 periods.

Income from service charges increased \$1,000 or 319.20% for the three months ended September 30, 2003 and \$3,000 or 168.03% for the nine month period ended September 30, 2003 compared to the same periods in 2002.

Non-interest expenses increased \$18,000 or 11.39% in the three months ended September 30, 2003 and \$58,000 or 12.42% for the nine month period ended September 30, 2003 compared to the same periods in 2002. The increase in non-interest expenses for the quarter ended September 30, 2003 was primarily due to increases of \$10,000 or 12.26% in salaries and employee benefits, \$5,000 or 20.52% in occupancy expense, \$3,000 or 30.10% in professional fees and \$2,000 or 11.73% in taxes and assessments. These increases were partially offset by a decrease of \$2,000 or 61.23% in other expense. The increase in non-interest expenses for the nine month period ended September 30, 2003 was primarily due to increases of \$39,000 or 17.35% in salaries and employee benefits, \$13,000 or 18.93% in occupancy expense, \$9,000 or 24.10% in professional fees and \$4,000 or 8.91% in taxes and assessments. These increases were partially offset by decreases of \$7,000 or 68.50% in other expenses and \$3,000 or 17.62% in office expense. The increase in salaries and employee benefits for each of the relevant 2003 periods was due to the hiring of an additional staff member, normal salary increases, a bonus to the Chief Executive Officer and the accrual of expenses relating to the ESOP. The Chief Executive Officer was paid a \$7,000 bonus in 2003. No bonus was paid to the Chief Executive Officer in 2002. The increase in professional fees was due to the additional reporting requirements of a public company.

Income tax expense decreased in the three and nine month periods ended September 30, 2003 due to a decrease in income before income taxes, compared to the same periods in 2002. The effective tax rates for the three month periods ended September 30, 2003 and 2002 were 27.9% and 32.5%, respectively. The effective tax rates for the nine month periods ended September 30, 2003 and 2002 were 31.8% and 32.0%, respectively.

### **Impact of Inflation and Changing Prices**

The financial statements and related financial data presented herein regarding the Company have been prepared in accordance with U.S. generally accepted accounting principles, which generally require the measurement of financial position and operating results in terms of historical dollars, without considering changes in relative purchasing power over time due to inflation. Unlike most industrial companies, virtually all of the Company's assets and liabilities are monetary in nature. As a result, interest rates generally have a more significant impact on the Company's performance than does the effect of inflation. Interest rates do not necessarily move in the same direction or in the same magnitude as the prices of goods and services, since such prices are affected by inflation to a larger extent than interest rates.

## **GLOBE BANCORP, INC. AND SUBSIDIARY**

### **Item 3 - Controls and Procedures**

The Company's management evaluated, with the participation of the Chief Executive Officer and Chief Financial Officer, the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based on such evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in the reports that are filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and regulations and are operating in an effective manner.

No change in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15(d)-15(f) under the Securities Exchange Act of 1934) occurred during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

**GLOBE BANCORP, INC.**  
**Form 10-QSB**  
**Quarter Ended September 30, 2003**

**PART II - OTHER INFORMATION**

**Item 1 - Legal Proceedings:**

There are no matters required to be reported under this item.

**Item 2 - Changes in Securities:**

There are no matters required to be reported under this item.

**Item 3 - Defaults upon Senior Securities:**

There are no matters required to be reported under this item.

**Item 4 - Submission of Matters to a Vote of Security Holders:**

There are no matters required to be reported under this item.

**Item 5 - Other Information:**

There are no matters required to be reported under this item.

**Item 6 - Exhibits and Reports on Form 8-K:**

(a) the following exhibit is filed herewith:

EXHIBIT NO.	DESCRIPTION
31.1	Section 302 Certification of the Chief Executive Officer
31.2	Section 302 Certification of the Chief Financial Officer
32.1	Section 906 Certification of Chief Executive Officer and Chief Financial Officer

There are no other matters required to be reported under this item.

**(b) Reports on Form 8-K:**

On August 6, 2003 a Form 8-K was filed by the Registrant pertaining to a press release announcing the Company's earnings for the three month ended June 30, 2003.

## **SIGNATURES**

**In accordance with the requirements of the Securities Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.**

**GLOBE BANCORP, INC.  
Registrant**

**Date: November 3, 2003**

**By:/s/ Thomas J. Exnicios  
Thomas J. Exnicios  
President, Chief Executive Officer  
and Chief Financial Officer**



**PURSUANT TO RULES 13a-14 AND 15d-14 OF THE SECURITIES EXCHANGE ACT OF 1934 AND  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002  
CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER**

I, Thomas J. Exnicios, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Globe Bancorp, Inc. (the "Registrant");
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (c) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: November 3, 2003

/s/Thomas J. Exnicios  
Thomas J. Exnicios  
Chief Executive Officer

**PURSUANT TO RULES 13a-14 AND 15d-14 OF THE SECURITIES EXCHANGE ACT OF 1934 AND  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002  
CERTIFICATION OF THE CHIEF FINANCIAL OFFICER**

I, Thomas J. Exnicios, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Globe Bancorp, Inc. (the "Registrant");
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (c) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: November 3, 2003

/s/Thomas J. Exnicios  
Thomas J. Exnicios  
Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND  
CHIEF FINANCIAL OFFICER**

**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)**

The undersigned executive officer of Globe Bancorp, Inc. (the "Registrant") hereby certifies that the Registrant's Form 10-QSB for the quarter ended September 30, 2003 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that the information contained therein fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Thomas J. Exnicios

Name: Thomas J. Exnicios

Title: President, Chief Executive Officer  
and Chief Financial Officer

Date: November 3, 2003