Hamilton Bancorp, Inc.
Form 10-K/A
July 01, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

AMENDMENT NO. 1

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended March 31, 2014

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission File Number: 0-35693

HAMILTON BANCORP, INC.

(Exact name of registrant as specified in its charter)

MARYLAND	**46-0543309**
(State or other jurisdiction of	**(I.R.S. Employer**
incorporation or organization)	**Identification No.)**
501 Fairmount Avenue, Suite 200, Towson, Maryland	**21286**
(Address of principal executive offices)	**(Zip Code)**

(410) 823-4510

(Registrant s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common Stock, par value $0.01 per share	**Nasdaq Capital Market**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer	¨	Accelerated filer	¨
Non-accelerated filer	¨	Smaller reporting company	x

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Act). Yes ¨ No x

The aggregate market value of the voting and non-voting common equity held by nonaffiliates as of September 30, 2013 was $53,025,920.

The number of shares outstanding of the registrant s common stock as of June 27, 2014 was 3,415,345.

DOCUMENTS INCORPORATED BY REFERENCE: None.

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EXPLANATORY NOTE

This Amendment No. 1 to the Form 10-K of Hamilton Bancorp, Inc. is being filed solely to correct the aggregate market value of the voting and non-voting common equity held by nonaffiliates as of September 30, 2013, as listed on the cover page, and to correct the name of Rowles & Company, LLP and the date of their opinion in Exhibit 23.0.

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This report contains certain forward-looking statements within the meaning of the federal securities laws. These statements are not historical facts; rather, they are statements based on Hamilton Bancorp, Inc. s current expectations regarding its business strategies, intended results and future performance. Forward-looking statements are preceded by terms such as expects, believes, anticipates, intends and similar expressions.

Management s ability to predict results or the effect of future plans or strategies is inherently uncertain. Factors which could affect actual results include changes in interest rates, national and regional economic conditions, legislative and regulatory changes, monetary and fiscal policies of the U.S. government, including policies of the U.S. Treasury and the Federal Reserve Board, the credit quality and composition of the loan and investment portfolios, valuation of assets acquired through foreclosure, deposit flows, competition, demand for loan products and for financial services in Hamilton Bancorp, Inc. s market area, changes in real estate market values in Hamilton Bancorp, Inc. s market area, changes in relevant accounting principles and guidelines and the inability of third party service providers to perform as required. For further discussion of factors that may affect the results, see Item 1A. Risk Factors in this Annual Report on Form 10-K (Annual Report). These factors should be considered in evaluating the forward-looking statements and undue reliance should not be placed on such statements. Except as required by law, we disclaim any intention or obligation to update or revise any forward-looking statements after the date of this Annual Report, whether as a result of new information, future events or otherwise.

In this Annual Report , the terms we, our, and us refer to Hamilton Bancorp, Inc. and Hamilton Bank, unless the context indicates another meaning. In addition, we sometimes refer to Hamilton Bancorp, Inc. as Hamilton Bancorp, and to Hamilton Bank as the Bank.

PART I

Item 1. BUSINESS

General

Hamilton Bancorp, Inc. is a Maryland chartered corporation established in June 2012 to become the holding company for Hamilton Bank in connection with the Bank s mutual-to-stock conversion. On October 11, 2012 the mutual-to-stock conversion was completed and the Bank became the wholly owned subsidiary of the Company. On that date the Company sold and issued 3,703,000 shares of its common stock at a price of $10.00 per share and received net offering proceeds of approximately $35.6 million. Hamilton Bancorp s principal business activity is the ownership of the Bank s capital stock and the management of the offering proceeds it retained in connection with the Bank s conversion. Hamilton Bancorp does not own or lease any property but instead uses the premises, equipment and other property of the Bank with the payment of appropriate rental fees, as required by applicable law and regulations, under the terms of an expense allocation agreement. In the future, Hamilton Bancorp may acquire or organize other operating subsidiaries; however, there are no current plans, arrangements, agreements or understandings, written or oral, to do so.

Hamilton Bank is a federally chartered savings bank that has served the banking needs of its customers since 1915. Hamilton Bank is headquartered in Towson, which is located in Baltimore County, Maryland. The Bank conducts business primarily from its four full-service banking offices located in Baltimore City, Maryland and the Maryland counties of Baltimore and Anne Arundel. Our business consists primarily of taking deposits from the general public and investing those deposits, together with funds generated from operations, in one- to four-family residential mortgage loans (including owner-occupied and investor loans), commercial real estate loans, commercial business loans, home equity loans and lines of credit, construction loans and, to a limited extent, consumer loans (consisting primarily of loans secured by deposits and automobile loans). At March 31, 2014, $72.1 million, or 49.8%, of our total loan portfolio was comprised of permanent residential mortgage loans.

We also invest in securities, which consist primarily of U.S. government agency and municipal bond obligations, mortgage-backed securities and collateralized mortgage obligations issued or guaranteed by U.S. government-sponsored enterprises, and to a much lesser extent, equity securities of government-sponsored enterprises.

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We offer a variety of deposit accounts, including certificate of deposit accounts, money market accounts, savings accounts, NOW accounts and individual retirement accounts. We historically have not used borrowings to fund our operations. We are dedicated to offering alternative banking delivery systems, including ATMs, online banking and remote deposit capture.

Available Information

The Bank s website address is www.hamilton-bank.com. Information on the Bank s website should not be considered a part of this Annual Report.

Market Area

We conduct our operations from our four full-service banking offices in Maryland. Our primary deposit market includes the areas surrounding our banking offices in Cockeysville, Pasadena, Towson, and the Hamilton area of Baltimore City. In August 2013, we closed our branch office in the Overlea area of Baltimore City due to its close proximity to one of our four remaining branch locations. Our primary lending market includes Baltimore City and the Maryland counties of Anne Arundel and Baltimore. However, we occasionally make loans secured by property located outside of our primary lending market, especially to borrowers with whom we have an existing relationship or who have a significant presence within our primary market. Our primary lending market contains a diverse cross section of employment sectors, with a mix of services, manufacturing, wholesale/retail trade, federal and local government, health care facilities and finance related employment. The city of Baltimore is now considered a major center for the financial services and health services industries.

In recent years Baltimore City and Baltimore County have experienced relatively slow growth, while Anne Arundel County has grown at a faster pace. The stronger population growth experienced in Anne Arundel County has been reflected in higher household income and lower unemployment. Median household income during 2012 for Baltimore City, Baltimore County and Anne Arundel County was approximately $39,000, $62,000 and $89,000, respectively, compared to $71,000 and $51,000 for Maryland and the United States, respectively. Baltimore City, Baltimore County and Anne Arundel County reported preliminary unemployment rates of 8.3%, 5.8% and 4.9%, respectively, for December 2013, compared to the statewide and national unemployment rates of 6.1% and 6.7%, respectively.

Competition

We face significant competition within our market both in making loans and attracting deposits. Our market area has a high concentration of financial institutions including large money center and regional banks, community banks and credit unions. Some of our competitors offer products and services that we currently do not offer, such as trust services and private banking. Our competition for loans and deposits comes principally from commercial banks, savings institutions, mortgage banking firms, consumer finance companies and credit unions. We face additional competition for deposits from short-term money market funds, brokerage firms, mutual funds and insurance companies. Our primary focus is to build and develop profitable customer relationships across all lines of business while maintaining our position as a community bank.

As of June 30, 2013 (the latest date for which information is available), our market share was 0.41% of total deposits in Baltimore City, making us the 12th largest out of 35 financial institutions in Baltimore City based upon deposit share as of that date. In addition, as of June 30, 2013, our deposit market share was 0.71% and 0.47% of total deposits in Baltimore County and Anne Arundel County, respectively, making us the 21st largest out of 41 financial institutions in Baltimore County and the 18th largest out of 30 financial institutions in Anne Arundel County. The market share data provided above does not reflect the closing of our branch office in the Overlea area of Baltimore

City in August 2013.

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Lending Activities

General. Historically, our principal lending activity was the origination, for retention in our portfolio, of mortgage loans collateralized by one- to four-family residential real estate located within our primary market area. However, in 2009 we changed our business strategy to become less reliant upon one- to four-family lending and to emphasize commercial business and commercial real estate lending. In connection with this strategy, we have hired three commercial real estate and commercial business loan officers with strong experience in these lending areas. In addition, several new back office commercial loan personnel have been hired in the past six months to assist with the record keeping, underwriting, and monitoring of our commercial loan portfolio. Previously the Bank utilized the services of third parties to conduct the underwriting analysis of such loans based on our underwriting policies. However, in the past year we have begun to transition the commercial loan underwriting analysis in-house. In the past we have purchased commercial business and commercial real estate loans and participated in commercial and commercial real estate loans originated by other institutions. We currently sell almost all of our one- to four-family mortgage loans with terms over 10 years into the secondary market. In addition to commercial business loans, commercial real estate loans and residential mortgage loans, we also make home equity loans and lines of credit, residential and commercial construction loans, and, to a much lesser extent, consumer loans. A portion of the loans that we make for one- to four-family properties are made to investors who reside in our community.

Loan Portfolio Composition. Set forth below is selected information concerning the composition of our loan portfolio in dollar amounts and in percentages as of the dates indicated. Amounts shown do not include loans held for sale equal to $-0-, $197,000, $-0-, $-0- and $331,000 at March 31, 2014, 2013, 2012, 2011 and 2010, respectively.

	At March 31,					
	2014		2013		2012	
	Amount	Percent	Amount	Percent	Amount	Percent
	(Dollars in thousands)					
Real estate loans:						
Residential mortgage loans:						
One- to four-family residential	$ 57,674	39.8%	$ 63,912	39.6%	$ 76,687	44.2%
One- to four-family investor	14,000	9.7	15,826	9.8	17,265	9.9
Construction	3,268	2.3	3,508	2.2	3,865	2.2
Commercial real estate	41,406	28.6	36,239	22.5	31,018	17.9
Total real estate loans	116,348	80.4	119,485	74.1	128,835	74.2
Commercial business loans	15,657	10.8	26,937	16.7	27,158	15.7
Consumer:						
Home equity loans and lines of credit	11,660	8.0	13,727	8.5	16,344	9.4
Other consumer	1,154	0.8	1,123	0.7	1,181	0.7
Total consumer loans	12,815	8.8	14,850	9.2	17,525	10.1
Total loans receivable	144,819	100.0%	161,272	100.0%	173,518	100.0%
Premium on purchased loans			15		38	
	(119)		(96)		(100)	

Net deferred loan origination fees and costs			
Allowance for loan losses	(1,786)	(2,071)	(3,552)
Total loans receivable, net	$ 142,914	$ 159,120	$ 169,904

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	At March 31,			
	2011		2010	
	Amount	Percent	Amount	Percent
	(Dollars in thousands)			
Real estate loans:				
Residential mortgage loans:				
One- to four-family residential	$ 92,144	51.5%	$ 117,607	65.0%
One- to four-family investor	19,568	10.9	19,949	11.0
Construction	6,514	3.6	2,837	1.6
Commercial real estate	21,034	11.7	11,421	6.3
Total real estate loans	139,260	77.7	151,814	83.9
Commercial business loans	19,425	10.8	8,574	4.7
Consumer:				
Home equity loans and lines of credit	19,224	10.8	19,224	10.7
Other consumer	1,310	0.7	1,353	0.7
Total consumer loans	20,534	11.5	20,577	11.4
Total loans receivable	179,219	100.0%	180,965	100.0%
Premium on purchased loans	61		84	
Net deferred loan origination fees and costs	(206)		(261)	
Allowance for loan losses	(1,183)		(567)	
Total loans receivable, net	$ 177,891		$ 180,221	

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Loan Portfolio Maturities and Yields. The following table summarizes the scheduled repayments of our loan portfolio at March 31, 2014. Demand loans, loans having no stated repayment schedule or maturity, and overdraft loans are reported as being due in one year or less.

	One- to Four-Family Residential Real Estate		One- to Four-Family Investor Real Estate		Construction Real Estate		Commercial Real Estate	
	Amount	Weighted Average Rate	Amount	Weighted Average Rate	Amount	Weighted Average Rate	Amount	Weighted Average Rate
	(Dollars in thousands)							
Due During the Years Ending March 31,								
2015	$ 41	4.19%	$ 188	6.26%	$ 3,268	6.31%	$ 1,709	3.25%
2016	1,188	5.01	56	5.46			6,374	7.12
2017	1,032	5.51	7,266	7.02			4,840	5.58
2018 to 2019	3,061	4.77	1,072	6.38			12,901	5.23
2020 to 2024	10,745	4.11	4,824	6.36			15,097	5.11
2025 to 2029	4,525	4.54	140	5.00				
2030 and beyond	37,082	4.93	454	6.26			485	5.15
Total	$ 57,674	4.75%	$ 14,000	6.68%	$ 3,268	6.31%	$ 41,406	5.44%

	Commercial Business		Home Equity Loans and Lines of Credit		Other Consumer		Total	
	Amount	Weighted Average Rate	Amount	Weighted Average Rate	Amount	Weighted Average Rate	Amount	Weighted Average Rate
	(Dollars in thousands)							
Due During the Years Ending March 31,								
2015	$ 9,215	4.67%	$ 28	5.37%	$ 65	2.60%	$ 14,514	4.88%
2016	429	5.13	434	5.17	5	6.50	8,486	6.61
2017	127	6.00	263	3.90			13,528	6.32
2018 to 2019	3,102	6.62	295	4.19	14	4.50	20,445	5.42
2020 to 2024	2,585	4.17	1,593	5.54			34,844	4.92
2025 to 2029			4,294	3.91			8,959	4.25
2030 and beyond	199	6.50	4,753	4.13	1,070	3.34	44,043	4.83
Total	$ 15,657	5.02%	$ 11,660	4.28%	$ 1,154	3.33%	$ 144,819	5.15%

Fixed and Adjustable-Rate Loan Schedule. The following table sets forth at March 31, 2014, the dollar amount of all fixed-rate and adjustable-rate loans due after March 31, 2015.

	Due after March 31, 2015		
	Fixed	**Adjustable**	**Total**
		(In thousands)	
Real estate loans:			
One- to four-family residential	$ 57,132	$ 501	$ 57,633
One- to four-family investor	13,733	79	13,812
Construction			
Commercial	39,697		39,697
Commercial business loans	5,571	871	6,442
Consumer loans:			
Home equity loans and lines of credit	6,154	5,478	11,632
Other consumer	1,089		1,089
Total loans	$ 123,376	$ 6,929	$ 130,305

Residential Mortgage Loans. Hamilton Bank originates mortgage loans secured by owner occupied one- to four-family residential properties. To a lesser extent, we have also made loans to investors for the purchase of one- to four-family residential properties that are not owner-occupied. As of March 31, 2014, we had a total of $72.1 million of residential mortgage loans secured by one- to four-family properties, of which $58.1 million, or 80.6%, were secured by properties serving as the primary residence of the owner. The remaining $14.0 million, or 19.4%, of such loans were secured by non owner-occupied properties. Almost all of our residential mortgage loans are secured by properties in the Greater Baltimore area.

Historically, the terms of our one- to four-family mortgage loans retained in our portfolio ranged from 10 to 30 years. In order to lower our interest rate risk, beginning in 2009 we have sold to the secondary market almost all one- to four-family loans that we originate with terms exceeding 10 years. During fiscal 2014 and 2013, we sold $2.4 million and $3.6 million of one- to four-family mortgage loans that we originated, respectively. Our residential mortgage portfolio is almost entirely comprised of fixed-rate loans, with 99.2% of residential mortgage loans due after March 31, 2015 having fixed rates at March 31, 2014. During the year ended March 31, 2014, we originated no residential mortgage loans with adjustable-rates.

We generally do not make new one- to four-family mortgage loans on owner-occupied properties with loan-to-value ratios exceeding 95% at the time the loan is originated, and all loans with loan-to-value ratios in excess of 80% require private mortgage insurance. Loan to value ratios on refinances may not exceed 80%, and loan-to-value ratios for non-owner occupied properties may not exceed 65%. In addition, borrower debt may generally not exceed 36% of the borrower s monthly cash flow. With respect to borrower debt on loans secured by non-owner occupied properties, we look to the investor s aggregate debt and cash flows from all investment properties the investor operates. We require all properties securing residential mortgage loans to be appraised by a board-approved independent appraiser.

Loans secured by non-owner occupied properties typically have 7 year terms and amortize over a 30 year period. Because of the increased risk associated with non-owner occupied properties, interest rates on such loans are higher than for owner-occupied properties, and are currently at 8.0%. We have generally only originated loans secured by non-owner occupied properties to investors that reside in our market area.

In an effort to provide financing for first-time home buyers, we offer 30-year fixed-rate one- to four-family mortgage loans with loan-to-value ratios up to 95%, which cannot be readily sold to the secondary market and are held in portfolio. In fiscal 2014 and 2013, we did not originate any such loans which we did not sell.

We also make jumbo loans (loans above $417,000, the current maximum conforming loan amount as established by the Federal Housing Finance Agency) that we typically sell into the secondary market. Jumbo loans that we originate and sell, typically have 30 year terms and maximum loan-to-value ratios of 80%. At March 31, 2014, our largest outstanding jumbo residential mortgage loan was for $1.6 million and was performing in accordance with its original terms.

Beginning in 2009, applications for loans that we intend to sell are processed through Mortgage Department Services, LLC (MDS), a company in which we have a minority interest. Prior to delivering applications to MDS, we review each application to ensure that the loan meets MDS standards for sale to the secondary market. However, we have outsourced the loan processing and loan underwriting to MDS as a cost savings measure. See Loan Originations, Participations, Purchases and Sales. We receive an origination fee for each loan processed and sold to the secondary market through MDS. All such loans are sold with servicing released and without recourse to Hamilton Bank other than for breaches of customary representations and warranties to the buyers.

All residential mortgage loans that we originate include due-on-sale clauses, which give us the right to declare a loan immediately due and payable in the event that, among other things, the borrower sells or otherwise disposes of the real property subject to the mortgage and the loan is not repaid. All borrowers are required to obtain title insurance for the benefit of Hamilton Bank. We also require homeowner s insurance and fire and casualty insurance and, where circumstances warrant, flood insurance on properties securing real estate loans.

Commercial Real Estate Loans. We originate commercial real estate loans in the Greater Baltimore area that are secured by properties used for business purposes such as small office buildings or retail facilities. We have increased our origination of commercial real estate loans over the last several years, and intend to continue to grow this portion of our loan portfolio in the future. At March 31, 2014, commercial real estate loans totaled $41.4 million, which amounted to 28.6% of total loans, compared to approximately $11.4 million, or 6.3% of total loans, at March 31, 2010.

Our commercial real estate loans are underwritten based on our loan underwriting polices. Our policies provide that such loans may be made in amounts of up to 80% of the appraised value of the property, provided that the property is more than 50% owner-occupied, or 75% of the appraised value of the property if it is not owner-occupied. Our commercial real estate loans have terms of up to 5 years and amortize for a period of up to 20 years. Interest rates may be fixed or adjustable. If adjustable, then they are generally based on the Prime rate of interest.

The regulatory loan-to-one borrower limit is 15% of a bank s unimpaired capital plus unimpaired surplus. As a result of the additional capital received in the stock offering, Hamilton Bank s loans-to-one borrower limit is approximately $6.9 million. We have adopted an internal limit of $4.8 million. We generally target commercial real estate loans with balances of $250,000 to $3.0 million. At March 31, 2014, our commercial real estate loans had an average balance of $920,000. At that same date, our largest commercial real estate relationship included several loans totaling $5.0 million. These loans were secured by several restaurants, and were performing in accordance with their original terms at March 31, 2014.

Commercial real estate lending involves additional risks compared to one- to four-family residential lending because payments on loans secured by commercial real estate properties are often dependent on the successful operation or management of the properties, and/or the collateral value of the commercial real estate securing the loan. Repayment of such loans may be subject, to a greater extent than residential loans, to adverse conditions in the real estate market or the economy. Also, commercial real estate loans typically involve large loan balances to single borrowers or groups of related borrowers. Commercial real estate loans generally have a higher rate of interest and shorter term than residential mortgage loans because of increased risks associated with commercial real estate lending. We seek to minimize these risks through our underwriting standards. Recently we have experienced a decrease in delinquencies and non-performing loans in our commercial real estate loan portfolio. See Risk Factors Our entry into commercial real estate and commercial business lending has resulted in higher losses on our loans.

Commercial Business Loans. We originate commercial business loans and lines of credit secured by non-real estate business assets. These loans are generally originated to small businesses in our primary market area. Our commercial business loans are generally used for working capital purposes or for acquiring equipment, inventory or furniture, and are primarily secured by business assets other than real estate, such as business equipment, inventory and accounts receivable. We have increased our origination of commercial business loans over the last few years, and intend to continue to grow this portfolio at a moderate pace. At March 31, 2014, commercial business loans and lines of credit outstanding totaled $15.7 million, which amounted to 10.8% of total loans, compared to approximately $8.6 million, or 4.7% of total loans, at March 31, 2010. At March 31, 2014, we also had $2.6 million of unfunded commitments on such loans.

Our commercial business loans have terms up to 5 years at both fixed and adjustable rates of interest, although, adjustable rates of interest are preferred and obtained when possible. Our commercial business loans are underwritten based on our commercial business loan underwriting policies. The lending officers prepare a report on each loan application and present it to the board of directors or the appropriate loan committee. Our lending policies require that commercial business loans secured by accounts receivable do not exceed 75% of the value of the outstanding receivables less than 90 days past due. Commercial business advances secured by inventory are not to exceed 40% of the inventory book value and those secured by equipment are not to exceed 90% of the equipment s carrying cost. We typically avoid making commercial business loans to purchase highly specialized, custom made equipment which may be difficult to dispose of in the event of default. When making commercial business loans, we consider the financial statements, lending history and debt service capabilities of the borrower (generally requiring a minimum debt service coverage ratio of 1.25:1.00), the projected cash flows of the business, and the value of the collateral, if any. Almost all commercial business loans are guaranteed by the principals of the borrower.

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Hamilton Bank is also qualified to make Small Business Administration (SBA) loans. The SBA program is an economic development program which finances the expansion of small businesses. Under the SBA program, we originate and fund loans under the SBA 7(a) Loan Program which qualify for guarantees up to 90% of principal and accrued interest. We also originate loans under the SBA s CDC/504 Loan Program in which we generally provide 50% of the financing, taking a first lien on the real property as collateral. We do not treat the SBA guarantee as a substitute for a borrower meeting our credit standards, and, except for minimum capital levels or maximum loan terms, the borrower must meet our other credit standards as applicable to loans outside the SBA process. During fiscal 2014, we originated $75,000 of loans under SBA programs, compared to $1.1 million and $4.3 million of such loans originated in fiscal 2013 and 2012, respectively

We focus on the origination of commercial business loans in amounts between $500,000 and $1.5 million. At March 31, 2014, our commercial business loans had an average balance of $326,000. At that same date, our largest commercial business loan was a $3.1 million term loan secured by the business assets of the company. This loan was performing in accordance with its original terms at March 31, 2014.

Commercial business loans generally have a greater credit risk than one- to four-family residential mortgage loans. Unlike residential mortgage loans, which generally are made on the basis of the borrower s ability to make repayment from his or her employment and other income, and which are secured by real property whose value tends to be more easily ascertainable, commercial business loans are of higher risk and typically are made on the basis of the borrower s ability to make repayment from the cash flow of the borrower s business. As a result, the availability of funds for the repayment of commercial business loans may be substantially dependent on the success of the business itself. Further, the collateral securing the loans may depreciate over time, may be difficult to appraise and may fluctuate in value based on the success of the business. We seek to minimize these risks through our underwriting standards. However, we have recently experienced increased delinquencies and non-performing loans in our commercial business loan portfolio. See Risk Factors Our entry into commercial real estate and commercial business lending has resulted in higher losses on our loans.

Home Equity Loans and Lines of Credit. In addition to traditional one- to four-family residential mortgage loans, we offer home equity loans and lines of credit that are secured by the borrower s primary or secondary residence. At March 31, 2014, we had $11.7 million, or 8.0% of our total loan portfolio, in home equity loans and lines of credit. At that date we also had $17.5 million of undisbursed funds related to home equity lines of credit.

Home equity loans and lines of credit are generally underwritten using the same criteria that we use to underwrite one- to four-family residential mortgage loans. Home equity loans and lines of credit may be underwritten with a loan-to-value ratio of up to 80% when combined with the principal balance of the existing first mortgage loan. Our home equity loans are primarily originated with fixed rates of interest with terms of up to 20 years. Our home equity lines of credit are originated with adjustable-rates based on the prime rate of interest minus an applicable margin and require interest paid monthly. Our adjustable-rate lines of credit have floors of 4% and ceilings of 18%. Home equity loans and lines of credit are available in amounts of between $10,000 and $250,000.

Home equity loans and lines of credit secured by second mortgages have greater risk than one- to four-family residential mortgage loans secured by first mortgages. We face the risk that the collateral will be insufficient to compensate us for loan losses and costs of foreclosure. When customers default on their loans, we attempt to foreclose on the property and resell the property as soon as possible to minimize foreclosure and carrying costs. However, the value of the collateral may not be sufficient to compensate us for the amount of the unpaid loan and we may be unsuccessful in recovering the remaining balance from those customers. Particularly with respect to our home equity loans and lines of credit, decreases in real estate values could adversely affect the value of property securing the loan.

Construction Loans. We originate construction loans for both commercial and residential real estate. Construction loans we originate generally provide for the payment of interest only during the construction phase. At the end of the construction phase, the loan converts to a permanent mortgage loan at the same rate of interest. Before making a commitment to fund a construction loan, Hamilton Bank requires detailed cost estimates to complete the project and an appraisal of the property by an independent licensed appraiser. Hamilton Bank also reviews and inspects each property before disbursement of funds during the term of the construction loan. Loan proceeds are disbursed after inspection based on the percentage of completion method. Construction loans for one- to four-family residential real estate may be underwritten with a loan-to-value ratio of up to 80% or 95% with private mortgage insurance. Commercial construction loans generally may not exceed a loan-to-value ratio of 75%.

Construction lending generally involves a greater degree of risk than other one- to four-family mortgage lending. The repayment of the construction loan is, to a great degree, dependent upon the successful and timely completion of construction. Various potential factors including construction delays or the financial viability of the builder may further impair the borrower s ability to repay the loan.

At March 31, 2014, total construction loans represented $3.3 million, or 2.3%, of Hamilton Bank s total loans, of which $473,000 consisted of residential construction loans and the remainder was commercial construction. At March 31, 2014, the unadvanced portion of total construction loans totaled $1.0 million. At March 31, 2014, our largest construction loan had a contractual principal balance of $2.6 million and a recorded investment balance of $1.6 million. Although the borrower is current on payments, the Bank has placed the loan on nonaccrual and charged off $1.0 million due to lack of additional funding required and the inability to complete the project in a timely manner.

Other Consumer Loans. We make loans secured by deposit accounts up to 90% of the amount of the depositor s deposit account balance. On a more limited basis, we also originate automobile loans to our customers. Other consumer loans totaled $1.2 million, or 0.8% of our total loan portfolio, at March 31, 2014.

Loan Originations, Participations, Purchases and Sales. Most of our loan originations are generated by our loan personnel operating at our corporate headquarters and banking office locations. All loans we originate are underwritten pursuant to our policies and procedures. While we originate both fixed-rate and adjustable-rate loans, our ability to generate each type of loan depends upon relative borrower demand and the pricing levels as set in the local marketplace by competing banks, thrifts, credit unions, and mortgage banking companies. Our volume of real estate loan originations is influenced significantly by market interest rates, and, accordingly, the volume of our real estate loan originations can vary from period to period.

Consistent with our interest rate risk strategy, in the low interest rate environment that has existed in recent years, we have sold on a servicing-released basis almost all of the one- to four-family residential mortgage loans with maturities over 10 years that we have originated. All loan applications that we have the intention of selling are processed through MDS. We have outsourced the loan processing and loan underwriting for one- to four-family residential mortgage loans to MDS as a cost savings measure. We pay a flat fee to MDS for each loan settled and we receive a fee per loan in return for delivery of the loan to the secondary market. All loans sold through MDS are sold without recourse to Hamilton Bank other than for breaches of customary representations and warranties to the buyers.

From time to time, we have purchased loan participations in commercial loans in which we are not the lead lender that are secured by real estate or other assets within the state of Maryland, but not necessarily our primary lending area. With regard to all loan participations, we follow our customary loan underwriting and approval policies, and although we may be only approving and servicing a portion of the loan, we underwrite the loan request as if we had originated the loan to ensure cash flow and collateral are sufficient. At March 31, 2014, our loan participations totaled $19.1 million, or 13.1% of our total loan portfolio, the majority of which were in our primary market area. Of these $19.1 million in participations, $1.7 million were on nonaccrual at March 31, 2014, a decrease of $1.2 million from March 31, 2013. We do not expect to enter into additional loan participations in the near future. However, we do look at opportunities for participations on a case by case basis.

During fiscal 2010, in connection with the acquisition of our Pasadena, Maryland office from K Bank, we purchased approximately $25.6 million of K Bank s loans. As of March 31, 2014, the remaining balance of loans purchased from K Bank totaled $10.6 million, or 7.3% of total gross loans, including two loans equaling $1.4 million that are classified as Troubled Debt Restructures that are performing as agreed under the restructure agreement. The remaining loans are performing as agreed under their current contract at March 31, 2014. At March 31, 2014, we had no purchased loans in portfolio other than those purchased from K Bank. We do not expect to acquire whole loans from other financial institutions in the near future, however, we do look at opportunities for such purchases on a case by case basis.

The following table shows our loan origination, repayment and sale activities for the fiscal years indicated.

	Year Ended March 31,	
	2014	2013
	(In thousands)	
Total loans at beginning of year	$ 161,272	$ 173,518
Loans originated:		
Real estate loans:		
Residential mortgage loans:		
One- to four-family residential	3,799	2,718
One- to four-family investor		
Construction	2,381	
Commercial real estate	10,091	8,247
Total real estate loans	16,271	10,965
Commercial business loans	990	6,639
Consumer:		
Home equity loans and lines of credit	1,765	2,116
Other consumer	54	4
Total consumer loans	1,819	2,120
Total loans originated	19,080	19,724
Deduct:		
Principal repayments	33,110	28,240
Transferred to foreclosed real estate	1,003	428
Unused lines of credit	1,420	3,302
Net loan activity	(16,453)	(12,246)
Total loans at end of year	$ 144,819	$ 161,272

Loan Approval Procedures and Authority. Our lending activities follow written, non-discriminatory underwriting standards and loan origination procedures developed by management and approved by our board of directors. The loan approval process is intended to assess the borrower s ability to repay the loan and the value of the collateral that will secure the loan. To assess the borrower s ability to repay, our policies provide for the review of the borrower s employment and credit history and information on the historical and projected income and expenses of the borrower. We will also evaluate a guarantor when a guarantee is provided as part of the loan. As a cost saving measure, we have outsourced most of the processing and underwriting of our one- to four-family residential loan applications to a third party. The third party provides Hamilton Bank with a report on each loan application, which our lending officers then present for approval.

Hamilton Bank s policies and loan approval limits are established by our board of directors. Residential real estate loans and home equity loans and lines of credit of up to $2.0 million may be approved by the Management Loan Committee consisting of our President, our Executive Vice President, Chief Credit Risk Officer and our Senior Vice President of Compliance and Risk. All real estate loans and home equity loans and lines of credit above $2.0 million must be approved by the Director Loan Committee. All commercial business loans and commercial real estate loans require two levels of approval. The first level of approval is the Executive Vice President and Chief Lending Officer or other senior loan officer presenting the loan. The second level of approval required depends on the amount of the loan. Commercial loans up to $2.0 million may be approved by the Management Loan Committee as described earlier. Commercial loans above $2.0 million or any loan that would result in the total loan relationship exceeding $2.0 million must be approved by the Director Loan Committee.

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Securities Activities

General. Our investment policy is developed by management and approved by the board of directors. The objectives of the policy are to: (i) ensure adequate liquidity for loan demand and deposit fluctuations, and to allow us to alter our liquidity position to meet both day-to-day and long-term changes in assets and liabilities; (ii) manage interest rate risk in accordance with our interest rate risk policy; (iii) provide collateral for pledging requirements; (iv) maximize return on our investments; and (v) maintain a balance of high quality diversified investments to minimize risk.

Our Investment Committee, consisting of our President and Chief Executive Officer, our Senior Vice President and Treasurer, and Controller, is responsible for implementing our investment policy, including approval of investment strategies and monitoring investment performance. The President and Treasurer are authorized to execute purchases or sales of securities. The board of directors regularly reviews our investment strategies and the market value of our investment portfolio.

We account for investment and mortgage-backed securities in accordance with Accounting Standards Codification Topic 320, Investments Debt and Equity Securities. Accounting Standards Codification 320 requires that investments be categorized as held-to maturity, trading, or available for sale. Our securities are generally categorized as available-for-sale based on our need to meet daily liquidity needs and to take advantage of profits that may occur from time to time. At March 31, 2014, all of our securities were classified as available for sale.

Federally chartered savings institutions have authority to invest in various types of assets, including government-sponsored enterprise obligations, securities of various federal agencies, residential mortgage-backed securities, certain certificates of deposit of insured financial institutions, overnight and short-term loans to other banks, corporate debt instruments, debt instruments of municipalities and Fannie Mae and Freddie Mac equity securities. At March 31, 2014, our investment portfolio consisted entirely of securities and mortgage-backed securities issued by U.S. Government agencies, municipalities or U.S. Government-sponsored enterprises, including stock in the Federal Home Loan Mortgage Corporation. The principal and interest on our mortgage-backed securities are guaranteed by the issuing entity.

At March 31, 2014, we owned $266,000 in Federal Home Loan Bank of Atlanta stock. As a member of Federal Home Loan Bank of Atlanta, we are required to purchase stock in the Federal Home Loan Bank of Atlanta. At March 31, 2014, we had no investments in a single company or entity (other than an agency of the U.S. Government, a municipality or a U.S. Government-sponsored enterprise) that had an aggregate book value in excess of 10% of our equity

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Amortized Cost and Estimated Fair Value of Securities. The following table sets forth certain information regarding the amortized cost and estimated fair values of our securities as of the dates indicated.

	At March 31,					
	2014		2013		2012	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In thousands)					
Mortgage-backed securities:						
Fannie Mae	$ 47,189	$ 46,356	$ 49,657	$ 49,845	$ 30,975	$ 31,134
Ginnie Mae	4,753	4,802	11,536	11,975	22,049	22,571
Freddie Mac	26,426	25,617	27,303	27,380	21,992	22,303
Total mortgage-backed securities	78,368	76,775	88,496	89,200	75,016	76,008
U.S. Government agencies	24,539	23,413	27,075	27,029	18,766	18,821
Municpal bonds	3,242	3,338				
Freddie Mac stock	7	27	7	5	7	2
Total	$ 106,156	$ 103,553	$ 115,578	$ 116,234	$ 93,789	$ 94,831

Portfolio Maturities and Yields. The composition and maturities of the debt investment securities portfolio at March 31, 2014 are summarized in the following table. Maturities are based on the final contractual payment dates, and do not reflect the impact of prepayments or early redemptions that may occur.

	At March 31, 2014										
	One Year or Less		More Than One Year Through Five Years		More Than Five Years Through Ten Years		More Than Ten Years		Total Securities		
	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Estimated Fair Value	Weighted Average Yield
	(Dollars in thousands)										
Mortgage-backed securities:											
Fannie Mae	$	%	$	%	$ 11,043	2.22%	$ 36,146	2.28%	$ 47,189	$ 46,356	2.27%
Ginnie Mae					19	6.50	4,734	2.69	4,753	4,802	2.71
Freddie Mac			16	6.02	2,573	1.90	23,837	2.24	26,426	25,617	2.21
Total mortgage-backed securities			16	6.02	13,635	2.17	64,717	2.30	78,368	76,775	2.27

Municipal bonds							3,242	4.28	3,242	3,338	4.28
U.S. government agencies	1,017	4.53	4,522	0.79	17,000	2.11	2,000	1.00	24,539	23,413	1.88
Total	$ 1,017	4.53%	$ 4,538	0.81%	$ 30,635	2.13%	$ 69,959	2.35%	$ 106,149	$ 103,526	2.25%

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Sources of Funds

General. Deposits, scheduled amortization and prepayments of loan principal, maturities and calls of securities and funds provided by operations are our primary sources of funds for use in lending, investing and for other general purposes. We historically have not used Federal Home Loan Bank advances to fund our operations, and we had no such advances as of March 31, 2014 or 2013.

Deposits. We offer deposit products having a range of interest rates and terms. We currently offer statement savings accounts, NOW accounts, noninterest-bearing demand accounts, money market accounts and certificates of deposit. We also offer the Certificate of Deposit Account Registry Service (CDARS) program to our customers. Our strategic plan includes a greater emphasis on developing commercial business activities, both deposit and lending customer relationships.

Deposit flows are significantly influenced by general and local economic conditions, changes in prevailing interest rates, internal pricing decisions and competition. Our deposits are primarily obtained from areas surrounding our branch offices. In order to attract and retain deposits we rely on paying competitive interest rates and providing quality service.

Based on experience, we believe that our deposits are relatively stable. However, the ability to attract and maintain deposits and the rates paid on these deposits, has been and will continue to be significantly affected by market conditions. At March 31, 2014, $170.1 million, or 71.2% of our total deposit accounts were certificates of deposit, of which $102.0 million had maturities of one year or less.

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The following tables set forth the distribution of our average deposit accounts, by account type, for the years indicated.

	For the Years Ended March 31,								
	2014			2013			2012		
	Average Balance	Percent	Weighted Average Rate	Average Balance	Percent	Weighted Average Rate	Average Balance	Percent	Weighted Average Rate
	(Dollars in thousands)								
Deposit type:									
Certificates of deposit	$ 179,191	72.3%	1.04%	$ 208,204	75.8%	1.30%	$ 229,460	79.8%	1.62%
Money market	28,761	11.6	0.12	27,694	10.1	0.24	25,434	8.9	0.47
Statement savings	15,394	6.2	0.05	15,210	5.5	0.14	15,572	5.4	0.21
Noninterest bearing demand	14,869	6.0	0.00	15,967	5.8	0.00	9,280	3.2	0.00
NOW accounts	9,558	3.9	0.05	7,684	2.8	0.05	7,617	2.7	0.08
Total deposits	$ 247,773	100.0%	0.77%	$ 274,759	100.0%	1.02%	$ 287,363	100.0%	1.35%

The following table sets forth certificates of deposit classified by interest rate as of the dates indicated.

	At March 31,		
	2014	2013	2012
	(In thousands)		
Interest Rate:			
Less than 2.00%	$ 148,282	$ 164,194	$ 177,657
2.00% to 2.99%	21,522	22,876	24,486
3.00% to 3.99%	270	4,487	4,747
4.00% to 4.99%	17	4,411	10,982
5.00% and above		50	1,518
Total	$ 170,091	$ 196,018	$ 219,390

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Maturities of Certificates of Deposit Accounts. The following table sets forth the amount and maturities of certificates of deposit accounts at the dates indicated.

	At March 31, 2014 Period to Maturity					
	Less Than or Equal to One Year	**More Than One to Two Years**	**More Than Two to Three Years**	**More Than Three Years**	**Total**	**Percent of Total**
	(Dollars in thousands)					
Interest Rate Range:						
Less than 2.00%	$ 94,558	$ 30,629	$ 8,015	$ 15,080	$ 148,282	87.2%
2.00% to 2.99%	7,156	6,665	7,701		21,522	12.6
3.00% to 3.99%	270				270	0.2
4.00% to 4.99%	17				17	0.0
5.00% to 5.99%						
Total	$ 102,001	$ 37,294	$ 15,716	$ 15,080	$ 170,091	100.0%

As of March 31, 2014, the aggregate amount of outstanding certificates of deposit at Hamilton Bank in amounts greater than or equal to $100,000 was approximately $68.4 million. The following table presents the maturity of these certificates of deposit at such date.

Period to Maturity	**At March 31, 2014 (In thousands)**
Three months or less	$ 7,180
Over three through six months	9,578
Over six months through one year	21,748
Over one year to three years	23,390
Over three years	6,460
Total	$ 68,356

Borrowed Funds. As a member of the Federal Home Loan Bank of Atlanta, Hamilton Bank is eligible to obtain advances upon the security of the Federal Home Loan Bank common stock owned and certain residential mortgage loans, provided certain standards related to credit-worthiness have been met. Federal Home Loan Bank advances are available pursuant to several credit programs, each of which has its own interest rate and range of maturities. At March 31, 2014, based on available collateral, we had the ability to borrow approximately $58.1 million from the Federal Home Loan Bank of Atlanta. However, we historically have not used Federal Home Loan Bank advances to fund our operations, and had no such advances as of March 31, 2014 or 2013.

Hamilton Bank may also borrow up to $5.0 million from a correspondent bank under a secured federal funds line of credit, and $1.0 million under an unsecured line of credit. We would be required to pledge investment securities to draw upon the secured line of credit.

Employees

As of March 31, 2014, we had 58 full-time equivalent employees. Our employees are not represented by any collective bargaining group. Management believes that we have a good working relationship with our employees.

Subsidiary Activities

Hamilton Bancorp has one subsidiary, Hamilton Bank. Hamilton Bank has one wholly owned subsidiary, 3110 FC, LLC, a Maryland limited liability company that was formed to hold other real estate owned acquired through foreclosure or deed-in-lieu of foreclosure.

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REGULATION AND SUPERVISION

General

Hamilton Bank is examined and supervised by the Office of the Comptroller of the Currency (OCC) and is subject to examination by the Federal Deposit Insurance Corporation (FDIC). This regulation and supervision establishes a comprehensive framework of activities in which an institution may engage and is intended primarily for the protection of the Federal Deposit Insurance Corporation s deposit insurance fund and depositors. Under this system of federal regulation, financial institutions are periodically examined to ensure that they satisfy applicable standards with respect to their capital adequacy, assets, management, earnings, liquidity and sensitivity to market interest rates. Hamilton Bank also is a member of and owns stock in the Federal Home Loan Bank of Atlanta, which is one of the twelve regional banks in the Federal Home Loan Bank System. Hamilton Bank is also regulated to a lesser extent by the Board of Governors of the Federal Reserve System (the Federal Reserve Board) governing reserves to be maintained against deposits and other matters. The Office of the Comptroller of the Currency examines Hamilton Bank and prepares reports for the consideration of its board of directors on any operating deficiencies. Hamilton Bank s relationship with its depositors and borrowers is also regulated to a great extent by federal law and, to a much lesser extent, state law, especially in matters concerning the ownership of deposit accounts and the form and content of Hamilton Bank s mortgage documents.

As a savings and loan holding company, Hamilton Bancorp, Inc. is required to comply with the rules and regulations of the Federal Reserve Board and to file certain reports with and is subject to examination by the Federal Reserve Board. Hamilton Bancorp is also subject to the rules and regulations of the Securities and Exchange Commission under the federal securities laws.

Any change in these laws or regulations, whether by the FDIC, the OCC, the Federal Reserve Board or Congress, could have a material adverse impact on Hamilton Bancorp and Hamilton Bank and their operations.

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the Dodd-Frank Act) made extensive changes in the regulation of federal savings banks such as Hamilton Bank. Under the Dodd-Frank Act, the Office of Thrift Supervision was eliminated and responsibility for the supervision and regulation of federal savings banks was transferred to the OCC, which is also primarily responsible for the regulation and supervision of national banks. Responsibility for the regulation and supervision of savings and loan holding companies, such as Hamilton Bancorp was transferred to the Federal Reserve Board, which also supervises bank holding companies. Additionally, a new Consumer Financial Protection Bureau was established as an independent bureau of the Federal Reserve Board. The Consumer Financial Protection Bureau has assumed responsibility for the implementation of the federal financial consumer protection and fair lending laws and regulations, a function previously assigned to prudential regulators, and has authority to impose new requirements. However, institutions of less than $10 billion in assets, such as Hamilton Bank, continue to be examined for compliance with consumer protection and fair lending laws and regulations by, and are subject to the primary enforcement authority of, their primary regulator rather than the Consumer Financial Protection Bureau. The Dodd-Frank Act also, among other things, changed the base for FDIC insurance assessments, provided for originators of certain securitized loans to retain a percentage of the risk for transferred credits, directed the Federal Reserve Board to regulate pricing of certain debit card interchange fees and contained a number of reforms related to mortgage originations.

Set forth below is a brief description of certain regulatory requirements that are applicable to Hamilton Bancorp and Hamilton Bank. The description below is limited to certain material aspects of the statutes and regulations addressed, and is not intended to be a complete description of such statutes and regulations and their effects on Hamilton Bancorp and Hamilton Bank.

Federal Banking Regulation

Business Activities. A federal savings bank derives its lending and investment powers from the Home Owners Loan Act, as amended, and the regulations of the OCC. Under these laws and regulations, Hamilton Bank may invest in mortgage loans secured by residential and nonresidential real estate, commercial business loans and consumer loans, certain types of debt securities and certain other assets, subject to applicable limits. Hamilton Bank also may invest, subject to specified limits, in subsidiaries that may engage in activities not otherwise permissible for Hamilton Bank, including real estate investment and securities and insurance brokerage. The Dodd-Frank Act authorized the payment of interest on commercial checking accounts, effective July 21, 2011.

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Capital Requirements. OCC regulations require federal savings banks to meet three minimum capital standards: a 1.5% tangible capital ratio, a 4% leverage ratio (3% for savings banks receiving the highest rating on the CAMELS rating system) and an 8% risk-based capital ratio.

The risk-based capital standard for federal savings banks requires the maintenance of Tier 1 (core) and total capital (which is defined as core capital and supplementary capital) to risk-weighted assets of at least 4% and 8%, respectively. In determining the amount of risk-weighted assets, all assets, including certain off-balance sheet assets, are multiplied by a risk-weight factor of 0% to 200%, based on the risks believed inherent in the type of asset. Core capital is defined as common stockholders equity (including retained earnings), certain noncumulative perpetual preferred stock and related surplus and minority interests in equity accounts of consolidated subsidiaries, less intangibles other than certain mortgage servicing rights and credit card relationships. The components of supplementary capital currently include cumulative preferred stock, long-term perpetual preferred stock, mandatory convertible securities, subordinated debt and intermediate preferred stock, the allowance for loan and lease losses limited to a maximum of 1.25% of risk-weighted assets and up to 45% of net unrealized gains on available-for-sale equity securities with readily determinable fair values. Overall, the amount of supplementary capital included as part of total capital cannot exceed 100% of core capital. Additionally, a savings bank that retains credit risk in connection with an asset sale may be required to maintain additional regulatory capital because of the recourse back to the savings bank. In assessing an institution s capital adequacy, the Office of the Comptroller of the Currency takes into consideration not only these numeric factors but also qualitative factors as well, and has the authority to establish higher capital requirements for individual associations where necessary.

In July 2013, the Office of the Comptroller of the Currency and the other federal bank regulatory agencies issued a final rule that will revise their leverage and risk-based capital requirements and the method for calculating risk-weighted assets to make them consistent with agreements that were reached by the Basel Committee on Banking Supervision and certain provisions of the Dodd-Frank Act. Among other things, the rule establishes a new common equity Tier 1 minimum capital requirement (4.5% of risk-weighted assets), increases the minimum Tier 1 capital to risk-based assets requirement (from 4% to 6% of risk-weighted assets) and assigns a higher risk weight (150%) to exposures that are more than 90 days past due or are on nonaccrual status and to certain commercial real estate facilities that finance the acquisition, development or construction of real property. The final rule also requires unrealized gains and losses on certain available-for-sale securities holdings to be included for purposes of calculating regulatory capital requirements unless a one-time opt-in or opt-out is exercised. The rule limits a banking organization s capital distributions and certain discretionary bonus payments to executive officers if the banking organization does not hold a capital conservation buffer consisting of 2.5% of common equity Tier 1 capital to risk-weighted assets in addition to the amount necessary to meet its minimum risk-based capital requirements. The final rule also implements the Dodd-Frank Act s directive to apply to savings and loan holding companies consolidated capital requirements that are not less stringent than those applicable to their subsidiary institutions. The final rule is effective January 1, 2015. The capital conservation buffer will be phased in from January 1, 2016 to January 1, 2019, when the full capital conservation buffer will be effective.

At March 31, 2014, Hamilton Bank s capital exceeded all applicable regulatory requirements and considered well capitalized.

Loans to One Borrower. Generally, a federal savings bank may not make a loan or extend credit to a single or related group of borrowers in excess of 15% of unimpaired capital and surplus. An additional amount may be loaned, equal to 10% of unimpaired capital and surplus, if the loan is secured by readily marketable collateral, which generally does not include real estate. As of March 31, 2014, Hamilton Bank was in compliance with the loans-to-one-borrower limitations.

Qualified Thrift Lender Test. As a federal savings bank, Hamilton Bank must satisfy the qualified thrift lender, or QTL, test. Under the QTL test, Hamilton Bank must maintain at least 65% of its portfolio assets in qualified thrift investments in at least nine months of the most recent 12 months. Portfolio assets generally means total assets of a savings institution, less the sum of specified liquid assets up to 20% of total assets, goodwill and other intangible assets, and the value of property used in the conduct of the savings institution s business. A savings bank that fails the qualified thrift lender test must operate under specified restrictions. The Dodd-Frank Act made noncompliance with the QTL Test potentially subject to agency enforcement action for a violation of law. At March 31, 2014, Hamilton Bank held 79.6% of its portfolio assets in qualified thrift investments, and satisfied the QTL Test.

Capital Distributions. OCC or Federal Reserve Board regulations govern capital distributions by a federal savings bank, which include cash dividends, stock repurchases and other transactions charged to the capital account. A savings bank must file an application for approval of a capital distribution if:

- the total capital distributions for the applicable calendar year exceed the sum of the savings bank s net income for that year to date plus the savings bank s retained net income for the preceding two years;
- the savings bank would not be at least adequately capitalized (as defined in the prompt corrective action regulations discussed below) following the distribution;
- the distribution would violate any applicable statute, regulation, agreement or OCC imposed condition; or
- the savings bank is not eligible for expedited treatment of its filings.

Even if an application is not otherwise required, every savings bank that is a subsidiary of a holding company, such as Hamilton Bank, must still file a notice with the Federal Reserve Board at least 30 days before the board of directors declares a dividend or approves a capital distribution.

The Federal Reserve Board, upon consultation with OCC, may disapprove a notice or application if:

- the savings bank would be undercapitalized following the distribution;
- the proposed capital distribution raises safety and soundness concerns; or
- the capital distribution would violate a prohibition contained in any statute, regulation, agreement with a federal banking regulatory agency or condition, imposed in connection with an application or notice.

In addition, the Federal Deposit Insurance Act provides that an insured depository institution may not make any capital distribution if, after making such distribution, the institution would fail to satisfy any applicable regulatory capital requirement.

Liquidity. A federal savings bank is required to maintain a sufficient amount of liquid assets to ensure its safe and sound operation.

Community Reinvestment Act and Fair Lending Laws. All savings banks have a responsibility under the Community Reinvestment Act and related regulations of the OCC to help meet the credit needs of their communities, including low- and moderate-income neighborhoods. In connection with its examination of a federal savings bank, the OCC is required to assess the association s record of compliance with the Community Reinvestment Act. In addition, the Equal Credit Opportunity Act and the Fair Housing Act prohibit lenders from discriminating in their lending practices on the basis of characteristics specified in those statutes. An association s failure to comply with the provisions of the Community Reinvestment Act could, at a minimum, result in denial of certain corporate applications such as branches or mergers, or in restrictions on its activities. The failure to comply with the Equal Credit Opportunity Act and the Fair Housing Act could result in enforcement actions by the OCC, as well as other federal regulatory agencies and the Department of Justice. Hamilton Bank received a satisfactory Community Reinvestment Act rating in its most recent federal examination.

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Transactions with Related Parties. A federal savings bank s authority to engage in transactions with its affiliates is limited by federal regulations and by Sections 23A and 23B of the Federal Reserve Act and its implementing Regulation W. An affiliate is a company that controls, is controlled by, or is under common control with an insured depository institution such as Hamilton Bank. Hamilton Bancorp is an affiliate of Hamilton Bank. In general, loan transactions between an insured depository institution and its affiliate are subject to certain quantitative and collateral requirements. In this regard, transactions between an insured depository institution and its affiliate are limited to 10% of the institution s unimpaired capital and unimpaired surplus for transactions with any one affiliate and 20% of unimpaired capital and unimpaired surplus for transactions in the aggregate with all affiliates. Collateral in specified amounts ranging from 100% to 130% of the amount of the transaction (depending on the type of collateral) must usually be provided by affiliates in order to receive loans from the insured depository institution. In addition, federal regulations prohibit a savings bank from lending to any of its affiliates that are engaged in activities that are not permissible for bank holding companies and from purchasing the securities of any affiliate, other than a subsidiary. Finally, transactions with affiliates must be consistent with safe and sound banking practices, not involve low-quality assets and be on terms that are as favorable to the institution as comparable transactions with non-affiliates. The OCC requires savings banks to maintain detailed records of all transactions with affiliates.

Hamilton Bank s authority to extend credit to its directors, executive officers and 10% stockholders, as well as to entities controlled by such persons, is currently governed by the requirements of Sections 22(g) and 22(h) of the Federal Reserve Act and Regulation O of the Federal Reserve Board. Among other things, these provisions require that extensions of credit to insiders (i) be made on terms that are substantially the same as, and follow credit underwriting procedures that are not less stringent than, those prevailing for comparable transactions with unaffiliated persons and that do not involve more than the normal risk of repayment or present other unfavorable features (subject to an exception for bank-wide lending programs available to all employees), and (ii) not exceed certain limitations on the amount of credit extended to such persons, individually and in the aggregate, which limits are based, in part, on the amount of Hamilton Bank s capital. In addition, extensions of credit in excess of certain limits must be approved by Hamilton Bank s board of directors. Extensions of credit to executive officers are subject to additional restrictions, including limits on various types of loans.

Enforcement. The OCC has primary enforcement responsibility over federal savings institutions and has the authority to bring enforcement action against all institution-affiliated parties, including stockholders, and attorneys, appraisers and accountants who knowingly or recklessly participate in wrongful action likely to have an adverse effect on an insured institution. Formal enforcement action by the OCC may range from the issuance of a capital directive or cease and desist order, to removal of officers and/or directors of the institution and the appointment of a receiver or conservator. Civil penalties cover a wide range of violations and actions, and range up to $25,000 per day, unless a finding of reckless disregard is made, in which case penalties may be as high as $1 million per day. The FDIC also has the authority to terminate deposit insurance or to recommend to the OCC that enforcement action be taken with respect to a particular savings institution. If action is not taken by the OCC, the FDIC has authority to take action under specified circumstances.

Standards for Safety and Soundness. Federal law requires each federal banking agency to prescribe certain standards for all insured depository institutions. These standards relate to, among other things, internal controls, information systems and audit systems, loan documentation, credit underwriting, interest rate risk exposure, asset growth, compensation, and other operational and managerial standards as the agency deems appropriate. The federal banking agencies adopted Interagency Guidelines Prescribing Standards for Safety and Soundness to implement the safety and soundness standards required under federal law. The guidelines set forth the safety and soundness standards that the federal banking agencies use to identify and address problems at insured depository institutions before capital becomes impaired. The guidelines address internal controls and information systems, internal audit systems, credit underwriting, loan documentation, interest rate risk exposure, asset growth, compensation, fees and benefits. If the appropriate federal banking agency determines that an institution fails to meet any standard prescribed by the guidelines, the agency may require the institution to submit to the agency an acceptable plan to achieve compliance with the standard. If an institution fails to meet these standards, the appropriate federal banking agency may require the institution to submit a compliance plan.

***Prompt Corrective Action Regulations*.** Under the prompt corrective action regulations, the OCC is required and authorized to take supervisory actions against undercapitalized savings banks. For this purpose, a savings bank is placed in one of the following five categories based on the savings bank s capital:

well-capitalized at least 5% leverage capital, 6% Tier 1 risk-based capital and 10% total risk-based capital;

- adequately capitalized at least 4% leverage capital (3% for savings banks with a composite examination rating of 1), 4% Tier 1 risk-based capital and 8% total risk-based capital;

- undercapitalized less than 4% leverage capital (less than 3% for savings banks with a composite examination rating of 1), 4% Tier 1 risk-based capital or 8% total risk-based capital;

- significantly undercapitalized less than 6% total risk-based capital, 3% Tier 1 risk-based capital or 3% leverage capital; or

- critically undercapitalized less than 2% tangible capital.

Generally, the OCC is required to appoint a receiver or conservator for a savings bank that is critically undercapitalized within specific time frames. The regulations also provide that a capital restoration plan must be filed with the OCC within 45 days of the date a savings bank receives notice that it is undercapitalized, significantly undercapitalized or critically undercapitalized. Any holding company for the savings bank required to submit a capital restoration plan must guarantee the lesser of: an amount equal to 5% of a savings bank s assets at the time it was notified or deemed to be undercapitalized by the OCC, or the amount necessary to restore the savings bank to adequately capitalized status. This guarantee remains in place until the OCC notifies the savings bank that it has maintained adequately capitalized status for each of four consecutive calendar quarters, and the OCC has the authority to require payment and collect payment under the guarantee. Failure by a holding company to provide the required guarantee will result in certain operating restrictions on the savings bank, such as restrictions on the ability to declare and pay dividends, pay executive compensation and management fees, and increase assets or expand operations. The OCC may also take any one of a number of discretionary supervisory actions against undercapitalized savings banks, including the issuance of a capital directive and the replacement of senior executive officers and directors. At March 31, 2014, Hamilton Bank met the criteria for being considered well-capitalized.

In connection with the final capital rule described earlier, the federal banking agencies have adopted revisions, effective January 1, 2015, to the prompt corrective action framework. Under the revised prompt corrective action requirements, insured depository institutions would be required to meet the following in order to qualify as well capitalized: (1) a common equity Tier 1 risk-based capital ratio of 6.5%; (2) a Tier 1 risk-based capital ratio of 8% (increased from 6%); (3) a total risk-based capital ratio of 10% (unchanged from current rules) and (4) a Tier 1 leverage ratio of 5% (unchanged from the current rules).

Insurance of Deposit Accounts. Hamilton Bank s deposits are insured up to applicable limits by the Deposit Insurance Fund of the FDIC. The Dodd-Frank Act permanently increased the deposit insurance limit to $250,000 per account owner.

Under the FDIC s risk-based assessment system, insured institutions are assigned a risk category based on supervisory evaluations, regulatory capital levels and certain other factors. An institution s assessment rate depends upon the category to which it is assigned, and certain adjustments specified by FDIC regulations. Institutions deemed less risky pay lower assessments. The FDIC may adjust the scale uniformly, except that no adjustment can deviate more than two basis points from the base scale without notice and comment. No institution may pay a dividend if in default of the federal deposit insurance assessment.

The Dodd-Frank Act required the FDIC to revise its procedures to base its assessments upon each insured institution s total assets less tangible equity instead of deposits. The FDIC finalized a rule, effective April 1, 2011, that set the assessment range at 2.5 to 45 basis points of total assets less tangible equity.

In addition to the assessment for deposit insurance, institutions are required to make payments on bonds issued in the late 1980s by the Financing Corporation to recapitalize a predecessor deposit insurance fund. That payment is established quarterly and during the quarter ended March 31, 2014 equaled .62 basis points of total assets less tangible capital.

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The Dodd-Frank Act increased the minimum target Deposit Insurance Fund ratio from 1.15% of estimated insured deposits to 1.35% of estimated insured deposits. The FDIC must seek to achieve the 1.35% ratio by September 30, 2020. Insured institutions with assets of $10 billion or more are supposed to fund the increase. The Dodd-Frank Act eliminated the 1.5% maximum fund ratio, instead leaving it to the discretion of the FDIC and the FDIC has recently exercised that discretion by establishing a long range fund ratio of 2%.

The FDIC has authority to increase insurance assessments. A significant increase in insurance premiums would likely have an adverse effect on the operating expenses and results of operations of Hamilton Bank. We cannot predict what insurance assessment rates will be in the future.

Insurance of deposits may be terminated by the FDIC upon a finding that the institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or regulatory condition imposed in writing. We do not know of any practice, condition or violation that might lead to termination of deposit insurance.

***Prohibitions Against Tying Arrangements*.** Federal savings banks are prohibited, subject to some exceptions, from extending credit to or offering any other service, or fixing or varying the consideration for such extension of credit or service, on the condition that the customer obtain some additional service from the institution or its affiliates or not obtain services of a competitor of the institution.

Federal Home Loan Bank System. Hamilton Bank is a member of the Federal Home Loan Bank System, which consists of 12 regional Federal Home Loan Banks. The Federal Home Loan Bank System provides a central credit facility primarily for member institutions as well as other entities involved in home mortgage lending. As a member of the Federal Home Loan Bank of Atlanta, Hamilton Bank is required to acquire and hold shares of capital stock in the Federal Home Loan Bank. As of March 31, 2014, Hamilton Bank was in compliance with this requirement.

Federal Reserve System

Federal Reserve Board regulations require savings banks to maintain noninterest-earning reserves against their transaction accounts, such as negotiable order of withdrawal and regular checking accounts. At March 31, 2014, Hamilton Bank was in compliance with these reserve requirements.

Other Regulations

Interest and other charges collected or contracted for by Hamilton Bank are subject to state usury laws and federal laws concerning interest rates. Hamilton Bank s operations are also subject to federal laws applicable to credit transactions, such as the:

- Truth-In-Lending Act, governing disclosures of credit terms to consumer borrowers;

- Real Estate Settlement Procedures Act, requiring that borrowers for mortgage loans for one- to four-family residential real estate receive various disclosures, including good faith estimates of settlement costs, lender servicing and escrow account practices, and prohibiting certain practices that increase the cost of settlement services;

Home Mortgage Disclosure Act, requiring financial institutions to provide information to enable the public and public officials to determine whether a financial institution is fulfilling its obligation to help meet the housing needs of the community it serves;

Equal Credit Opportunity Act, prohibiting discrimination on the basis of race, creed or other prohibited factors in extending credit;

Fair Credit Reporting Act, governing the use and provision of information to credit reporting agencies;

fair lending laws;

Unfair or Deceptive Acts or Practices laws and regulations;

Fair Debt Collection Act, governing the manner in which consumer debts may be collected by collection agencies;

Truth in Savings Act; and

Rules and regulations of the various federal agencies charged with the responsibility of implementing such federal laws.

The operations of Hamilton Bank also are subject to the:

Right to Financial Privacy Act, which imposes a duty to maintain confidentiality of consumer financial records and prescribes procedures for complying with administrative subpoenas of financial records;

Electronic Funds Transfer Act and Regulation E promulgated thereunder, which govern automatic deposits to and withdrawals from deposit accounts and customers rights and liabilities arising from the use of automated teller machines and other electronic banking services;

Check Clearing for the 21st Century Act (also known as Check 21), which gives substitute checks, such as digital check images and copies made from that image, the same legal standing as the original paper check;

The USA PATRIOT Act, which requires savings banks to, among other things, establish broadened anti-money laundering compliance programs, and due diligence policies and controls to ensure the detection and reporting of money laundering. Such required compliance programs are intended to supplement existing compliance requirements that also apply to financial institutions under the Bank Secrecy Act and the Office of Foreign Assets Control regulations; and

The Gramm-Leach-Bliley Act, which places limitations on the sharing of consumer financial information by financial institutions with unaffiliated third parties. Specifically, the Gramm-Leach-Bliley Act requires all financial institutions offering financial products or services to retail customers to provide such customers with the financial institution s privacy policy and provide such customers the opportunity to opt out of the sharing of certain personal financial information with unaffiliated third parties.

Holding Company Regulation

Hamilton Bancorp is a unitary savings and loan holding company, subject to regulation and supervision by the Federal Reserve Board. The Federal Reserve Board has enforcement authority over Hamilton Bancorp and its non-savings institution subsidiaries. Among other things, this authority permits the Federal Reserve Board to restrict or prohibit activities that are determined to be a risk to Hamilton Bank.

Activities. The activities of a savings and loan holding company, such as Hamilton Bancorp, are limited to those activities permissible for financial holding companies or for multiple savings and loan holding companies. A financial holding company may engage in activities that are financial in nature, including underwriting equity securities and insurance, incidental to financial activities or complementary to a financial activity. The Dodd-Frank Act added that any savings and loan holding company that engages in activities permissible for a financial holding company must meet the qualitative requirements for a bank holding company to be a financial holding company and conduct the activities in accordance with the requirements that would apply to a financial holding company s conduct of the activity. A multiple savings and loan holding company is generally limited to activities permissible for bank holding companies under Section 4(c)(8) of the Bank Holding Company Act, subject to the prior approval of the Federal Reserve Board, and certain additional activities authorized by Federal Reserve Board regulations.

Federal law prohibits a savings and loan holding company, directly or indirectly, or through one or more subsidiaries, from acquiring more than 5% of the voting shares of another savings institution or savings and loan holding company, without prior written approval of the Federal Reserve Board. It also generally prohibits the acquisition or retention of more than 5% of the voting shares of a company engaged in activities that are not closely related to banking or financial in nature or acquiring or retaining control of an institution that is not federally insured. In evaluating applications by holding companies to acquire savings institutions, the Federal Reserve Board must consider factors such as the financial and managerial resources and future prospects of the savings institution involved, the effect of the acquisition on the risk to the insurance fund, the convenience and needs of the community and competitive effects.

Capital Requirements. Savings and loan holding companies are not currently subject to specific regulatory capital requirements. The Dodd-Frank Act, however, required the Federal Reserve Board to promulgate consolidated capital requirements for depository institution holding companies that are no less stringent, both quantitatively and in terms of components of capital, than those applicable to institutions themselves. Instruments such as cumulative preferred stock and trust preferred securities will no longer be includable as Tier 1 capital, as is currently the case with bank holding companies, subject to certain grandfathering. The previously discussed final rule regarding regulatory capital requirements implements the Dodd-Frank Act as to savings and loan holding companies. Consolidated regulatory capital requirements identical to those applicable to the subsidiary depository institutions will apply to savings and loan holding companies as of January 1, 2015. As is the case with institutions themselves, the capital conservation buffer will be phased in between 2016 and 2019.

Source of Strength. The Dodd-Frank Act also extends the source of strength doctrine to savings and loan holding companies. The Federal Reserve Board has issued regulations requiring that all bank and savings and loan holding companies serve as a source of strength to their subsidiary depository institutions by providing capital, liquidity and other support in times of financial stress.

Capital Distributions and Stock Repurchases. The Federal Reserve Board has issued a policy statement regarding capital distributions by bank holding companies that it has made applicable to savings and loan holding companies as well. In general, the policy provides that dividends should be paid only out of current earnings and only if the prospective rate of earnings retention by the holding company appears consistent with the organization s capital needs, asset quality and overall financial condition. Regulatory guidance provides for prior regulatory consultation with respect to capital distributions in certain circumstances such as where the company s net income for the past four quarters, net of dividends previously paid over that period, is insufficient to fully fund the dividend or the company s overall rate of earnings retention is inconsistent with the company s capital needs and overall financial condition. The ability of a holding company to pay dividends may be restricted if a subsidiary depository institution becomes undercapitalized. The policy statement also provides for regulatory review prior to a holding company redeeming or repurchasing regulatory capital instruments when the holding company is experiencing financial weaknesses or redeeming or repurchasing common stock or perpetual preferred stock that would result in a net reduction in the amount of such equity instruments outstanding as of the end of a quarter compared with the beginning of the quarter in which the redemption or repurchase occurred. These regulatory policies could affect the ability of Hamilton Bancorp to pay dividends or otherwise engage in capital distributions.

Change in Control Regulations

Under the Change in Bank Control Act, no person may acquire control of a savings and loan holding company such as the Company unless the Federal Reserve Board has been given 60 days prior written notice and has not issued a notice disapproving the proposed acquisition, taking into consideration certain factors, including the financial and managerial resources of the acquirer and the competitive effects of the acquisition. Control, as defined under federal law, means ownership, control of or holding irrevocable proxies representing more than 25% of any class of voting stock, control in any manner of the election of a majority of the company s directors, or a determination by the regulator that the acquirer has the power to direct, or directly or indirectly to exercise a controlling influence over, the management or policies of the institution. Acquisition of more than 10% of any class of a savings and loan holding company s voting stock constitutes a rebuttable presumption of control under the regulations under certain circumstances including where, as is the case with Hamilton Bancorp Inc., the issuer has registered securities under Section 12 of the Securities Exchange Act of 1934.

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Federal Securities Laws

Hamilton Bancorp common stock is registered with the Securities and Exchange Commission. Hamilton Bancorp is subject to the information, proxy solicitation, insider trading restrictions and other requirements under the Securities Exchange Act of 1934.

Sarbanes-Oxley Act of 2002

The Sarbanes-Oxley Act of 2002 addresses, among other issues, corporate governance, auditing and accounting, executive compensation, and enhanced and timely disclosure of corporate information. Our Chief Executive Officer and Chief Financial Officer are required to certify, among other things, that our quarterly and annual reports do not contain any untrue statement of a material fact.

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ITEM 1A. RISK FACTORS

Our recent emphasis on commercial real estate and commercial business loans has increased our credit risk.

We have significantly increased our origination of commercial real estate and commercial business loans during the last five years, and we intend to continue to grow our portfolios of such loans in the near term, subject to market conditions. At March 31, 2014, commercial real estate loans totaled $41.4 million, or 28.6% of total loans, compared to $6.9 million, or 4.4% of total loans, at March 31, 2009. At March 31, 2014, commercial business loans and lines of credit outstanding totaled $15.7 million, or 10.8% of total loans, compared to $1.3 million, or 0.8% of total loans, at March 31, 2009.

Commercial real estate and commercial business loans generally have more risk than the one- to four-family residential real estate loans that we originate. Because the repayment of commercial real estate and commercial business loans depends on the successful management and operation of the borrower s properties or businesses, repayment of such loans can be affected by adverse conditions in the local real estate market or economy. Commercial real estate and commercial business loans may also involve relatively large loan balances to individual borrowers or groups of related borrowers. In addition, a downturn in the real estate market or the local economy could adversely affect the value of properties securing the loan or the revenues from the borrower s business, thereby increasing the risk of nonperforming loans. See Our entry into commercial real estate and commercial business lending has resulted in higher losses on our loans, below.

Our entry into commercial real estate and commercial business lending has resulted in higher losses on our loans.

Beginning in 2009, we changed our business strategy to become less reliant upon one- to four-family lending and emphasize commercial business and commercial real estate lending. To support this strategy, we have hired additional commercial real estate and commercial loan officers with commercial lending experience, as well as additional back office monitoring and loan administration personnel. We are now performing the underwriting analysis of such loans in-house versus contracting with an outside third party in past years. We have also purchased whole commercial business and commercial real estate loans from other institutions and participated in commercial business and commercial real estate loans originated by other institutions in the past. We do not expect to purchase or participate in such loans in the near future, however, we do look at opportunities on a case by case basis.

Beginning in fiscal 2012, the level of our delinquent and non-performing commercial and commercial real estate loans began to increase, particularly in our portfolio of loan participations and purchased loans. During fiscal 2012, nonperforming loans increased $5.8 million, or 354%, to $7.4 million at March 31, 2012. During fiscal 2013, we had net charge-offs of $3.2 million, including $2.9 million of commercial business and commercial real estate loans (including commercial construction loans), and $5.1 million of nonperforming loans, including $1.3 million and $2.4 million of nonperforming commercial business loans and commercial real estate loans, respectively. During fiscal 2014, we had net charge-offs of $2.2 million, including $2.0 million of commercial business and commercial real estate loans, and at March 31, 2014 we had $5.0 million of nonperforming loans, including $2.5 million and $1.9 million of nonperforming commercial business loans and commercial real estate loans, respectively. Included in the $5.0 million of non-performing loans was $801,000 that were 90 days past their maturity date, but accruing and paying as agreed.

Given our recent emphasis on commercial business and commercial real estate lending, and that our portfolio of commercial business loans and commercial real estate loans is not seasoned, we have a limited loss history with which to measure the level of risk in our commercial real estate and commercial business loan portfolios. In addition, with our in-house underwriting function for commercial business and commercial real estate loans being relatively new, we have a limited history on which to assess the effectiveness of our commercial business and commercial real estate loan underwriting processes and personnel. Delinquencies and loan losses related to our commercial real estate loans and commercial business loans could increase more than we have provided for in our allowance for loan losses as we continue to emphasize this type of lending activity.

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If our allowance for loan losses is not sufficient to cover actual loan losses, our earnings could decrease.

We make various assumptions and judgments about the collectability of our loan portfolio, including the creditworthiness of our borrowers and the value of the real estate and other assets serving as collateral for the repayment of many of our loans. In determining the amount of the allowance for loan losses, we review our loans and our loss and delinquency experience, and we evaluate economic conditions. If our assumptions are incorrect, our allowance for loan losses may not be sufficient to cover probable incurred losses in our loan portfolio, resulting in additions to our allowance for loan losses. Additions to the allowance for loan losses are established through the provision for losses on loans which is charged against income.

The unseasoned nature of much of our commercial real estate loans and commercial business loans increases the risk that our allowance may be insufficient to absorb losses without significant additional provisions. See Our recent emphasis on commercial real estate and commercial business loans has increased our credit risk, and Our entry into commercial real estate and commercial business lending has resulted in higher losses on our loans, above. At March 31, 2014, our allowance for loan losses was $1.8 million, or 35.4% of non-performing loans.

Material additions to our allowance could materially decrease our net income. In addition, bank regulators periodically review our allowance for loan losses and may require us to increase our provision for loan losses or recognize further loan charge-offs. Any increase in our allowance for loan losses or loan charge-offs as required by these regulatory authorities might have a material adverse effect on our financial condition and results of operations.

Historically low interest rates may adversely affect our net interest income and profitability.

During the past five years it has been the policy of the Board of Governors of the Federal Reserve System (the Federal Reserve Board) to maintain interest rates at historically low levels through its targeted federal funds rate and the purchase of mortgage-backed securities. As a result, yields on securities we have purchased, and to a lesser extent, market rates on the loans we have originated, have been at levels lower than were available prior to 2008. Consequently, the average yield on our interest earning assets has decreased during the recent low interest rate environment. As a general matter, our interest-bearing liabilities reprice or mature more quickly than our interest-earning assets, which has resulted in increases in net interest income (the difference between interest income earned on assets and interest expense paid on liabilities) in the short term. However, our ability to lower our interest expense is limited at these interest rate levels, while the average yield on our interest-earning assets may continue to decrease.

The Federal Reserve Board has indicated its intention to maintain low interest rates until it believes appropriate progress has been made toward its objectives of maximum employment and price stability. Accordingly, our net interest income may be adversely affected and may even decrease, which may have an adverse effect on our profitability. For information with respect to changes in interest rates, see Changes in interest rates could adversely affect our results of operations and financial condition below.

Changes in interest rates could adversely affect our results of operations and financial condition.

Our profitability depends substantially on our net interest income, which is the difference between the interest income earned on our interest-earning assets and the interest expense paid on our interest-bearing liabilities. Increases in interest rates may decrease loan demand (which would also decrease our ability to generate noninterest income through the sale of loans into the secondary market and related fees for continuing to service those sold loans, particularly SBA loans sold) and make it more difficult for borrowers to repay adjustable-rate loans. In addition, as market interest rates rise, we will have competitive pressures to increase the rates we pay on deposits. Because interest rates we pay on our deposits would be expected to increase more quickly than the increase in the yields we earn on our interest-earning assets, our net interest income would be adversely affected.

We also are subject to reinvestment risk associated with changes in interest rates. Changes in interest rates may affect the average life of loans and mortgage-related securities. Decreases in interest rates can result in increased prepayments of loans and mortgage-related securities, as borrowers refinance to reduce borrowing costs. Under these circumstances, we are subject to reinvestment risk to the extent that we are unable to reinvest the cash received from such prepayments at rates that are comparable to the interest rates on existing loans and securities.

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We could potentially recognize goodwill impairment charges.

As of March 31, 2014, we had $2.7 million of goodwill related to the acquisition of our Pasadena, Maryland branch office in 2009. Goodwill is not amortized but is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. Impairment testing requires that the fair value of Hamilton Bank be compared to the carrying amount of the Bank s net assets, including goodwill. If the fair value of the Bank is less than book value, an expense may be required to write-down the related goodwill to the proper carrying value. We test for impairment of goodwill during February of each year. As a result of impairment testing performed during February 2014, no impairment charge was recorded. However, future declines in our banking franchise value could result in goodwill impairment expense that is material to our earnings.

Strong competition within our market areas may limit our growth and profitability.

Competition in the banking and financial services industry within our market area is intense. In our market area we compete with commercial banks, savings institutions, mortgage brokerage firms, credit unions, finance companies, mutual funds, insurance companies, and brokerage and investment banking firms operating locally and elsewhere. Many of these competitors have substantially greater resources and lending limits than we have and offer certain services that we do not or cannot provide. Our profitability depends upon our continued ability to successfully compete in our market area. The greater resources and broader range of deposit and loan products offered by our competition may limit our ability to increase our interest-earning assets and profitability. We expect competition to remain intense in the future as a result of legislative, regulatory and technological changes and the continuing trend of consolidation in the financial services industry. Technological advances, for example, have lowered barriers to entry, allowed banks to expand their geographic reach by providing services over the Internet and made it possible for non-depository institutions to offer products and services that traditionally have been provided by banks. Competition for deposits and the origination of loans could limit our ability to successfully implement our business plan, and could adversely affect our results of operations in the future.

A worsening of economic conditions could result in increases in our level of non-performing loans and/or reduce demand for our products and services, which could have an adverse effect on our results of operations.

Our markets have been adversely impacted by the severe national economic recession of 2008 and 2009. Recovery by many businesses has been impaired by lower consumer spending. If the Federal Reserve Board increases the federal funds rate or more rapidly curtails its bond purchasing program, higher interest rates would likely result, which may reduce our loan originations, and housing markets and U.S. economic activity would be negatively affected.

Unlike larger financial institutions that are more geographically diversified, our profitability depends on the general economic conditions in the Baltimore, Maryland metropolitan area. Local economic conditions have a significant impact on our commercial real estate and construction and consumer loans, the ability of the borrowers to repay these loans and the value of the collateral securing these loans. Almost all of our loans are to borrowers located in the greater Baltimore, Maryland metropolitan area or secured by collateral located in the greater Baltimore, Maryland metropolitan area.

A further deterioration in economic conditions or a prolonged delay in economic recovery in the market areas we serve, in particular the greater Baltimore, Maryland metropolitan area, could result in the following consequences, any of which could have a material adverse effect on our business, financial condition, liquidity and results of operations:

demand for our products and services may decline;

loan delinquencies, problem assets and foreclosures may increase;

collateral for loans, especially real estate, may decline further in value, in turn reducing customers borrowing power, reducing the value of assets and collateral associated with existing loans;

the net worth and liquidity of loan guarantors may decline, impairing their ability to honor commitments to us; and

the amount of our low-cost or non-interest-bearing deposits may decrease.

Moreover, a significant decline in general economic conditions could further impact these local economic conditions and could further negatively affect the financial results of our banking operations.

We operate in a highly regulated environment and we may be adversely affected by changes in laws and regulations.

We are subject to extensive regulation, supervision and examination by the Federal Reserve Board and the Office of the Comptroller of the Currency, our primary federal regulators, and the Federal Deposit Insurance Corporation, as insurer of our deposits. Such regulation and supervision governs the activities in which an institution and its holding company may engage, and are intended primarily for the protection of the insurance fund and the depositors and borrowers of Hamilton Bank rather than for holders of our common stock. Regulatory authorities have extensive discretion in their supervisory and enforcement activities, including the imposition of restrictions on our operations, the classification of our assets and determination of the level of our allowance for loan losses. Any change in such regulation and oversight, whether in the form of regulatory policy, regulations, legislation or supervisory action, may have a material impact on our operations.

Income from secondary mortgage market operations is volatile, and we may incur losses or charges with respect to our secondary mortgage market operations which would negatively affect our earnings.

We generally sell in the secondary market all residential mortgage loans that we originate with terms over 10 years on a servicing released basis, earning noninterest income in the form of gains on sale. When interest rates rise, the demand for mortgage loans tends to fall and may reduce the number of loans available for sale. In addition to interest rate levels, weak or deteriorating economic conditions also tend to reduce loan demand. Although we sell loans in the secondary market without recourse, we are required to give customary representations and warranties to the buyers. If we breach those representations and warranties, the buyers can require us to repurchase the loans and we may incur a loss on the repurchase. Since 2009, we have outsourced the loan processing and underwriting functions with respect to loans that we intend to sell in the secondary market to a third-party company. While we review each application to ensure compliance with secondary market standards, there may be some additional risk in outsourcing these functions to a third party rather than utilizing our own employees. If our relationship with this third-party loan processor/underwriter were to terminate, we would incur additional costs to undertake such functions using our own employees. In addition, if our current third-party arrangement were to be terminated, we may not be able to process and underwrite the same volume of loans for the secondary market using our own employees, which could result in reduced income.

Legislative and regulatory initiatives may affect our business activities and increase operating costs.

The potential exists for additional federal or state laws and regulations regarding lending, funding practices, capital, and liquidity standards. Bank regulatory agencies are expected to be more active in responding to concerns and trends identified in examinations, including the expected issuance of many formal enforcement orders. In addition, new laws, regulations, and other regulatory changes may also increase our compliance costs and affect our business and operations. Moreover, the Federal Deposit Insurance Corporation (FDIC) sets the cost of our FDIC insurance premiums, which can affect our profitability.

The Dodd-Frank Act made extensive changes in the regulation of insured depository institutions. The Dodd-Frank Act, among other things, directs changes in the way that institutions are assessed for deposit insurance, mandates the imposition of consolidated capital requirements on savings and loan holding companies, requires

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originators of certain securitized loans to retain a percentage of the risk for the transferred loans, stipulates regulatory rate-setting for certain debit card interchange fees, repeals restrictions on the payment of interest on commercial demand deposits and contains a number of reforms related to mortgage originations. The impact of many of the provisions of the Dodd-Frank Act cannot yet be fully assessed. However, there is a significant possibility that the Dodd-Frank Act will, at a minimum, result in increased regulatory burden, compliance costs and interest expense.

New laws, regulations, and other regulatory changes, along with negative developments in the financial industry and the domestic and international credit markets, may significantly affect the markets in which we do business, the markets for and value of our loans and investments, and our ongoing operations, costs and profitability. For more information, see Regulation and Supervision in Item 1 of this Annual Report.

Risks associated with system failures, interruptions, or breaches of security could negatively affect our earnings.

Information technology systems are critical to our business. We use various technology systems to manage our customer relationships, general ledger, securities, deposits, and loans. We have established policies and procedures to prevent or limit the impact of system failures, interruptions, and security breaches, but such events may still occur and may not be adequately addressed if they do occur. In addition any compromise of our systems could deter customers from using our products and services. Although we rely on security systems to provide security and authentication necessary to effect the secure transmission of data, these precautions may not protect our systems from compromises or breaches of security.

In addition, we outsource a majority of our data processing to certain third-party providers. If these third-party providers encounter difficulties, or if we have difficulty communicating with them, our ability to adequately process and account for transactions could be affected, and our business operations could be adversely affected. Threats to information security also exist in the processing of customer information through various other vendors and their personnel.

The occurrence of any system failures, interruption, or breach of security could damage our reputation and result in a loss of customers and business, subject us to additional regulatory scrutiny or expose us to litigation and possible financial liability. Any of these events could have a material adverse effect on our financial condition and results of operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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ITEM 2. PROPERTIES

We conduct our business through our main banking office located in Baltimore City, Maryland, four other full-service branch offices located in Baltimore City and the Maryland counties of Baltimore and Anne Arundel, and our executive and administratinve office located in Towson, Maryland, which also serves as a limited service banking office. In August 2013, we closed our branch office in the Overlea area of Baltimore due to its close proximity to one of our four remaining branch locations. The aggregate net book value of our premises was $1.6 million at March 31, 2014. Our facilities are adequate and suitable for our operations as conducted by us. The following table sets forth certain information with respect to our offices at March 31, 2014, including lease expiration dates for leased properties.

Location	Leased or Owned	Year Opened/ Acquired	Lease Expiration Date
Main Office:			
5600 Harford Road Baltimore, Maryland 21214	Owned	1937	
Branches:			
19 W. Pennsylvania Ave. Towson, Maryland 21204	Owned	1975	
9 Cranbrook Road Cockeysville, Maryland 21030	Leased	2000	May 1, 2015
8108 Jumpers Hole Road Pasadena, Maryland 21122	Owned	2009	
Executive and Administrative Office (1):			
501 Fairmount Ave. Suite 200 Towson, Maryland 21286	Leased	2011	November 29, 2016

(1) Our executive and administrative office is a limited service banking office.

ITEM 3. LEGAL PROCEEDINGS

Periodically, there have been various claims and lawsuits against us, such as claims to enforce liens, condemnation proceedings on properties in which we hold security interests, claims involving the making and servicing of real property loans and other issues incident to our business. We are not a party to any pending legal proceedings that we believe would have a material adverse effect on our financial condition, results of operations or cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market and Dividend Information.

The Company s common stock is listed on the Nasdaq Capital Market (NASDAQ) under the trading symbol HBK. The Company completed its initial public offering on October 10, 2012, and its stock commenced trading on the same day.

The following table sets forth the high and low sales prices of the Company s common stock as reported by NASDAQ for the periods indicated. The Company has not paid any dividends to its stockholders to date. See Dividends below.

	Price Range Per Share	
Fiscal 2014:	**High**	**Low**
Fourth Quarter	$ 14.40	$ 13.29
Third Quarter	15.10	13.55
Second Quarter	15.45	13.30
First Quarter	14.22	12.55

	Price Range Per Share	
Fiscal 2013:	**High**	**Low**
Fourth Quarter	$ 14.33	$ 11.26
Third Quarter (from October 10, 2012)	12.05	11.20

Holders.

As of June 27, 2014, there were approximately 158 holders of record of the Company s common stock.

Dividends.

The Company has not paid any dividends to its stockholders to date. The payment of dividends in the future will depend upon a number of factors, including capital requirements, the Company s financial condition and results of operations, tax considerations, statutory and regulatory limitations and general economic conditions. In addition, the Company s ability to pay dividends is dependent on dividends received from Hamilton Bank. For more information regarding restrictions on the payment of cash dividends by the Company and by Hamilton Bank, see Business Regulation and Supervision Holding Company Regulation Capital Distributions and Stock Repurchases , Business Regulation and Supervision Federal Savings Institution Regulation Capital Distributions and Note 12 to the Consolidated Financial Statements included in this Annual Report. No assurances can be given that any dividends will be paid or that, if paid, will not be reduced or eliminated in the future.

Securities Authorized for Issuance under Equity Compensation Plans.

None.

Recent Sales of Unregistered Securities; Use of Proceeds from Registered Securities.

None.

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Purchases of Equity Securities by the Issuer and Affiliated Purchasers.

There were no shares repurchased by the Company in the fourth quarter of fiscal 2014. On May 28, 2014, the Company announced the adoption of a stock repurchase program under which the Company could repurchase up to 179,755 shares of its common stock, or approximately 5% of the shares then outstanding. The program provides for repurchases through open market or private transactions, through block trades, and pursuant to any trading plan adopted in accordance with Rule 10b5-1 of the Securities and Exchange Commission

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ITEM 6. SELECTED FINANCIAL DATA

The following tables set forth selected historical financial and other data of Hamilton Bancorp, Inc. for the periods and at the dates indicated. The following is only a summary and you should read it in conjunction with the consolidated financial statements of Hamilton Bancorp, Inc. and notes beginning on page F-1 of this Annual Report. The information at March 31, 2014 and 2013 and for the years then ended is derived in part from the audited consolidated financial statements that appear in this Annual Report. The information at March 31, 2012, 2011 and 2010 and for the years then ended is derived in part from audited financial statements that do not appear in this Annual Report.

	At March 31,				
	2014	2013	2012	2011	2010
	(In thousands)				
Selected Financial Condition Data:					
Total assets	$ 302,769	$ 331,962	$ 318,468	$ 335,443	$ 320,539
Cash and cash equivalents	33,073	33,969	35,250	39,473	47,205
Investment securities	26,778	27,034	18,823	37,668	58,717
Mortgage-backed securities	76,776	89,200	76,008	63,483	18,410
Loans, net (1)	142,914	159,317	169,904	177,891	180,551
Federal Home Loan Bank of Atlanta stock at cost	266	401	502	504	455
Bank-owned life insurance	12,002	11,623	8,307	7,997	6,801
Deposits	238,820	260,117	281,015	298,613	284,683
Total equity	61,770	67,436	35,065	34,091	33,247

(1) Includes loans held for sale of $-0-, $197,000, $-0-, $-0- and $331,000 at March 31, 2014, 2013, 2012, 2011 and 2010, respectively.

	For the Years Ended March 31,				
	2014	2013	2012	2011	2010
	(In thousands, except per share data)				
Selected Operating Data:					
Interest revenue	$ 10,236	$ 10,885	$ 12,463	$ 12,762	$ 11,227
Interest expense	1,916	2,802	3,863	5,288	5,787
Net interest income	8,320	8,083	8,600	7,474	5,440
Provision for loan losses	1,874	1,730	2,718	616	53
Net interest income after provision for loan losses	6,446	6,353	5,882	6,858	5,387
Noninterest revenue	973	941	947	994	945
Noninterest expense	9,606	7,773	6,815	6,228	5,015
Income (loss) before income taxes (benefit)	(2,187)	(479)	14	1,624	1,317
Income taxes (benefit)	(992)	(307)	(117)	511	289
Net income (loss)	$ (1,195)	$ (172)	$ 131	$ 1,113	$ 1,028

Basic earnings per common share	$	(0.35)	$	(0.05)	N/A	N/A	N/A
Diluted earnings per common share	$	(0.35)	$	(0.05)	N/A	N/A	N/A

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	At or For the Years Ended March 31,				
	2014	2013	2012	2011	2010
Selected Financial Ratios and Other Data:					
Performance Ratios:					
Return on average assets (ratio of net income to average total assets)	(0.38)%	(0.05)%	0.04%	0.34%	0.40%
Return on average equity (ratio of net income to average equity)	(1.84)%	(0.33)%	0.36%	3.22%	3.11%
Interest rate spread (1)	2.68%	2.44%	2.62%	2.20%	1.92%
Net interest margin (2)	2.85%	2.62%	2.77%	2.37%	2.19%
Efficiency ratio expressed as a percentage (3)	103.37%	86.14%	71.38%	73.54%	78.54%
Noninterest expense to average total assets	3.05%	2.37%	2.09%	1.88%	1.94%
Noninterest revenue to average assets	0.31%	0.29%	0.29%	0.30%	0.37%
Average interest-earning assets to average interest-bearing liabilities	125.30%	119.36%	111.65%	109.79%	111.77%
Average equity to average total assets	20.58%	15.72%	11.04%	10.44%	12.80%
Asset Quality Ratios:					
Non-performing assets to total assets	1.88%	1.77%	2.55%	0.48%	0.04%
Non-performing loans to total loans	3.48%	3.18%	4.25%	0.91%	0.06%
Allowance for loan losses to non-performing loans	35.44%	40.36%	48.20%	72.84%	488.79%
Allowance for loan losses to gross loans	1.23%	1.28%	2.05%	0.66%	0.31%
Net charge-offs to average loans	1.41%	1.96%	0.20%	0.00%	0.00%
Capital Ratios:					
Total capital (to risk-weighted assets) (4)	28.38%	26.70%	20.66%	17.72%	20.03%
Tier 1 capital (to risk-weighted assets) (4)	27.28%	25.52%	19.40%	17.07%	19.66%
Tier 1 capital (to total adjusted assets) (4)	15.10%	14.13%	9.91%	9.41%	9.60%
Equity to total assets	20.40%	20.31%	11.01%	10.16%	10.37%
Tangible equity to tangible assets	19.65%	19.62%	10.18%	9.35%	9.51%
Number of:					
Full service offices	4	5	5	5	5
Full time equivalent employees	58	56	51	47	47

(1) The interest rate spread represents the difference between the weighted-average yield on interest-earning assets and the weighted-average cost of interest-bearing liabilities for the period.

(2) The net interest margin represents net interest income as a percent of average interest-earning assets for the period.

(3) The efficiency ratio represents noninterest expense divided by the sum of net interest income and noninterest income.

(4) Capital ratios are for Bank only.

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ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

This discussion and analysis reflects our consolidated financial statements and other relevant statistical data, and is intended to enhance your understanding of our financial condition and results of operations. The information in this section has been derived from the audited consolidated financial statements, which appear beginning on page F-1 of this Annual Report. You should read the information in this section in conjunction with the business and financial information regarding Hamilton Bancorp, Inc. provided in this Annual Report.

Overview

Total assests have decreased from $335.4 million at March 31, 2011, to $302.8 million at March 31, 2014. Assets have decreased in two of the last three years as a conscious effort has been made to reduce the Bank s dependency on higher costing certificates of deposits and focus on growing lower costing core deposits, specifically commercial checking and money market accounts. Total deposits have decreased from $298.6 million at March 31, 2011 to $238.8 million at March 31, 2014, a decrease of $59.8 million or 20.0% over those three years. Assets increased during fiscal year 2013 as a result of the mutual to stock conversion that was completed on October 10, 2012 in which 3,703,000 shares of common stock were sold. Net proceeds from the offering were approximately $35.6 million.

As a result of the 2007 to 2009 financial recession and slow economic growth henceforth, the Bank has not needed to grow deposits to fund loan demand and has decreased the size of the Bank through deposit runoff, particulary higher costing certificates of deposit as previously mentioned. The result of this strategy has been an increase in the net interest margin from 2.37% for the year ended March 31, 2011 to 2.85% for the year ended March 31, 2014 as management has been able to reduce our cost of funds over this period in a declining interest rate environment faster than the decline in the yield on interest earning assets.

Hamilton Bank historically had very few non-performing loans. Beginning in fiscal year 2012 we experienced an increase in delinquencies and non-performing commercial business and commercial real estate loans, particularly in our loan participations and purchased loans. During fiscal 2012, non-performing loans increased $5.8 million, or 354%, from $1.6 million at March 31, 2011 to $7.4 million at March 31, 2012. Over the past two fiscal years the Bank has diligently been working through this increase in non-performing loans. During fiscal 2013, we had net charge-offs of $3.2 million, including $2.9 million of commercial business and commercial real estate loans (including commercial construction loans) and reduced non-performing loans to $5.1 million at March 31, 2013. We continued to work through our non-performing loans in fiscal year 2014 by charging-off $2.1 million in commercial business and commercial real estate loans and reducing our non-performing loans slightly to $5.0 million, including $4.2 million loans that were on non-accrual. Over this two year period, the Bank has been able to reduce non-performing assets as a percentage of total assets from 2.55% at March 31, 2012 to 1.88% at March 31, 2014 and non-performing loans as a percentage of total loans from 4.25% at March 31, 2012 to 3.48% at March 31, 2014. At March 31, 2014, commercial business loans and commercial real estate loans accounted for $2.5 million and $1.9 million of the $5.0 million in non-performing loans, respectively. Of the $4.4 million of non-performing commercial business and commercial real estate loans at March 31, 2014, $3.6 million were on non-accrual.

In connection with our recent emphasis on commercial business and commercial real estate lending, as well as the history of increases in such loans that are delinquent or non-performing, we have increased our lending staff and back office personnel to enhance our delinquent loan monitoring system to ensure that management and the board of directors receive more up-to-date information on delinquent loans. We also established a formal loan delinquency committee in fiscal year 2013 to address delinquent and non-performing loans. However, we can make no assurances that delinquencies or loan losses related to our commercial real estate loans and commercial business loans will be reduced or will not increase as we continue to emphasize this type of lending activity. See Risk Factors Our recent emphasis on commercial real estate loans and commercial business loans has increased our credit risk and Our entry into commercial real estate and commercial business lending has resulted in higher losses on our loans.

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At March 31, 2014, our investment portfolio consisted entirely of bonds and mortgage-backed securities issued by U.S. Government agencies, municipalties or U.S. Government-sponsored enterprises, including stock in the Federal Home Loan Mortgage Corporation. The principal and interest on our mortgage-backed securities are guaranteed by the issuing entity.

Income. Our primary source of pre-tax income is net interest income. Net interest income is the difference between interest revenue, which is the income that we earn on our loans and investments, and interest expense, which is the interest that we pay on deposits and borrowings. Other significant sources of pre-tax income are customer service fees (mostly from service charges on deposit accounts), loan servicing fees, gain on sale of residential one- to four-family morgtgages in the secondary market, and income from bank-owned life insurance.

Allowance for Loan Losses. The allowance for loan losses is a valuation allowance for probable losses inherent in the loan portfolio. Management evaluates the need to establish allowances against losses on loans on a quarterly basis. When additional allowances are necessary, a provision for loan losses is charged to earnings.

Expenses. The non-interest expenses the Company incurs in operating its business consists of salaries and employee benefits, occupancy and equipment, professional services, data processing and other expenses.

Salaries and employee benefits consist primarily of salaries and wages paid to the Bank s employees, stock-based compensation, payroll taxes, expenses for health insurance, retirement plans, and other employee benefits.

Occupancy and equipment expenses, which are the fixed and variable costs of buildings and equipment, consist primarily of depreciation charges, furniture and equipment expenses, maintenance, real estate taxes and costs of utilities. Depreciation of premises and equipment is computed using the straight-line method based on the useful lives of the related assets, which range from three to forty years. Leasehold improvements are amortized over the shorter of the useful life of the asset or the expected term of the lease. The expected term includes lease option periods to the extent that the exercise of such options is reasonably assured.

Professional services include the fees that we pay to our outside accountants, attorneys and other consultants.

Data processing expenses are the fees paid to third parties for processing customer information, deposits and loans.

Other expenses include expenses for marketing, office supplies, postage, telephone, insurance, charitable contributions, FDIC deposit insurance and OCC assessments and other miscellaneous operating expenses.

Critical Accounting Policies

The discussion and analysis of the financial condition and results of operations are based on our consolidated financial statements, which are prepared in conformity with generally accepted accounting principles used in the United States of America. The preparation of these consolidated financial statements requires management to make estimates and assumptions affecting the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of income and expenses. We consider the accounting policies discussed below to be critical accounting policies. The estimates and assumptions that we use are based on historical experience and various other factors and are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions, resulting in a change that could have a material impact on the carrying value of our assets and liabilities and our results of operations.

On April 5, 2012, the Jumpstart Our Business Startups Act of 2012 (the JOBS Act) was signed into law. The JOBS Act contains provisions that, among other things, reduce certain reporting requirements for qualifying public companies. As an emerging growth company we may delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. We have chosen to take advantage of the benefits of this extended transition period. Accordingly, our consolidated financial statements may not be comparable to companies that comply with such new or revised accounting standards.

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The following represent our critical accounting policies:

Allowance for Loan Losses. The allowance for loan losses is the estimated amount considered necessary to cover inherent, but unconfirmed, credit losses in the loan portfolio at the balance sheet date. The allowance is established through the provision for losses on loans which is charged against income. In determining the allowance for loan losses, management makes significant estimates and has identified this policy as one of our most critical accounting policies.

Management performs a quarterly evaluation of the allowance for loan losses. Consideration is given to a variety of factors in establishing this estimate including, but not limited to, current economic conditions, delinquency statistics, geographic and industry concentrations, the adequacy of the underlying collateral, the financial strength of the borrower, results of internal loan reviews and other relevant factors. This evaluation is inherently subjective as it requires material estimates that may be susceptible to significant change.

The analysis has two components, specific and general allocations. Specific percentage allocations can be made for unconfirmed losses related to loans that are determined to be impaired. Impairment is measured by determining the present value of expected future cash flows or, for collateral-dependent loans, the fair value of the collateral adjusted for market conditions and selling expenses. If the fair value of the loan is less than the loan s carrying value, a charge is recorded for the difference. The general allocation is determined by segregating the remaining loans by type of loan, risk weighting (if applicable) and payment history. We also analyze historical loss experience, delinquency trends, general economic conditions and geographic and industry concentrations. This analysis establishes factors that are applied to the loan groups to determine the amount of the general reserve. Actual loan losses may be significantly more than the allowances we have established which could result in a material negative effect on our financial results.

Securities Valuation and Impairment. We classify our investments in debt and equity securities as either held to maturity or available for sale. Securities classified as held to maturity are recorded at cost or amortized cost. Available-for-sale securities are carried at fair value. We obtain our fair values from a third party service. This service s fair value calculations are based on quoted market prices when such prices are available. If quoted market prices are not available, estimates of fair value are computed using a variety of techniques, including extrapolation from the quoted prices of similar instruments or recent trades for thinly traded securities, fundamental analysis, or through obtaining purchase quotes. Due to the subjective nature of the valuation process, it is possible that the actual fair values of these investments could differ from the estimated amounts, thereby affecting our financial position, results of operations and cash flows.

If the estimated value of investments is less than the cost or amortized cost, we evaluate whether an event or change in circumstances has occurred that may have a significant adverse effect on the fair value of the investment. If such an event or change has occurred and we determine that the impairment is other-than-temporary, we record the impairment of the investment in the period in which the event or change occurred. We also consider how long a security has been in a loss position in determining if it is other than temporarily impaired. Management also assesses the nature of the unrealized losses taking into consideration factors such as changes in risk-free interest rates, general credit spread widening, market supply and demand, creditworthiness of the issuer, and quality of the underlying collateral. At March 31, 2014, all of our securities were either issued by U.S. government agencies, U.S. government-sponsored enterprises, or municipalities and the principal and interest on 96.8% of our securities were guaranteed by the issuing entity.

Goodwill Impairment. Goodwill represents the excess purchase price paid for our Pasadena branch over the fair value of the net assets acquired. Goodwill is not amortized but is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. The Company is considered the Reporting Unit for purposes of impairment testing. Impairment testing requires that the fair value of the Company be compared to the carrying amount of the Company s net assets, including goodwill. If the fair value of the Company exceeds the book value, no write-down of recorded goodwill is required. If the fair value of the Company is less than book value, an expense may be required to write-down the related goodwill to the proper carrying value. We test for impairment of goodwill during February of each year. We estimate the fair value of the Company utilizing four valuation methods including the Comparable Transactions Approach, the Control Premium Approach, the Public Market Peers Approach, and the Discounted Cash Flow Approach.

Based on our impairment testing during February 2014, there was no evidence of impairment of the Company s goodwill or intangible assets.

Income Taxes. We account for income taxes under the asset/liability method. We recognize deferred tax assets for the future consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, as well as operating loss and tax credit carry-forwards. We measure deferred tax assets and liabilities using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. We recognize the effect on deferred tax assets and liabilities of a change in tax rates in income in the period indicated by the enactment date. We establish a valuation allowance for deferred tax assets when, in the judgment of management, it is more likely than not that such deferred tax assets will not become realizable. The judgment about the level of future taxable income is dependent to a great extent on matters that may, at least in part, be beyond our control. It is at least reasonably possible that management s judgment about the need for a valuation allowance for deferred tax assets could change in the near term.

Comparison of Financial Condition at March 31, 2014 and March 31, 2013

Assets. Total assets decreased $29.2 million, or 8.8%, to $302.8 million at March 31, 2014 from $332.0 million at March 31, 2013. The decrease in assets is primarily attributable to a $16.4 million decrease in net loans and a $12.7 million decrease in investment securities during the fiscal year ended March 31, 2014.

Loans. Net loans receivable, including loans held for sale, decreased by $16.4 million, or 10.3%, to $142.9 million at March 31, 2014 from $159.3 million at March 31, 2013. The decrease in loans receivable during this period was primarily due to a decrease of $7.6 million, or 9.5%, in total one- to four-family mortgage loans, a decrease of $2.1 million, or 15.1%, in home equity loans and lines of credit, and a decrease of $11.3 million, or 41.9%, in commercial business loans, partially offset by a $5.2 million, or 14.3%, increase in commercial real estate loans. The decrease in one- to four-family mortgage loans was primarily due to principal paydowns, prepayments, pay offs and the sale of newly originated residential mortgage loans in the secondary market. The decrease in commercial business loans was primarily due to charge-offs and the pay-off of several larger commercial loan borrowers who opted to refiance with other financial institutions. The increase in commercial real esate loans reflected our continued emphasis on originating these types of loans.

Securities. Investment securities decreased $12.7 million, or 10.9%, to $103.6 million at March 31, 2014, from $116.2 million at March 31, 2013. The decrease in securities during fiscal 2014 was primarily due to a $3.3 million decrease in the fair value of the investment portfolio due to rising interest rates over the past year, as well as the need to fund a $21.3 million decrease in deposits as part of our business strategy to allow higher costing certificates of deposit to run off at maturity, and gradually replace them with lower-cost core deposits. The decrease in investments was partially offset by the proceeds received from the $16.4 million decrease in net loans receivable from March 31, 2013 to March 31, 2014.

Cash and Cash Equivalents. During the year ended March 31, 2014, cash and cash equivalents decreased by $895,000, or 2.6%, to $33.1 million.

Bank-Owned Life Insurance. We invest in bank-owned life insurance to provide us with a funding source for our benefit plan obligations. Bank-owned life insurance also generally provides us noninterest income that is tax-exempt. Federal regulations generally limit our investment in bank-owned life insurance to 25% of our Tier 1 capital plus our allowance for loan losses. At March 31, 2014, our investment in bank-owned life insurance was $12.0 million, an increase of $379,000 from $11.6 million at March 31, 2013. The increase is primarily attributable to the increase in the cash surrender value of the insurance policies.

Deposits. Total deposits decreased $21.3 million, or 8.2%, to $238.8 million at March 31, 2014 from $260.1 million at March 31, 2013. The decrease is attributable to our on-going efforts to reduce our reliance on certificates of deposit as a funding source. We continued to allow higher costing certificates of deposit to runoff at maturity during fiscal 2014 and 2013, as we focused on increasing the level of core deposits. During fiscal 2014, certificates of deposit decreased $25.9 million, or 13.2%, to $170.1 million, while noninterest bearing checking increased $3.8 million, or 32.7%, to $15.3 million. Statement savings, NOW and money market accounts all increased slightly from fiscal 2013. Statement savings accounts increased $469,000, or 3.0%, to $16.0 million, NOW accounts increased $208,000, or 2.3%, to $9.1 million and money market accounts increased $182,000, or 0.6%, to $28.4 million.

Borrowings. We had no borrowings outstanding at March 31, 2014 or 2013. At March 31, 2014, we had the ability to borrow approximately $58.1 million from the Federal Home Loan Bank of Atlanta, subject to our pledging sufficient assets. At that date we also had the ability to borrow $5.0 million under a secured Line of Credit, along with a $1.0 million unsecured Line of Credit with a correspondent financial institution.

Equity. Total equity decreased $5.7 million, or 8.4%, to $61.8 million at March 31, 2014 from $67.4 million at March 31, 2013. The decrease was primarily attributable to a 5.0% stock buyback program completed in November 2013 for $2.8 million. In addition, there was a $2.0 million decrease in accumulated other comprehensive income and a $1.2 million net loss for the fiscal year ended March 31, 2014. The decrease in accumulated other comprehensive income was due to the negative impact of rising interest rates over the past year on the market value of the investment portfolio.

Comparison of Results of Operations for the Years Ended March 31, 2014 and March 31, 2013

General. Net loss increased $1.0 million to a net loss of $1.2 million for the year ended March 31, 2014 compared to a net loss of $172,000 for the year ended March 31, 2013. The primary reason for the decrease was a $1.8 million increase in noninterest expenses, including increases in salaries and benefits, legal services, other professional services and costs associated with foreclosed real estate along with an increase of $144,000 in the provision for loan losses. The increase in noninterest expenses was partially offset by a $237,000 increase in net interest income and a $685,000 increase in the income tax benefit.

Net Interest Income. Net interest income increased by $237,000, or 2.9%, to $8.3 million for the year ended March 31, 2014 from $8.1 million for the year ended March 31, 2013. The increase resulted from a decrease of $886,000 in interest expense, partially offset by a decrease of $649,000 in interest and dividend income. These decreases were driven by both declining market interest rates and average balances during the year ended March 31, 2014. The average cost of our interest-bearing liabilities declined 26 basis points to 0.82% while the the average yield on our interest-earning assets remained relatively flat at 3.51%. In addition, the average balance on our interest-bearing liabilities decreased $25.9 million, or 10.0%, compared to a decrease of $17.1 million, or 5.5%, in our average interest-earning assets. Overall, our net interest-earning assets increased $8.8 million during fiscal 2014. As a result, our net interest margin and interest rate spread increased 23 and 24 basis points to 2.85% and 2.68% for the year ended March 31, 2014 from 2.62% and 2.44%, respectively, for the year ended March 31, 2013.

Interest and Dividend Revenue. Interest and dividend revenue decreased $649,000 to $10.2 million for the year ended March 31, 2014 from $10.9 million for the year ended March 31, 2013. The decrease resulted primarily from a $930,000 decrease in interest revenue on loans, partially offset by a $329,000 increase in interest on securities.

Interest revenue on loans decreased $930,000, or 10.3%, to $8.1 million for the year ended March 31, 2014 from $9.0 million for the year ended March 31, 2013. This decrease primarily resulted from a 22 basis point decrease in the average yield on loans to 5.28% for the year ended March 31, 2014 from 5.50% for the year ended March 31, 2013, reflecting decreases in market interest rates. The decrease was also due in part to a decrease in the average balance of loans of $10.9 million, or 6.7%, to $153.0 million for the year ended March 31, 2014 from $163.9 million for the year ended March 31, 2013.

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Interest and dividend revenue on total securities increased $329,000 to $2.1 million for the year ended March 31, 2014 from $1.8 million for the year ended March 31, 2013. The increase resulted from a $162,000 increase in interest revenue on mortgage-backed securities and a $167,000 increase in interest revenue on other investment securities. The increase in interest revenue from mortgage-backed securities was due to a $6.6 million increase in the average balance of mortgage-backed securities in conjunction with a 5 basis point increase in the average yield from 1.80% to 1.85%. The increase in interest revenue on other investment securities was primarily due to an $8.7 million increase in the average balance of other investment securities while the average yield remained flat at 1.91% compared to fiscal year 2013. The slight increase in the overall average yield reflects the steady nature of interest rates on securities experienced during fiscal year 2014.

Interest Expense. Interest expense, consisting entirely of the cost of interest-bearing deposits, decreased $886,000, or 31.6%, to $1.9 million for the year ended March 31, 2014 from $2.8 million for the year ended March 31, 2013. The decrease in the cost of interest-bearing deposits was due to a decrease of 26 basis points in the average rate paid on interest-bearing deposits to 0.82% for the year ended March 31, 2014 from 1.08% for the year ended March 31, 2013. We experienced decreases in the cost of all categories of interest-bearing deposits, except NOW accounts which remained flat at 0.05%, for the year ended March 31, 2014. The most significant decrease in the average rate paid on interest-bearing deposits was in certificate of deposit, reflecting lower market interest rates. The decrease in interest expense was also due to a $25.9 million, or 10.0%, decrease in the average balance of interest-bearing deposits to $232.9 million for the year ended March 31, 2014 from $258.8 million for the year ended March 31, 2013. The decline in the average balance of interest-bearing deposits was primarily due to our strategy to allow higher costing certificates of deposit to runoff, and gradually replace them with lower-cost core deposits. The average balance of certificates of deposit decreased $29.0 million for the year ended March 31, 2014 compared to the year ended March 31, 2013, while the average balances of money market and NOW accounts accounts increased $1.1 million, or 3.9%, and $1.9 million, or 24.4%, respectively. The average balance of noninterest bearing demand accounts decreased $1.1 million, or 6.9%, to $14.9 million for the year ended March 31, 2014. The higher average balance for noninterest bearing demand deposits during fiscal 2013 is primarily attributable to the excess proceeds received leading up to the completion of the stock offering in October 2012.

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Average Balances and Yields. The following table presents information regarding average balances of assets and liabilities, the total dollar amounts of interest income and dividends from average interest-earning assets, the total dollar amounts of interest expense on average interest-bearing liabilities, and the resulting annualized average yields and costs. The yields and costs for the periods indicated are derived by dividing income or expense by the average balances of assets or liabilities, respectively, for the periods presented. For purposes of this table, average balances have been calculated using daily average balances, nonaccrual loans are included in average balances only, and loan fees are included in interest income on loans.

	Years Ended March 31,					
	2014			2013		
	Average Balance	Interest and Dividends	Yield/ Cost	Average Balance	Interest and Dividends	Yield/ Cost
	(Dollars in thousands)					
Interest-earning assets:						
Loans (1)	$ 153,019	$ 8,080	5.28%	$ 163,930	$ 9,010	5.50%
Investment securities (2)	26,399	505	1.91	17,666	336	1.91
Mortgage-backed securities	87,110	1,614	1.85	80,481	1,451	1.80
Cash and cash equivalents	25,294	37	0.15	46,825	88	0.19
Total interest-earning assets	291,822	10,236	3.51	308,902	10,885	3.52
Noninterest-earning assets	22,966			19,689		
Total assets	$ 314,788			$ 328,591		
Interest-bearing liabilities:						
Certificates of deposit	$ 179,191	1,868	1.04%	$ 208,204	2,710	1.30%
Money market	28,761	35	0.12	27,694	67	0.24
Statement savings	15,394	8	0.05	15,210	21	0.14
NOW accounts	9,558	5	0.05	7,684	4	0.05
Total interest-bearing liabilities	232,904	1,916	0.82	258,792	2,802	1.08
Noninterest-bearing liabilities:						
Noninterest bearing deposits	14,869			15,967		
Other noninterest-bearing liabilities	2,236			2,182		
Total liabilities	250,009			276,941		
Total equity	64,779			51,650		
Total liabilities and equity	$ 314,788			$ 328,591		
Net interest income		$ 8,320			$ 8,083	
Net interest rate spread (3)			2.68%			2.44%
Net interest-earning assets (4)	$ 58,918			$ 50,110		

Net interest margin (5)		2.85%		2.62%
Average interest-earning assets to average interest-bearing liabilities	125.30%		119.36%	

(1) Includes non-accrual loans.
(2) Includes U.S. agency securities, municipal securities, and to a much lesser extent, FHLMC debt securities and Federal Home Loan Bank equity securities.
(3) Net interest rate spread represents the difference between the yield on average interest-earning assets and the cost of average interest-bearing liabilities.
(4) Net interest-earning assets represents total interest-earning assets less total interest-bearing liabilities.
(5) Net interest margin represents net interest income divided by average total interest-earning assets.

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Rate/Volume Analysis. The following table sets forth the effects of changing rates and volumes on our net interest income. The rate column shows the effects attributable to changes in rate (changes in rate multiplied by prior volume). The volume column shows the effects attributable to changes in volume (changes in volume multiplied by prior rate). The net column represents the sum of the prior columns. For purposes of this table, changes attributable to changes in both rate and volume that cannot be segregated have been allocated proportionately based on the changes due to rate and the changes due to volume.

	2014 Compared to 2013 Increase (Decrease) Due to		
	Volume	Rate	Net
	(In thousands)		
Interest-earning assets:			
Loans	$ (599)	$ (331)	$ (930)
Investment securities	167	2	169
Mortgage-backed securities	119	44	163
Cash and cash equivalents	(41)	(10)	(51)
Total interest-earning assets	(354)	(295)	(649)
Interest-bearing liabilities:			
Certificates of deposit	(376)	(466)	(842)
Money market	3	(35)	(32)
Statement savings	0	(13)	(13)
NOW accounts	1	0	1
Total interest-bearing liabilities	(372)	(514)	(886)
Change in net interest income	$ 18	$ 219	$ 237

Provision for Loan Losses. We establish provisions for loan losses that are charged to operations in order to maintain the allowance for loan losses at a level believed, to the best of management s knowledge, to cover all known and inherent losses in the portfolio both probable and reasonable to estimate at each reporting date. We recorded a provision for loan losses of $1.9 million for the year ended March 31, 2014 and a provision for loan losses of $1.7 million for the year ended March 31, 2013. The allowance for loan losses was $1.8 million, or 35.4% of non-performing loans, at March 31, 2014, compared to $2.1 million, or 40.4% of non-performing loans, at March 31, 2013, and $3.6 million, or 48.2% of non-performing loans, at March 31, 2012.

The elevated provision and allowance for loan losses during fiscal 2012 through 2014 reflects management s view of the losses inherent in the loan portfolio. Our non-performing loans increased by $5.8 million, or 354%, to $7.4 million at March 31, 2012 from $1.6 million at March 31, 2011. Since fiscal 2012, however, our non-performing loans have decreased $2.3 million, or 31.6%, to $5.0 million at March 31, 2014. During the years ended March 31, 2014 and 2013, net loan charge-offs increased to $2.2 million and $3.2 million, respectively, compared to $349,000 in charge-offs in fiscal 2012 and no charge-offs during fiscal 2011. During fiscal 2014 and 2013 we have continued to focus on originating and growing the amount of our commercial real estate and commercial business loans, which are generally considered to bear higher risk than one- to four-family mortgage loans. Our view of the increased inherent loss in our loan portfolio has caused us to maintain a higher overall level of our allowance for loan losses for the past several years.

Since increasing the allowance for loan losses in fiscal 2012 to $3.6 million with $2.7 million being added through the provision for loan losses, the provision for loan losses has decreased in both fiscal year 2014 and 2013 to $1.9 million and $1.7 million, respectively. The decrease in the provision and allowance for loan losses during fiscal 2014 and 2013 as compared to fiscal 2012 reflects management s view of the losses inherent in the loan portfolio. Our non-performing loans decreased by $92,000, or 1.8%, to $5.0 million at March 31, 2014 compared to $5.1 million at March 31, 2013. In fiscal 2013 our non-performing loans decreased $2.3 million, or 31.6%, to $5.1 million from $7.4 million at March 31, 2012. During the year ended March 31, 2014, we recorded $2.2 million of net loan charge-offs compared to $3.2 million during fiscal 2013.

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Noninterest Revenue. Noninterest revenue increased $32,000 to $973,000 for the year ended March 31, 2014 compared to $941,000 for the year ended March 31, 2013. The increase was primarily due to an $83,000 gain on the sale of premises and equipment associated with the closing of the Belmar branch located in Baltimore City, a $69,000 increase in service charges relating to increased fees and transactions, and a $64,000 increase in bank owned life insurance revenue. These increases were partially offset by a $58,000 decrease in gain on sale of investment securities and a $106,000 decrease in other noninterest revenue due to an $85,000 gain on the sale of Small Business Administration (SBA) loans in fiscal 2013.

Noninterest Expense. Noninterest expense increased $1.8 million, or 23.6%, to $9.6 million for the year ended March 31, 2014 from $7.8 million for the year ended March 31, 2013. The largest components of this increase were salaries and benefits, which increased $717,000, professional services, including legal fees, which increased $679,000, foreclosed real estate expense, which increased $450,000, data processing expense, which increased $43,000, occupancy expense, which increased $71,000, and other operating expense, including outside underwriting, director fees, insurance, telephone, postage, office supplies, contributions and bank fees, increased $65,000.

The increase in salaries and benefits is due to the the addition of several new residential and commercial loan personnel, including the hiring of a new Chief Lending Officer. The hiring of new personnel is a concerted effort by management to continue to position the Bank for profitable growth by focusing on commercial loan growth, increasing our core deposit base and generating additional noninterest revenue through the sale of one- to four-family residential mortgages in the secondary market. The increase in professional fees, in particular legal fees, is due to the added cost of working through our problem assets, including nonperforming loans and foreclosed real estate, as well as implementing the 2013 Equity Incentive Plan. Included in foreclosed real estate expense is the sale of one of the Bank s foreclosed real estate properties in which the Bank realized a loss of $154,000 and another foreclosed real estate property that had to be written down by $340,000 to its fair value based upon a newly received appraisal.

Income Tax Expense. We recorded a $992,000 tax benefit for the year ended March 31, 2014 and a $307,000 tax benefit for the year ended March 31, 2013. The income tax benefit for the years ended March 31, 2014 and 2013, was the result of the loss before income taxes of $2.2 million and $479,000 for fiscal year 2014 and 2013, respectively, along with Hamilton Bank s tax exempt income totaling approximately $425,000 and $320,000 for the years ended March 31, 2014 and 2013, respectively.

RISK MANAGEMENT

Managing risk is an essential part of successfully operating a financial institution. Our most significant types of risk are economic risk and regulatory and compliance risk.

Our three most prominent forms of economic risk are credit risk, interest rate risk and market risk. Our primary credit risk is the risk of defaults in our loan portfolio that result from the inability or unwillingness of borrowers to make contractually required payments. To a lesser extent, we also have credit risk related to the risk of defaults in our investment securities portfolio. Interest rate risk is the potential reduction of interest income as a result of changes in interest rates. Market risk arises from fluctuations in interest rates that may result in changes in the values of financial instruments, such as available-for-sale securities that are accounted for on a mark-to-market basis.

Regulatory and compliance risk involves our ability to effectively adapt to, and comply with, changes in the regulatory environment for financial institutions. We are subject to the regulations of various government agencies. These regulations may change significantly from period to period. We also undergo periodic examinations by regulatory agencies that may subject us to further changes with respect to asset valuations and classifications, amounts required for the allowance for loan losses and operating restrictions resulting from the regulators judgment based on information available to them at the time of their examination.

Other risks that we face are operational risks, liquidity risk and reputation risk. Operational risks include risks related to fraud, processing errors, technology and disaster recovery. Liquidity risk is the possible inability to fund obligations to depositors, lenders or borrowers due to unforeseen circumstances. Reputation risk is the risk that negative publicity or press, whether true or not, could cause a decline in our customer base or revenue.

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Credit Risk Management

Our strategy for credit risk management focuses on having well-defined credit policies and uniform underwriting criteria and providing prompt attention to potential problem loans. Our loan approval process is decribed in Item 1. Business , under the heading Lending Activities Loan Approval Procedures and Authority .

Although we experienced a significant increase in delinquent and non-performing commercial real estate and commercial business loans during fiscal 2012, the substantial majority (approximately 78%) of such loans experiencing issues at March 31, 2012 were related to loan participations and loan purchases that we entered into prior to fiscal 2010 and prior to hiring experienced commercial lending staff and fully establishing our own commercial lending program. During 2010, we decided that we would not purchase or participate in commercial business or commercial real estate loans in the near future, although we may look at opportunities for participations and purchases on a case by case basis. We have recently modified our lending strategies so that we currently do not purchase whole commercial real estate and commercial loans or enter into participations with respect to such loans.

We have also revised our commercial loan underwriting policies, and have recently implemented a new loan monitoring system and hired additional staff dedicated to ensuring that all required loan information and documentation is obtained at the time a loan is originated and that such information is updated as required by our underwriting policies. This loan monitoring system, which tracks loans originated by the Bank as well as loan participations and purchased loans, is also integrated with our general ledger, which allows management to monitor loan payment history and changes in loan status on a real time basis. In addition, we have established a formal loan delinquency committee to address delinquent and non-performing loans. We believe that the improvements that we have made to our commercial lending capabilities during the last two years will allow us to successfully implement our strategy of increasing our commercial lending operations.

Collection Procedures. When a residential mortgage borrower fails to make required payments on a loan, we take a number of steps to induce the borrower to cure the delinquency and restore the loan to current status. With respect to residential real estate loans, we generally send a written notice of non-payment to the borrower 15 days after a loan is first past due. When a loan becomes 90 days past due, the loan is turned over to our attorneys to ensure that further collection activities are conducted in accordance with applicable laws and regulations. All residential mortgage loans past due 90 days are put on non-accrual and reported to the board of directors monthly. If our attorneys do not receive a response from the borrower, or if the terms of any payment plan established are not followed, then foreclosure proceedings will be implemented. Management submits an Asset Classification Report detailing delinquencies to the board of directors on a monthly basis. Our attorneys issue a monthly report to the board of directors regarding the status of any loans on which they are working.

With respect to home equity loans and lines of credit, a complete listing of all delinquent accounts is given to senior management for evaluation on a monthly basis. The data center produces and sends late charge notifications to customers that alert customers of their payment status. If the account remains past due when the next late charge notice is produced, a collection letter is sent requiring delinquent accounts to be brought current within 10 days. Failure to comply or respond to collection efforts will result in the loan being turned over to our attorneys for collection.

Commercial loan officers are responsible for the prompt follow up with borrowers who become delinquent on commercial loans. Officers determine the cause of the delinquency and work with the borrower to institute a short-term plan to eliminate the delinquency. Commercial loans that become over 30 days delinquent are reported to the Chief Lending Officer for collection. If no reasonable plan to cure a delinquency over 60 days is reached, the Bank will initiate legal action. When a commercial loan becomes 75 days delinquent, the Chief Lending Officer is required to re-verify all documentation, including adequate insurance coverage. In addition, the Chief Credit Risk Officer works with the borrower and legal counsel in a loan work out capacity in an attempt to minimize any potential loss of principal to the Bank. Commercial loans 90 days delinquent are generally placed on non-accrual and evaluated for charge-off. All loans over 90 days delinquent are reported to the board of directors monthly. All charged-off loans and subsequent recoveries are reported in aggregate on a monthly basis to the appropriate members of senior management and the board of directors. Prior to the extension of any non-accrual loan, a request for extension must be executed with proper approval. At the time the loan is placed in non-accrual, the accrued, but unpaid interest is reversed against the loan account in accordance with the Bank s non-accrual policy. A loan may not be removed from non-accrual status until the loan is paid current or, under a modification agreement, an adequate period of time has passed in which the borrower has demonstrated the ability to make payments and their cashflow supports the payment going forward. At this point, management will determine whether or not to return the loan to accrual status.

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Analysis of Nonperforming, Delinquent and Classified Assets. Loans are generally placed on nonaccrual status when they are 90 days past due based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual status at an earlier date if collection of principal or interest is considered doubtful. All interest accrued but not collected for loans that are placed on nonaccrual status is reversed against interest revenue. The interest on nonaccrual loans is accounted for on the cash basis method, until the loans qualify for return to accrual status. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured. For certain nonaccrual loans, interest payments received are applied to the principal balance of the loan.

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Non-Performing Assets. The table below sets forth the amounts and categories of our non-performing assets at the dates indicated.

	At March 31,				
	2014	2013	2012	2011	2010
	(Dollars in thousands)				
Non-accrual loans:					
Real estate loans:					
One- to four-family residential	$ 283	$ 1,006	$ 706	$ 757	$ 87
One- to four-family investor	159	372	305		
Construction	1,552	1,003	1,337		
Commercial		1,407	2,598	695	
Commercial business loans	2,041	1,307	2,375		
Consumer loans:					
Home equity loans and lines of credit	204	37	30		
Other consumer			18		
Total non-accrual loans	4,239	5,132	7,369	1,452	87
Loans delinquent 90 days or greater and still accruing:					
Real estate loans:					
One- to four-family residential					23
One- to four-family investor					
Construction					
Commercial	301				
Commercial business loans	500			165	
Consumer loans:					
Home equity loans and lines of credit					
Other consumer				7	6
Total loans delinquent 90 days or greater and still accruing	801			172	29
Total non-performing loans	5,040	5,132	7,369	1,624	116
Other real estate owned and foreclosed assets:					
Real estate loans:					
One- to four-family residential					
One- to four-family investor					
Construction	664				
Commercial		756	756		
Commercial business loans					
Consumer loans:					
Home equity loans and lines of credit					
Other consumer					

Total other real estate owned and foreclosed assets	664	756	756		
Total non-performing assets	5,704	5,888	8,125	1,624	116
Performing troubled debt restructurings	1,538	1,458	1,417		
Total non-performing assets and performing troubled debt restructurings	$ 7,242	$ 7,346	$ 9,542	$ 1,624	$ 116
Ratios:					
Non-performing loans to total loans	3.48%	3.18%	4.25%	0.91%	0.06%
Non-performing assets to total assets	1.88%	1.77%	2.55%	0.48%	0.04%

Non-performing loans totaled $5.0 million at March 31, 2014 compared to $5.1 million at March 31, 2013. The decrease in non-performing loans during fiscal 2014 resulted primarily from a $1.1 million decrease in non-performing commercial real estate loans and a $935,000 decrease in non-performing one- to four-family residential real estate loans, partially offset by a $1.2 million increase in non-performing commercial business loans and a $549,000 increase in non-performing commercial construction loans.

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At March 31, 2014, non-performing commercial real estate loans consisted of one commercial real estate loan in which Hamilton Bank has a 50% participation interest and is not the lead lender. This loan has a total outstanding contractual balance of 603,000 at March 31, 2014, of which Hamilton Bank s interest represents $301,000. The loan is secured by a bar/restaurant property and is paying as agreed. The loan matured in September 2013 and has not been renewed by the lead lender due to a regulatory restriction that prevents them from renewing or extending the loan. As a result, the loan is 90 days past its contractual maturity date at March 31, 2014 and therefore, included in nonperforming loans as 90 days past due and still accruing.

Non-performing commercial construction loans consisted of one loan with a contractual principal balance of $2.6 million and a recorded investment balance of $1.6 million. The loan is participated with three other financial institutions. Hamilton Bank is not the lead lender and has a 20% participation in this loan. The project involves the construction of a church that has been on-going for almost seven years and requires an additional $2.0 million to complete. All participants have agreed to not fund the additional monies needed to complete the project and the church is unable to refinance the project with another lender. The participants have looked into potentially selling the note at a 40% discount to reduce their lending position. Based upon this value, Hamilton Bank has charged-off $1.0 million of this loan balance to reduce the Bank s recorded investment balance from $2.6 million to $1.6 million at March 31, 2014 and placed the loan on nonaccrual. The borrower, however, continues to be current in making their interest only payments.

Non-performing commercial business loans amounted to $2.5 million and consisted of seven loans. One of these loans, with a contractual principal balance of $1.1 million and a recorded investment balance of $674,000, was purchased in fiscal 2009 from another financial institution which has since failed. The loan is secured by the business assets of a dental practice located in Washington D.C. In the second quarter of fiscal 2013, Hamilton Bank charged-off $281,000 of this loan to its fair value and later modified the original loan terms under a troubled debt restructuring (TDR). The borrower has continued to make payments under the TDR and has never been delinquent. Since modifying the loan under a TDR, the Bank has been reporting this loan as a non-accrual loan and all interest payments have been applied against the outstanding principal balance. This loan may be taken off of non-accrual status at a future date based upon the payment history under the TDR and the borrower s demonstration of adequate cash flow to support the debt.

A second non-performing commercial business loan has a contractual principal balance of $613,000 and a recorded investment balance of $596,000. This loan is secured by the commercial real estate that houses the operations of the borrower along with four adjacent undeveloped lots and the business assets of the company. The borrower continues to incur net losses with respect to operations and has stopped making payments. The loan was placed on non-accrual in August 2013. The Bank has charged off $17,000 to date to reduce the loan balance to the estimated fair value of the collateral securing the loan.

There are three non-performing commercial business loans that are partially guaranteed by the Small Business Administration (SBA). The first loan has an outstanding balance of $197,000 and is 75% guaranteed by the SBA. The loan is secured by the business assets, primarily vehicles, of a failed vehicle towing company. The vehicles were sold in fiscal 2014 and the proceeds of $123,000 were applied against the outstanding principal balance. The Bank charged-off $47,000 in fiscal 2013 and the remaining principal loan balance represents anticipated payment from the SBA based upon their guarantee. The second loan has an outstanding balance of $413,000 and is 50% guaranteed by the SBA. The borrower installed solar panel systems for both residential and commercial customers. Due to declining business and net losses, the borrower decided to close the business in January 2014. Collateral on the loan consisted of an investment property and the personal residence of the guarantor, along with the business assets of the company. The Bank charged-off $114,000 in fiscal 2013 and subsequently charged-off another $17,000 in fiscal 2014. The remaining prinicpal loan balance represents anticipated payment from the SBA based upon its guarantee after the remaining collateral has been liquidated and the proceeds applied against the loan. The third loan has an outstanding balance of $65,000 and is 50% guaranteed by the SBA. Despite the borrower continuing to make payments as agreed, the Bank has placed the loan on non-accrual based upon the poor cash flow and outstanding liabilities of the borrower. To date the Bank has charged off its portion of the loan totaling $94,000 with the remaining balance coming from the SBA guarantee and/or continued payments by the borrower.

One of the seven nonperforming commercial business loans is performing as agreed and has an outstanding principal balance of $500,000. The Bank did enter into a forebearance agreement with the borrower when the loan matured in November 2013 to get the borrower to pay down the line of credit from $1.5 million to $500,000. The borrower has since abided by the agreement, however, the loan has not been renewed or extended. As a result, the loan is 90 days past its contractual maturity date at March 31, 2014 and, therefore, included in nonperforming loans as 90 days past due and still accruing.

The balance of non-performing residential loans at March 31, 2014 totaled $442,000 and primarily consisted of four loans with a carrying value of $326,000 combined. To date, the bank has charged-off $7,000 on one of these four loans. The remaining three have been evaluated for impairment and no impairment was identified as of March 31, 2014.

As of March 31, 2014, gross interest income that would have been recorded had our non-accruing loans been current in accordance with their original terms was $111,000. Interest income recognized on such loans for the year ended March 31, 2014 was $79,000.

Troubled Debt Restructurings. At March 31, 2014, Hamilton Bank had total TDRs of $2.4 million, including five one- to four-family residential real estate loans totaling $1.5 million and three commercial business loans totaling $937,000. All the TDRs pertaining to one- to four-family residential real estate loans were performing in accordance with their modified terms, except one one- to four-family residential real estate loan for $6,000, which is on non-accrual. Two of the three commercial business loans that are TDRs totaling $870,000 are also on non-accrual and reported as non-performing for the year ended March 31, 2014. We had $2.6 million of TDRs at March 31, 2013, which included $1.4 million in one- to four-family residential real estate loans that were performing in accordance with their modified terms and three commercial business loans totaling $1.2 million that were on non-accrual and reported as non-perfroming loans.

For the year ended March 31, 2014, gross interest income that would have been recorded had our troubled debt restructurings been current in accordance with their original terms was $126,000. Interest income recognized on such loans for the year ended March 31, 2014 was $67,000.

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Delinquent Loans. The following table sets forth certain information regarding delinquencies in our loan portfolio.

	60 to 89 Days Delinquent		90 or More Days Delinquent		Total	
	Number	Amount	Number	Amount	Number	Amount
			(Dollars in thousands)			
At March 31, 2014:						
Real estate loans:						
One- to four-family residential		$	16	$ 283	16	$ 283
One- to four-family investor			2	159	2	159
Construction	1	1,242			1	1,242
Commercial			1	301	1	301
Commercial business loans	2	2,173	5	1,802	7	3,975
Consumer loans:						
Home equity loans and lines of credit			4	205	4	205
Other consumer						
Total loans	3	$ 3,415	28	$ 2,750	31	$ 6,165
At March 31, 2013:						
Real estate loans:						
One- to four-family residential	5	$ 179	17	$ 999	22	$ 1,178
One- to four-family investor			5	372	5	372
Construction			1	1,003	1	1,003
Commercial			1	1,407	1	1,407
Commercial business loans			1	319	1	319
Consumer loans:						
Home equity loans and lines of credit			1	37	1	37
Other consumer						
Total loans	5	$ 179	26	$ 4,137	31	$ 4,316
At March 31, 2012:						
Real estate loans:						
One- to four-family residential	1	$ 7	8	$ 706	9	$ 713
One- to four-family investor			4	305	4	305
Construction			1	1,337	1	1,337
Commercial			2	2,598	2	2,598
Commercial business loans			5	2,375	5	2,375
Consumer loans:						
Home equity loans and lines of credit			2	30	2	30
Other consumer	1	1	3	18	4	19
Total loans	2	$ 55	25	$ 7,369	27	$ 7,377

At March 31, 2011:						
Real estate loans:						
One- to four-family residential		$	9	$ 757	9	$ 757
One- to four-family investor						
Construction						
Commercial			1	695	1	695
Commercial business loans			2	165	2	165
Consumer loans:						
Home equity loans and lines of credit	2	55			2	55
Other consumer			2	7	2	47
Total loans	2	$ 55	14	$ 1,624	16	$ 1,679
At March 31, 2010:						
Real estate loans:						
One- to four-family residential	5	$ 208	3	$ 110	8	$ 318
One- to four-family investor						
Construction						
Commercial						
Commercial business loans	2	1,350			2	1,350
Consumer loans:						
Home equity loans and lines of credit	1	25			1	25
Other consumer	2	34	1	6	3	40
Total loans	10	$ 473	4	$ 116	14	$ 1,733

The decrease in loans 90 or more days delinquent between March 31, 2012 to March 31, 2014 resulted primarily from decreases in non-performing commercial real estate loans and commercial construction loans. See the discussion of non-performing loans above for additional information regarding loans that are 90 or more days delinquent.

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Classified Assets. Federal regulations require that each insured financial institution classify its assets on a regular basis. In addition, in connection with examinations of insured institutions, federal examiners have authority to identify problem assets and, if appropriate, classify them. There are three classifications for problem assets: substandard, doubtful and loss. Substandard assets have one or more defined weaknesses and are characterized by the distinct possibility that the insured institution will sustain some loss if the deficiencies are not corrected. Doubtful assets have the weaknesses of substandard assets with the additional characteristic that the weaknesses make collection or liquidation in full on the basis of currently existing facts, conditions and values questionable, and there is a higher possibility of loss. An asset classified as a loss is considered uncollectible and of such little value that continuance as an asset of the institution is not warranted. Another category designated special mention also may be established and maintained for assets which do not currently expose an insured institution to a sufficient degree of risk to warrant classification as substandard, doubtful or loss. If a classified asset is deemed to be impaired with measurement of loss, Hamilton Bank will establish a charge-off of the loan pursuant to Accounting Standards Codification Topic 310, Receivables.

The following table sets forth information regarding classified assets and special mention assets at March 31, 2014, 2013 and 2012.

	At March 31,		
	2014	**2013**	**2012**
		(In thousands)	
Classification of Assets:			
Substandard	$ 10,180	$ 13,472	$ 8,475
Doubtful			593
Loss			
Total Adversely Classified Assets	$ 10,180	$ 13,472	$ 9,068
Special Mention	$ 7,820	$ 3,040	$ 2,286

At March 31, 2014, substandard assets consisted of two commercial real estate loans to the same borrower totaling $3.4 million, one construction loan for $1.6 million, 11 commercial business loans totaling $4.0 million, and one foreclosed commercial construction property for $664,000. At that same date, there were 18 residential mortgage loans totaling $442,000 that were classified as substandard, of which $272,000 related to three loans. In addition, two loans totaling $159,000 of the $442,000 residential mortgages classified as substandard were investor type loans. Lastly, there were four home equity loans totaling $204,000 that were classified as substandard, of which one loan made up $131,000 of that total.

At March 31, 2014, there are no doubtful loans.

At March 31, 2014, special mention loans consisted of 8 residential mortgage loans totaling $1.7 million, none of which were investor type loans and four of which were TDR s equaling $1.5 million and performing as agreed under the TDR terms. Also included in special mention loans are 3 commercial real estate loans totaling $2.9 million, two of which are to the same borrower equaling $2.6 million and four commercial business loans totaling $3.2 million, three of which are to the same borrower totaling $3.1 million.

Analysis and Determination of the Allowance for Loan Losses. We maintain the allowance through provisions for loan losses that we charge to income. We charge losses on loans against the allowance for loan losses when we believe the collection of loan principal is unlikely. Recoveries on loans charged-off are restored to the allowance for loan losses. The allowance for loan losses is maintained at a level believed, to the best of management s knowledge, to cover all known and inherent losses in the portfolio both probable and reasonable to estimate at each reporting date. The level of allowance for loan losses is based on management s periodic review of the collectability of the loans principally in light of our historical experience, augmented by the nature and volume of the loan portfolio, adverse situations that may affect the borrower s ability to repay, estimated value of any underlying collateral and current and anticipated economic conditions in the primary lending area. We evaluate our allowance for loan losses quarterly. We have not made any material changes to the external factors

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in the calculation during the year as we believe the local economy has stabilized. We will continue to monitor all items involved in the allowance calculation closely. Additional information on our methodology for calculating the allowance for loan losses is described in this Item 7 above under Critical Accounting Policies Allowance for Loan Losses.

In addition, the regulatory agencies, as an integral part of their examination and review process, periodically review our loan portfolios and the related allowance for loan losses. Regulatory agencies may require us to increase the allowance for loan losses based on their judgments of information available to them at the time of their examination, thereby adversely affecting our results of operations.

We recorded a provision for loan losses of $1.9 million for the year ended March 31, 2014 and a provision for loan losses of $1.7 million for the year ended March 31, 2013. The allowance for loan losses was $1.8 million, or 1.2% of total loans, at March 31, 2014, compared to $2.1 million, or 1.3% of total loans, at March 31, 2013. The increased provision reflects management s view of the risks inherent in the loan portfolio. Our non-performing loans decreased by $92,000, or 1.8%, to $5.0 million at March 31, 2014 from $5.1 million at March 31, 2013. During the year ended March 31, 2014, net loan charge-offs decreased to $2.2 million, compared to $3.2 million of net charge-offs during fiscal 2013. During fiscal 2014, our allowance for loan losses decreased $285,000 due to a $92,000 decrease in our non-performing loans and a $1.1 million, or 32.8%, decrease in net charge-offs compared to fiscal 2013.

Analysis of Loan Loss Experience. The following table sets forth the analysis of the activity in the allowance for loan losses for the fiscal years indicated:

	At or For the Year Ended March 31,				
	2014	**2013**	**2012**	**2011**	**2010**
	(Dollars in thousands)				
Balance at beginning of year	$ 2,071	$ 3,552	$ 1,183	$ 567	$ 514
Charge-offs:					
One- to four-family residential	75	255	337		
One- to four-family investor	131				
Construction	1,000	337			
Commercial real estate		701	12		
Commercial business	1,059	1,904			
Home equity loans and lines of credit	11	5			
Other consumer		9			
Total charge-offs	2,276	3,211	349		
Recoveries:					
One- to four-family residential	24				
One- to four-family investor					
Construction					
Commercial real estate	47				
Commercial business	45				
Home equity loans and lines of credit					
Other consumer	1				

Total recoveries	117				
Net loan charge-offs	(2,159)	(3,211)	(349)		
Additions charged to operations	1,874	1,730	2,718	616	53
Balance at end of year	$ 1,786	$ 2,071	$ 3,552	$ 1,183	$ 567
Total loans outstanding	$ 144,819	$ 161,272	$ 173,518	$ 179,219	$ 180,965
Average net loans outstanding	$ 153,019	$ 163,930	$ 176,107	$ 181,122	$ 166,383
Allowance for loan losses as a percentage of total loans at end of year	1.2%	1.3%	2.1%	0.7%	0.3%
Net loans charged-off as a percent of average net loans outstanding	1.4%	2.0%	0.2%	%	%
Allowance for loan losses to non-performing loans	35.4%	40.4%	48.2%	72.8%	488.8%

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Allocation of Allowance for Loan Losses. The following table sets forth the allocation of allowance for loan losses by loan category at the dates indicated. The table also reflects each loan category as a percentage of total loans receivable. The allocation of the allowance by category is not necessarily indicative of future losses and does not restrict the use of the allowance to absorb losses in any category.

	At March 31,					
	2014		2013		2012	
	Amount	Percent of Loans in Each Category to Loans	Amount	Percent of Loans in Each Category to Loans	Amount	Percent of Loans in Each Category to Loans
	(Dollars in thousands)					
One- to four-family residential	$ 445	39.8%	$ 315	39.6%	$ 246	44.2%
One- to four-family investor	83	9.7	57	9.8	96	9.9
Construction	61	2.3	417	2.2	1,048	2.2
Commercial real estate	576	28.6	613	22.5	880	17.9
Commercial business	591	10.8	636	16.7	1,232	15.7
Home equity loans and lines of credit	27	8.0	32	8.5	42	9.4
Other consumer	3	0.8	1	0.7		0.7
Unallocated					8	
Total	$ 1,786	100.0%	$ 3,552	100.0%	$ 1,183	100.0%

	At March 31,			
	2011		2010	
	Amount	Percent of Loans in Each Category to Loans	Amount	Percent of Loans in Each Category to Loans
One- to four-family residential	$ 554	51.5%	$ 288	65.0%
One- to four-family investor	98	10.9		11.0
Construction	49	3.6	89	1.6
Commercial real estate	160	11.7	73	6.3
Commercial business	194	10.8	62	4.7
Home equity loans and lines of credit	38	10.8	38	10.7
Other consumer	1	0.7	1	0.7
Unallocated	89		16	
Total	$ 1,183	100.0%	$ 567	100.0%

Market Risk Management

General. Our most significant form of market risk is interest rate risk because, as a financial institution, the majority of our assets and liabilities are sensitive to changes in interest rates. Therefore, a principal part of our operations is to manage interest rate risk and limit the exposure of our financial condition and results of operations to changes in market interest rates. Our Asset-Liability Management Committee is responsible for evaluating the interest rate risk inherent in our assets and liabilities, for determining the level of risk that is appropriate, given our business strategy, operating environment, capital, liquidity and performance objectives, and for managing this risk consistent with the policy and guidelines approved by our board of directors.

Historically, we have operated as a traditional thrift institution. A significant portion of our assets consist of longer-term, fixed-rate residential mortgage loans and securities, which we have funded primarily with deposits. Since 2009, in an effort to improve our earnings and to decrease our exposure to interest rate risk, we generally have sold all newly originated residential mortgage loans with terms of over ten years and we have shifted our focus to originating commercial real estate and commercial business loans. Such loans generally have shorter maturities than one- to four-family residential mortgage loans.

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Net Interest Income Analysis. We analyze our sensitivity to changes in interest rates through our net interest income simulation model which is provided to us by an independent third party. Net interest income is the difference between the interest income we earn on our interest-earning assets, such as loans and securities, and the interest we pay on our interest-bearing liabilities, such as deposits and borrowings. We estimate what our net interest income would be for a one-year period based on current interest rates. We then calculate what the net interest income would be for the same period under different interest rate assumptions. We also estimate the impact over a five year time horizon. The following table shows the estimated impact on net interest income for the one-year period beginning March 31, 2014 resulting from potential changes in interest rates. These estimates require certain assumptions to be made, including loan and mortgage-related investment prepayment speeds, reinvestment rates, and deposit maturities and decay rates. These assumptions are inherently uncertain. As a result, no simulation model can precisely predict the impact of changes in interest rates on our net interest income. Although the net interest income table below provides an indication of our interest rate risk exposure at a particular point in time, such estimates are not intended to, and do not, provide a precise forecast of the effect of changes in market interest rates on our net interest income and will differ from actual results.

Rate Shift (1)	Net Interest Income Year 1 Forecast (Dollars in thousands)		Year 1 Change from Level
+400	$	9,648	15.9%
+300	$	9,361	12.5%
+200	$	9,064	8.9%
+100	$	8,694	4.5%
Level	$	8,323	
-100	$	8,073	(3.0)%
-200	$	7,666	(7.9)%
-300	$	7,530	(9.5)%

(1) The calculated changes assume an immediate shock of the static yield curve.

Economic Value of Equity Analysis. We also analyze the sensitivity of our financial condition to changes in interest rates through our economic value of equity model, which is also provided to us by an independent third party. This analysis measures the difference between predicted changes in the present value of our assets and predicted changes in the present value of our liabilities assuming various changes in current interest rates. As with the net interest income simulation model, the estimates of changes in the economic value of our equity require certain assumptions to be made. These assumptions include loan and mortgage-related investment prepayment speeds, reinvestment rates, and deposit maturities and decay rates. These assumptions are inherently uncertain and, as a result, we cannot precisely predict the impact of changes in interest rates on the economic value of our equity. Although our economic value of equity analysis provides an indication of our interest rate risk exposure at a particular point in time, such estimates are not intended to, and do not, provide a precise forecast of the effect of changes in market interest rates on the economic value of our equity and will differ from actual results.

Rate Shift (1)	Economic Value of Equity

	(Dollars in thousands)	% Change In Equity from Level
+400	$ 33,438	(39.0%)
+300	$ 38,605	(29.6%)
+200	$ 44,329	(19.2%)
+100	$ 48,854	(9.1%)
Level	$ 54,851	
-100	$ 58,926	7.4%
-200	$ 60,379	10.1%
-300	$ 63,199	15.2%

(1) The calculated changes assume an immediate shock of the static yield curve.

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Liquidity and Capital Management

Liquidity describes our ability to meet the financial obligations that arise in the ordinary course of business. Liquidity is primarily needed to meet the borrowing and deposit withdrawal requirements of our customers and to fund current and planned expenditures. Our primary sources of funds are deposits, scheduled amortization and prepayments of loan principal and mortgage-backed securities, maturities and calls of investment securities and funds provided by our operations. In addition, we have the ability to borrow from the Federal Home Loan Bank of Atlanta. At March 31, 2014, we had the capacity to borrow approximately $58.1 million from the Federal Home Loan Bank of Atlanta, subject to our pledging sufficient assets. However, we have historically not used borrowings to fund our operations, and at March 31, 2014 and 2013, we had no outstanding borrowings from the Federal Home Loan Bank of Atlanta.

Hamilton Bank may also borrow up to $5.0 million from a correspondent bank under a secured federal funds line of credit, and $1.0 million under an unsecured line of credit. We would be required to pledge investment securities to draw upon the secured line of credit.

We normally carry balances with correspondent banks that exceed the federally insured limit. In the past we have periodically reviewed information, including publicly available financial information, regarding our correspondent banks, but not on a set time table. Commencing in the current fiscal year, we conduct an annual review of each correspondent bank s financial information, including the bank s capital ratios, balance sheet, income statement and allowance for loan losses, to determine if the bank is financially stable.

Loan repayments and maturing securities are a relatively predictable source of funds. However, deposit flows, calls of securities and prepayments of loans and mortgage-backed securities are strongly influenced by interest rates, general and local economic conditions and competition in the marketplace. These factors reduce the predictability of these sources of funds.

Our primary investing activities are the origination of one- to four-family real estate loans, commercial real estate, commercial business, construction and consumer loans, and the purchase of securities. For the year ended March 31, 2014, loan originations totaled $19.1 million, compared to $19.7 million for the year ended March 31, 2013. Purchases of investment and mortgage-backed securities totaled $27.6 million for the year ended March 31, 2014 and $88.0 million for the year ended March 31, 2013.

Total deposits decreased $21.3 million during the year ended March 31, 2014, while total deposits decreased $20.9 million during the year ended March 31, 2013. Deposit flows are affected by the level of interest rates, the interest rates and products offered by competitors and other factors. The decrease in deposits during fiscal 2014 and 2013 is attributable to our on-going efforts to reduce our reliance on certificates of deposit as a funding source. We continued to allow higher costing certificates of deposit to runoff at maturity during fiscal 2014, as we focused on increasing the level of core deposits. At March 31, 2014, certificates of deposit scheduled to mature within one year totaled $102.0 million. Whether we retain these deposits will be determined in part by the interest rates we are willing to pay on such deposits.

We are committed to maintaining a strong liquidity position. We monitor our liquidity position on a daily basis. We anticipate that we will have sufficient funds to meet our current funding commitments. Based on our deposit retention experience and current pricing strategy, we anticipate that a significant portion of maturing time deposits will be retained.

At March 31, 2014 and 2013, we exceeded all of the applicable regulatory capital requirements for the Bank. Our core (Tier 1) capital was $44.0 million and $44.9 million, or 15.10% and 14.13% of total assets, at March 31, 2014 and

2013, respectively. In order to be classified as "well-capitalized" under federal banking regulations, we were required to have core capital of at least $14.6 million, or 5.0% of assets, as of March 31, 2014. To be classified as a well-capitalized bank, we must also have a ratio of total risk-based capital to risk-weighted assets of at least 10.0%, and a Tier 1 risk-based capital to risk-weighted assets of at least 6%. At March 31, 2014 and 2013, we had total risk-based capital ratios of 28.38% and 26.70%, respectively, and Tier 1 risk-based capital ratios of 27.28% and 25.52%, respectively. Our regulatory capital ratios increased during fiscal 2014 primarily as a result of our total assets and risk-weighted assets decreasing by $29.2 million and $14.5 million, respectively, while experiencing a minor decrease in capital levels.

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

Commitments. As a financial services provider, we routinely are a party to various financial instruments with off-balance-sheet risks, such as commitments to extend credit and unused lines of credit. While these contractual obligations represent our future cash requirements, a significant portion of commitments to extend credit may expire without being drawn upon. Such commitments are subject to the same credit policies and approval process accorded to loans we make.

Contractual Obligations. In the ordinary course of our operations, we enter into certain contractual obligations. Such obligations include data processing services, operating leases for premises and equipment, agreements with respect to borrowed funds and deposit liabilities.

Recent Accounting Pronouncements

The information required by this item is included in Note 2 to the consolidated financial statements included in this annual report.

Effect of Inflation and Changing Prices

The consolidated financial statements and related consolidated financial data presented herein regarding Hamilton Bank have been prepared in accordance with accounting principles generally accepted in the United States of America, 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 Hamilton Bank s assets and liabilities are monetary in nature. As a result, interest rates generally have a more significant impact on Hamilton Bank 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, because such prices are affected by inflation to a larger extent than interest rates.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by this item is incorporated herein by reference to Part II, Item 7, *Management s Discussion and Analysis of Financial Condition and Results of Operation*.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Consolidated Financial Statements, including supplemental data, of Hamilton Bancorp, Inc. begin on page F-1 of this Annual Report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures.

The Company s President and Chief Executive Officer, its Chief Financial Officer, and other members of its senior management team have evaluated the effectiveness of the Company s disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) or 15d-15(e)), as of March 31, 2014. Based on such evaluation, the President and Chief Executive Officer and Chief Financial Officer have concluded that the Company s disclosure controls and procedures, as of the end of the period covered by this report, were adequate and effective to provide reasonable assurance that information required to be disclosed by the Company, including Hamilton Bank, in reports that are filed or submitted under the Exchange Act, is recorded, processed, summarized and reported, within the time periods specified in the Commission s rules and forms.

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Managements Report and Changes in Internal Controls Over Financial Reporting.

There have been no changes in the Company s internal control over financial reporting during the quarter ended March 31, 2014 that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. The internal control process has been designed under our supervision to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company s financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States of America.

Management conducted an assessment of the effectiveness of the Company s internal control over financial reporting as of March 31, 2014, utilizing the framework established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management has determined that the Company s internal control over financial reporting as of March 31, 2014 is effective.

Our internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that accurately and fairly reflect, in reasonable detail, transactions and dispositions of assets; and provide reasonable assurances that: (1) transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America; (2) receipts and expenditures are being made only in accordance with authorizations of management and the directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company s assets that could have a material effect on the Company s financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management s report on internal control was not subject to attestation by the Company s registered public accounting firm in accordance with rules of the Securities and Exchange Commission.

ITEM 9B. OTHER INFORMATION

Not applicable.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information relating to the directors and officers of the Company, information regarding compliance with Section 16(a) of the Exchange Act, information regarding any changes in procedures for stockholders to recommend director nominees, and information regarding the audit committee and audit committee financial expert is incorporated herein by reference to the Company s Proxy Statement for the Annual Meeting of Stockholders to be held on August 19, 2014 (the Proxy Statement) under the captions Proposal 1 Election of Directors, Executive Officers, Section 16(a) Beneficial Ownership Reporting Compliance, Nominating Committee Procedures Procedures to be Followed by Stockholders, Corporate Governance and Board Matters Committees of the Board of Directors and Corporate Governance and Board Matters Committees of the Board of Directors.

The Company has adopted a code of ethics that applies to its principal executive officer, the principal financial officer and principal accounting officer. The Code of Ethics is posted on the Company s Internet Web site.

ITEM 11. EXECUTIVE COMPENSATION

Information regarding executive and director compensation is incorporated herein by reference to the Proxy Statement under the captions Executive Officers Executive Compensation and Director Compensation.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDERS MATTERS

(a) Security Ownership of Certain Beneficial Owners

Information required by this item is incorporated herein by reference to the section captioned Stock Ownership Stock Ownership of Certain Beneficial Owners in the Proxy Statement.

(b) Security Ownership of Management

Information required by this item is incorporated herein by reference to the section captioned Stock Ownership Stock Ownership of Management in the Proxy Statement.

(c) Changes in Control

Management of the Company knows of no arrangements, including any pledge by any person or securities of the Company, the operation of which may at a subsequent date result in a change in control of the registrant.

(d) Equity Compensation Plan Information

The following table sets forth information as of March 31, 2014 about Company common stock that may be issued upon the exercise of options under the Hamilton Bancorp, Inc. 2013 Equity Incentive Plan. The plan was approved by the Company s stockholders.

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Plan Category	Number of securities to be issued upon the exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)
Equity compensation plans approved by security holders	**225,150**	**$ 13.85**	**216,020**
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	**225,150**	**$ 13.85**	**216,020**

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information relating to certain relationships and related transactions and director independence is incorporated herein by reference to the Proxy Statement under the captions Transactions with Related Persons and Proposal 1 Election of Directors.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information relating to the principal accounting fees and expenses is incorporated herein by reference to the Proxy Statement under the captions Proposal 2 Ratification of Independent Registered Public Accounting Firm Audit Fees and Pre-Approval of Services by the Independent Registered Public Accounting Firm.

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(1) The financial statements required in response to this item are incorporated by reference from Item 8 of this report.

(2) All financial statement schedules are omitted because they are not required or applicable, or the required information is shown in the consolidated financial statements or the notes thereto.

(3) Exhibits

3.1 Articles of Incorporation of Hamilton Bancorp, Inc. (Incorporated by reference to Exhibit 3.1 to the Company s Registration Statement on Form S-1 (File No. 333-182151), as amended, initially filed with the SEC on June 15, 2012).

3.2 Bylaws of Hamilton Bancorp, Inc. (Incorporated by reference to Exhibit 3.2 to the Company s Registration Statement on Form S-1 (File No. 333-182151), as amended, initially filed with the SEC on June 15, 2012).

4 Form of Common Stock Certificate of Hamilton Bancorp, Inc. Bylaws of Hamilton Bancorp, Inc. (Incorporated by reference to Exhibit 4 to the Company s Registration Statement on Form S-1 (File No. 333-182151), as amended, initially filed with the SEC on June 15, 2012).

10.1 Employment Agreement between Hamilton Bank and Robert A. DeAlmeida (Incorporated by reference to Exhibit 10.1 to the Company s Form 8-K (File No. 001-35693) filed with the SEC on October 15, 2012).

10.2 Employment Agreement between Hamilton Bancorp, Inc. and Robert A. DeAlmeida (Incorporated by reference to Exhibit 10.2 to the Company s Form 8-K (File No. 001-35693) filed with the SEC on October 15, 2012).

10.3 Change in Control Agreement of James F. Hershner (Incorporated by reference to Exhibit 10.3 to the Company s Form 8-K (File No. 001-35693) filed with the SEC on October 15, 2012).

10.4 Change in Control Agreement of John P. Marzullo (Incorporated by reference to Exhibit 10.4 to the Company s Form 8-K (File No. 001-35693) filed with the SEC on October 15, 2012).

10.5 Hamilton Bank Non-Qualified Supplemental Employee Stock Ownership Plan (Incorporated by reference to Exhibit 10.5 to the Company s Form 8-K (File No. 001-35693) filed with the SEC on October 15, 2012).

10.6 Hamilton Bank Executive Split Dollar Agreement with Robert A. DeAlmeida (Incorporated by reference to Exhibit 10.6 to the Company s Registration Statement on Form S-1 (File No. 333-182151), as amended, initially filed with the SEC on June 15, 2012).

10.7 Hamilton Bank Executive Split Dollar Agreement with James F. Hershner (Incorporated by reference to Exhibit 10.7 to the Company s Registration Statement on Form S-1 (File No. 333-182151), as amended, initially filed with the SEC on June 15, 2012).

10.8 Hamilton Bank Agreement for Deferred Compensation of Salaries (Incorporated by reference to Exhibit 10.8 to the Company s Registration Statement on Form S-1 (File No. 333-182151), as amended, initially filed with the SEC on June 15, 2012).

10.9	Hamilton Bank Agreement for Deferred Compensation of Board Fees (Incorporated by reference to Exhibit 10.9 to the Company s Registration Statement on Form S-1 (File No. 333-182151), as amended, initially filed with the SEC on June 15, 2012).
10.10	Hamilton Bancorp, Inc. 2013 Equity Incentive Plan (Incorporated by reference to Appendix A of the Proxy Statement for the 2013 Annual Meeting of Stockholders (File No. 1-35693), filed October 18, 2013).
21	Subsidiaries of Registrant

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23	Consent of Rowles & Company, LLP
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer
32.0	Section 1350 Certifications
101.0*	The following materials from the Company s Annual Report on Form 10-K for the year ended March 31, 2014, formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Statements of Financial Condition; (ii) Consolidated Statements of Operations; (iii) Consolidated Statements of Changes in Shareholders Equity; (iv) Consolidated Statements of Cash Flows; and (v) the Notes to the Consolidated Financial Statements.

* Furnished, not filed

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HAMILTON BANCORP, INC.

Date: June 27, 2014

By: /s/ Robert A. DeAlmeida
Robert A. DeAlmeida
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signatures	Title	Date
/s/ Robert A. DeAlmeida	President and Chief Executive Officer (Principal Executive Officer)	June 27, 2014
Robert A. DeAlmeida		
/s/ John P. Marzullo	Senior Vice President, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)	June 27, 2014
John P. Marzullo		
/s/ Russell K. Frome	Chairman of the Board	
Russell K. Frome		June 27, 2014
/s/ James F. Hershner	Director	
James F. Hershner		June 27, 2014
/s/ William E. Ballard	Director	
William E. Ballard		June 27, 2014
/s/ Carol L. Coughlin	Director	
Carol L. Coughlin		June 27, 2014
/s/ William W. Furr	Director	
William W. Furr		June 27, 2014
/s/ Bobbi R. Macdonald	Director	June 27, 2014

Bobbi R. Macdonald		
/s/ James R. Farnum, Jr.	Director	
James R. Farnum, Jr.		June 27, 2014

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders

Hamilton Bancorp, Inc.

Towson, Maryland

We have audited the accompanying consolidated statements of financial condition of Hamilton Bancorp, Inc. and Subsidiary as of March 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income, changes in shareholders equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hamilton Bancorp, Inc. and Subsidiary as of March 31, 2014 and 2013, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Baltimore, Maryland

June 27, 2014

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HAMILTON BANCORP, INC. AND SUBSIDIARY

Consolidated Statements of Financial Condition

March 31, 2014 and March 31, 2013

	March 31, 2014	March 31, 2013
Assets		
Assets		
Cash and due from banks	**$ 3,471,505**	$ 3,468,481
Federal funds sold and Federal Home Loan Bank deposit	**10,312,341**	9,590,434
Interest-bearing deposits in other banks	**19,289,464**	20,909,829
Cash and cash equivalents	**33,073,310**	33,968,744
Investment securities available for sale	**103,553,274**	116,233,943
Federal Home Loan Bank stock, at cost	**266,000**	400,600
Loans held for sale		196,743
Loans, less allowance for loan losses of **$1,785,973** and $2,071,224	**142,913,591**	159,120,418
Premises and equipment	**2,101,587**	2,460,832
Foreclosed real estate	**664,020**	755,659
Accrued interest receivable	**789,800**	861,412
Bank-owned life insurance	**12,002,078**	11,622,667
Deferred income taxes	**2,360,726**	854,922
Income taxes refundable	**659,859**	1,222,027
Goodwill and other intangible assets	**2,835,765**	2,876,765
Other assets	**1,549,057**	1,387,419
Total Assets	**$ 302,769,067**	$ 331,962,151
Liabilities and Shareholders Equity		
Liabilities		
Noninterest-bearing deposits	**$ 15,327,161**	$ 11,546,214
Interest-bearing deposits	**223,493,010**	248,570,661
Total deposits	**238,820,171**	260,116,875
Advances by borrowers for taxes and insurance	**669,797**	769,000
Other liabilities	**1,508,831**	3,640,665
Total liabilities	**240,998,799**	264,526,540
Commitments and contingencies		
Shareholders Equity		
Common stock, $.01 par value, 100,000,000 shares authorized. Issued: 3,595,100 shares at March 31, 2014 and 3,703,000 shares at March 31, 2013	**35,951**	37,030
Additional paid in capital	**32,910,362**	35,554,350

Retained earnings	**33,066,380**	34,261,764
Unearned ESOP shares	**(2,666,160)**	(2,814,280)
Accumulated other comprehensive income	**(1,576,265)**	396,747
Total shareholders equity	**61,770,268**	67,435,611
Total Liabilities and Shareholders Equity	**$ 302,769,067**	$ 331,962,151

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

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HAMILTON BANCORP, INC. AND SUBSIDIARY

Consolidated Statements of Operations

Years Ended March 31, 2014 and 2013

	2014	2013
Interest revenue		
Loans, including fees	$ 8,079,762	$ 9,009,618
U.S. government agency and municipal bonds	493,698	327,180
Mortgage-backed securities	1,613,607	1,451,245
Federal funds sold and other bank deposits	48,900	97,141
Total interest revenue	10,235,967	10,885,184
Interest expense		
Deposits	1,915,969	2,802,114
Net interest income	8,319,998	8,083,070
Provision for loan losses	1,873,557	1,729,975
Net interest income after provision for loan losses	6,446,441	6,353,095
Noninterest revenue		
Service charges	301,014	232,346
Gain on sale of investment securities	171,890	230,362
Gain on sale of loans held for sale	28,858	41,100
Gain on sale of premises and equipment	82,518	6,391
Earnings on bank-owned life insurance	379,410	315,592
Other	9,138	114,842
Total noninterest revenue	972,828	940,633
Noninterest expenses		
Salaries	3,387,175	2,853,214
Employee benefits	1,266,911	1,084,159
Occupancy	943,612	872,619
Advertising	250,340	367,743
Furniture and equipment	271,849	310,253
Data processing	605,446	562,025
Legal services	484,689	104,505
Other professional services	511,524	212,860
Deposit insurance premiums	251,535	287,059
Write down, loss on sale, and expenses of foreclosed real estate	575,640	125,738
Other operating	1,057,721	992,686

Total noninterest expenses		**9,606,442**		7,772,861
Loss before income taxes		**(2,187,173)**		(479,133)
Income tax benefit		**(991,789)**		(306,998)
Net Loss	**$**	**(1,195,384)**	$	(172,135)
Loss per common share basic and diluted	**$**	**(0.35)**	$	(0.05)

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

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HAMILTON BANCORP, INC. AND SUBSIDIARY

Consolidated Statements of Comprehensive Income

Years Ended March 31, 2014 and 2013

	2014	2013
Net loss	**$ (1,195,384)**	$ (172,135)
Other comprehensive income:		
Unrealized loss on investment securities available for sale	**(3,086,986)**	(155,579)
Reclassification adjustment for realized gain on investment securities available for sale included in net income	**(171,890)**	(230,362)
Total unrealized loss on investment securities available for sale	**(3,258,876)**	(385,941)
Income tax benefit relating to investment securities available for sale	**(1,285,864)**	(151,834)
Other comprehensive loss	**(1,973,012)**	(234,107)
Total comprehensive loss	**$ (3,168,396)**	$ (406,242)

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

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HAMILTON BANCORP, INC. AND SUBSIDIARY

Consolidated Statements of Changes in Shareholders Equity

Years Ended March 31, 2014 and 2013

	Common Stock	Additional Paid-In Capital	Retained Earnings	Unearned ESOP Shares	Accumulated Other Comprehensive Income	Total Shareholders Equity
Balance March 31, 2012	**$**	**$**	**$ 34,433,899**	**$**	**$ 630,854**	**$ 35,064,753**
Net loss			(172,135)			(172,135)
Unrealized loss on investment securities available for sale, net of tax effect of $(151,834)					(234,107)	(234,107)
Issuance of common stock	37,030	35,542,062				35,579,092
Acquisition of unearned ESOP shares				(2,962,400)		(2,962,400)
ESOP shares allocated for release		12,288		148,120		160,408
Balance March 31, 2013	**37,030**	**35,554,350**	**34,261,764**	**(2,814,280)**	**396,747**	**67,435,611**
Net loss			**(1,195,384)**			**(1,195,384)**
Unrealized loss on investment securities available for sale, net of tax effect of $(1,285,864)					**(1,973,012)**	**(1,973,012)**
Repurchase of common stock	**(1,851)**	**(2,751,329)**				**(2,753,180)**
Stock based compensation options		**34,868**				**34,868**
Stock based compensation restricted stock	**772**	**34,891**				**35,663**
ESOP shares allocated for release		**37,582**		**148,120**		**185,702**
Balance March 31, 2014	**$ 35,951**	**$ 32,910,362**	**$ 33,066,380**	**$ (2,666,160)**	**$ (1,576,265)**	**$ 61,770,268**

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

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HAMILTON BANCORP, INC AND SUBSIDIARY

Consolidated Statements of Cash Flows

Years Ended March 31, 2014 and 2013

	2014	2013
Cash flows from Operating Activities:		
Interest received	**$ 11,008,154**	$ 12,491,086
Fees and commissions received	**547,079**	359,109
Interest paid	**(1,926,884)**	(2,854,693)
Cash paid to suppliers and employees	**(8,986,518)**	(7,018,688)
Origination of loans held for sale	**(2,162,283)**	(3,758,743)
Proceeds from sale of loans held for sale	**2,387,885**	3,603,100
Income taxes (paid) refund received	**1,334,017**	(796,115)
Net cash provided by operating activities	**2,201,450**	2,025,056
Cash flows from Investing Activities		
Proceeds from maturities of certificates of deposit in other banks		248,000
Proceeds from sale of securities available for sale	**13,224,898**	16,237,218
Proceeds from maturing and called securities available for sale, including principal pay downs	**21,309,689**	50,774,673
Purchase of investment securities available for sale	**(27,649,576)**	(88,036,206)
Redemption of Federal Home Loan Bank stock	**134,600**	101,300
Loans made, net of principal repayments	**13,290,514**	8,607,719
Purchase of Bank-owned life insurance		(3,000,000)
Purchase of premises and equipment	**(93,224)**	(301,933)
Proceeds from sale of foreclosed real estate	**601,250**	422,458
Proceeds from sale of premises and equipment	**224,052**	13,000
Net cash provided (used) by investing activities	**21,042,203**	(14,933,771)
Cash flows from Financing Activities		
Net decrease in		
Deposits	**(21,286,704)**	(20,850,927)
Advances by borrowers for taxes and insurance	**(99,203)**	(137,854)
Proceeds from issuance of common stock		35,579,092
Repurchase of common stock	**(2,753,180)**	
Purchase of unearned ESOP shares		(2,962,400)
Net cash provided (used) by financing activities	**(24,139,087)**	11,627,911
Net decrease in cash and cash equivalents	**(895,434)**	(1,280,804)
Cash and cash equivalents at beginning of period	**33,968,744**	35,249,548

Cash and cash equivalents at end of period	**$ 33,073,310**	$ 33,968,744

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

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HAMILTON BANCORP, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

(Continued)

	2014	2013
Reconciliation of net income to net cash provided (used) by operating activities		
Net loss	**$ (1,195,384)**	$ (172,135)
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Amortization of premiums on securities	**661,134**	1,512,706
Gain on sale of investment securities	**(171,890)**	(230,362)
Loss on sale of foreclosed real estate	**154,409**	5,530
Writedown of foreclosed real estate	**339,294**	
Loan premium amortization	**15,334**	23,000
Deposit premium amortization	**(10,000)**	(47,000)
Core deposit intangible asset amortization	**41,000**	51,333
Premises and equipment depreciation and amortization	**310,935**	353,296
Gain on disposal of premises and equipment	**(82,518)**	(6,391)
Stock based compensation	**70,531**	
Provision for loan losses	**1,873,557**	1,729,975
ESOP shares allocated for release	**185,702**	160,408
Deferred income taxes	**(219,940)**	397,057
Decrease (increase) in:		
Accrued interest receivable	**71,612**	74,871
Loans held for sale	**196,743**	(196,743)
Cash surrender value of life insurance	**(379,410)**	(315,592)
Income taxes receivable	**562,167**	(1,222,027)
Other assets	**(161,638)**	(199,375)
Increase (decrease) in:		
Accrued interest payable	**(915)**	(5,579)
Income taxes payable		(278,543)
Deferred loan origination fees	**24,108**	(4,675)
Other liabilities	**(83,381)**	395,302
Net cash provided (used) by operating activities	**$ 2,201,450**	$ 2,025,056
Noncash investing activity		
Real estate acquired through foreclosure	**$ 1,003,314**	$ 427,988

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

HAMILTON BANCORP, INC AND SUBSIDARIES

Notes to Consolidated Financial Statements

March 31, 2014

Note 1: Activities and Summary of Significant Accounting Policies

Hamilton Bancorp, Inc. (the Company) was incorporated on June 7, 2012 to serve as the stock holding company for Hamilton Bank (the Bank), a federally chartered savings bank. On October 10, 2012, in accordance with a Plan of Conversion adopted by its Board of Directors and approved by its members, the Bank converted from a mutual savings bank to a stock savings bank and became the wholly owned subsidiary of the Company. The conversion was accomplished through the sale and issuance of 3,703,000 shares of common stock at a price of $10.00 per share, through which the Company received proceeds of approximately $35,580,000, net of offering expenses of approximately $1,450,000. In connection with the conversion, the Bank s Board of Directors adopted an employee stock ownership plan (the ESOP) which subscribed for 8.0% of shares sold in the offering, or 296,240 common shares. All material intercompany accounts and transactions have been eliminated in consolidation.

In accordance with Office of the Comptroller of the Currency (the OCC) regulations, upon the completion of the conversion, the Bank restricted retained earnings by establishing a liquidation account. The liquidation account will be maintained for the benefit of eligible account holders who continue to maintain their accounts at the Bank after conversion. The liquidation account will be reduced annually to the extent that eligible account holders have reduced their qualifying deposits. Subsequent increases will not restore an eligible account holder s interest in the liquidation account. In the event of a complete liquidation of the Bank, and only in such event, each account holder will be entitled to receive a distribution from the liquidation account in an amount proportionate to the adjusted qualifying account balances then held. The Bank may not pay dividends if those dividends would reduce equity capital below the required liquidation account amount.

Summary of Significant Accounting Policies

The accounting and reporting policies of Hamilton Bancorp, Inc. and Subsidiary (Hamilton) conform to accounting principles generally accepted in the United States of America (U.S. GAAP) and to general practices in the banking industry. The more significant policies follow:

Principles of Consolidation. The accompanying consolidated financial statements include the accounts of the parent company and its wholly owned subsidiary, Hamilton Bank. All significant intercompany balances and transactions have been eliminated in consolidation.

Reclassifications. Certain prior year amounts have been reclassified to conform to current period classifications. The reclassifications had no effect on net loss, or the net change in cash and cash equivalents and are not material to previously issued financial statements.

Nature of Operations. Hamilton Bancorp is a holding company that operates a community bank with 4 branches in the Baltimore-metropolitan area. Its primary deposit products are certificates of deposit and demand, savings, NOW, and money market accounts. Its primary lending products consist of real estate mortgages, along with commercial and consumer loans. Hamilton Bancorp s primary source of revenue is derived from loans to customers, who are predominately small and middle-market businesses and middle-income individuals.

Use of Estimates. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ significantly from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, deferred income tax valuation allowances, the fair value of investment securities and other temporary impairment of investment securities.

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HAMILTON BANCORP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Continued)

Cash and Cash Equivalents. For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, brokerage money market accounts, and federal funds sold. Generally, federal funds are purchased and sold for one-day periods.

Investment Securities. Management determines the appropriate classification of investment securities at the time of purchase. Securities that may be sold before maturity are classified as available for sale and carried at fair value. Investment securities that management has the intent and ability to hold to maturity are classified as held to maturity and carried at amortized cost. All investment securities held by Hamilton at March 31, 2014 and 2013 are classified as available for sale.

Investment securities designated as available for sale are stated at estimated fair value based on quoted market prices. They represent those securities which management may sell as part of its asset/liability strategy or that may be sold in response to changing interest rates or liquidity needs. Changes in unrealized gains and losses, net of related deferred taxes, for available for sale securities are recorded in other comprehensive income. Realized gains (losses) on available for sale securities are included in noninterest revenue and, when applicable, are reported as a reclassification adjustment in other comprehensive income. Realized gains and losses on the sale of available for sale securities are recorded on the trade date and are determined by the specific identification method. The amortization of premiums and the accretion of discounts are recognized in interest revenue using methods approximating the interest method over the term of the security.

In estimating other-than-temporary impairment losses, management considers the length of time and the extent to which the fair value has been less than cost, the financial condition and near-term prospects of the issuer, and the intent and ability of the Bank to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

Federal Home Loan Bank Stock. Federal Home Loan Bank of Atlanta (the FHLB) stock is an equity interest in the FHLB, which does not have a readily determinable fair value for purposes of generally accepted accounting principles, because its ownership is restricted and it lacks a market. FHLB stock is carried at cost, which approximates fair value and can be sold back only at par value of $100 per share and only to the FHLB or another member institution. As a member of the FHLB, the Bank is required to purchase stock based on its total assets. Additional stock is purchased and redeemed based on the outstanding FHLB advances to the Bank. As of March 31, 2014 and 2013, the Company owned shares totaling $266,000 and $400,600, respectively.

Loans Held For Sale. Mortgage loans originated and intended for sale are carried at the lower of aggregate cost or estimated fair value. Fair value is determined based on outstanding investor commitments, or in the absence of such commitments, based on current investor yield requirements. Gains and losses on loan sales are determined by the specific-identification method.

Loans Receivable. The Bank makes mortgage, commercial, and consumer loans to customers. A substantial portion of the loan portfolio is represented by mortgage loans throughout the Baltimore metropolitan area. The ability of the Bank s debtors to repay their loans is dependent upon the real estate and general economic conditions in this area.

Loans are reported at their outstanding unpaid principal balance adjusted for the allowance for loan loss, premiums on loans acquired, and/or any deferred fees or costs on originated loans. Interest revenue is accrued on the unpaid principal balance. Loan origination fees and the direct costs of underwriting and closing loans are recognized over the life of the related loan as an adjustment to yield using a method that approximates the interest method. Any differences that arise from prepayment will result in a recalculation of the effective yield.

Loans are generally placed on nonaccrual status when they are 90 days past due. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual status at an earlier date if the collection of principal or interest is considered doubtful. All interest accrued but not collected for loans that are placed on nonaccrual status are reversed against interest revenue. The interest on nonaccrual loans is accounted for on the cash basis method, until the loans qualify for return to accrual status. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and, in management s judgment, future payments are reasonably assured.

HAMILTON BANCORP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Continued)

Loans are considered impaired when, based on current information, management considers it unlikely that collection of principal and interest payments will be made according to contractual terms. If collection of principal is evaluated as doubtful, all payments are applied to principal. Impaired loans are measured: (i) at the present value of expected cash flows discounted at the loan s effective interest rate; (ii) at the observable market price; or (iii) at the fair value of the collateral if the loan is collateral dependent. If the measure of the impaired loan is less than the recorded investment in the loan, an impairment is recognized through an allocation of the allowance for loan losses and corresponding provision for loan losses. Generally, identified impairments are charged-off against the allowance for loan losses.

Troubled debt restructurings are loans for which Hamilton, for legal or economic reasons related to a debtor s financial difficulties, has granted a concession to the debtor that it otherwise would not have considered. Concessions that result in the categorization of a loan as a troubled debt restructuring include:

Reduction of the stated interest rate;

Extension of the maturity date or dates at a stated interest rate lower than the current market rate for new debt with similar risk;

Reduction of the face amount or maturity amount of the debt as stated in the instrument or other agreement; or

Reduction of accrued interest

Allowance for Loan Losses. The allowance for loan losses represents an amount which, in management s judgment, will be adequate to absorb probable future losses on existing loans. The allowance for loan losses is established, as loan losses are estimated to have occurred, through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectability of a loan balance is confirmed. Recoveries on previously charged-off loans are credited to the allowance for loan losses.

The allowance for loan losses is increased by provisions charged to income and reduced by charge-offs, net of recoveries. Management s periodic evaluation of the adequacy of the allowance is based on the Bank s past loan loss experience, known and inherent risks in the loan portfolio, adverse situations that may affect the borrower s ability to repay, estimated value of any underlying collateral and current economic conditions.

Management considers a number of factors in estimating the required level of the allowance. These factors include: historical loss experience in the loan portfolios; the levels and trends in past-due and nonaccrual loans; the status of nonaccrual loans and other loans identified as having the potential for further deterioration; credit risk and industry concentrations; trends in loan volume; the effects of any changes in lending policies and procedures or underwriting standards; and a continuing evaluation of the economic environment.

Bank-Owned Life Insurance (BOLI). The Bank purchased single premium life insurance policies on certain employees of the Bank. The net cash surrender value of those policies is included in the accompanying statement of financial position. Appreciation in the value of the insurance policies is recognized as noninterest revenue.

Premises and Equipment. Land is carried at cost. Buildings, land improvements, leasehold improvements, and furniture and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is computed primarily by the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of the lease term or the useful lives of the improvements. Maintenance and normal repairs are charged to noninterest expense as incurred, while additions and improvements to buildings and furniture and equipment are capitalized. Gains and losses on disposition of assets are reflected in earnings.

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HAMILTON BANCORP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Continued)

Foreclosed Real Estate. Real estate acquired through foreclosure or other means is recorded at the lower of its carrying value or the fair value of the related real estate collateral at the transfer date less estimated selling costs. Losses incurred at the time of acquisition of the property are charged to the allowance for loan losses. Subsequent reductions in the estimated fair value of the property are included in noninterest expense. Costs to maintain foreclosed real estate are expensed as incurred.

Goodwill and Other Intangible Assets. Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets acquired. Intangible assets, consisting of core deposit intangibles, represent purchased assets that also lack physical substance but can be distinguished from goodwill because of contractual or other legal rights or because the asset may be sold or exchanged on its own or in combination with a related contract, asset, or liability. Core deposit intangibles are amortized on an accelerated basis over a ten-year period. Goodwill is not amortized but is evaluated on an annual basis to determine impairment, if any. Any impairment of goodwill would be recognized against income in the period of impairment.

Off-Balance-Sheet Credit-Related Financial Instruments. In the ordinary course of business, the Bank enters into commitments to extend credit, including commitments under standby letters of credit. Such financial instruments are recorded when they are funded or otherwise required to be recognized.

Accumulated Other Comprehensive Income. The Bank records unrealized gains and losses on available for sale securities in accumulated other comprehensive income, net of taxes. Unrealized gains and losses on available for sale securities are reclassified into earnings as the gains or losses are realized upon sale of the securities. The credit component of unrealized losses on available for sale securities that are determined to be other-than-temporarily impaired are reclassified into earnings at the time the determination is made.

Income Taxes. The provision for income taxes includes taxes payable for the current year and deferred income taxes. Deferred income taxes are provided for the temporary differences between financial and taxable income. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax basis of assets and liabilities, using enacted tax rates in effect for the year in which the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion of the deferred tax asset will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Earnings Per Common Share. Basic earnings per share represents income available to common shareholders divided by the weighted-average number of common shares outstanding during the period. Diluted earnings per share includes additional common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed issuance. Potential common shares relate to outstanding stock options, restricted stock, and warrants and are determined using the treasury stock method.

Stock Based Compensation. Compensation cost is recognized for stock options and restricted stock awards issued to employees and directors, based on the fair value of these awards at the date of grant. A Black-Scholes model is utilized to estimate the fair value of stock options, while the market price of the Company s common stock at the date of grant is used for restricted stock awards. Compensation cost is recognized over the required service period, generally defined as the vesting period. For awards with graded vesting, compensation cost is recognized on a straight-line basis over the requisite service period for the entire award.

Subsequent Event. Management has evaluated events and transactions subsequent to March 31, 2014 through the date these financial statements were available to be issued. Based on the definitions and requirements of generally accepted accounting principles for subsequent events , we have identified the following event that has occurred subsequent to March 31, 2014 and through the date these financial statements were available to be issued.

HAMILTON BANCORP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Continued)

On May 28, 2014, the Company announced that its Board of Directors had adopted a stock repurchase program. Under the stock repurchase program, the Company may repurchase up to 179,755 shares of its common stock, or approximately 5% of the current outstanding shares. On May 29, 2014, the Company entered and executed a trade to repurchase and retire 179,755 shares of common stock at a price of $13.92. Upon execution of this transaction there were 3,415,345 shares of common stock issued and outstanding as of May 29, 2014.

Note 2: New Accounting Pronouncements

Recent Accounting Pronouncements

ASU 2011-11, Balance Sheet (Topic 210) Disclosures about Offsetting Assets and Liabilities. ASU 2011-11 amends Topic 210, Balance Sheet, to require an entity to disclose both gross and net information about financial instruments, such as sales and repurchase agreements and reverse sale and repurchase agreements and securities borrowing/lending arrangements, and derivative instruments that are eligible for offset in the statement of financial position and/or subject to a master netting arrangement or similar agreement. ASU 2011-11 is effective for annual and interim periods beginning on April 1, 2013, and did not have a significant impact on our financial statements.

ASU 2012-02, Intangibles Goodwill and Other (Topic 350) Testing Indefinite-Lived Intangible Assets for Impairment. ASU 2012-02 gives entities the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that an indefinite-lived intangible asset is impaired. If, after assessing the totality of events or circumstances, an entity determines it is more likely than not that an indefinite-lived intangible asset is impaired, then the entity must perform the quantitative impairment test. If, under the quantitative impairment test, the carrying amount of the intangible asset exceeds its fair value, an entity should recognize an impairment loss in the amount of that excess. Permitting an entity to assess qualitative factors when testing indefinite-lived intangible assets for impairment results in guidance that is similar to the goodwill impairment testing guidance in ASU 2011-08. ASU 2012-02 became effective on January 1, 2013, and did not have a significant impact on our financial statements.

ASU 2012-06, Business Combinations (Topic 805) Subsequent Accounting for an Indemnification Asset Recognized at the Acquisition Date as a Result of a Government-Assisted Acquisition of a Financial Institution (a consensus of the FASB Emerging Issues Task Force). ASU 2012-06 clarifies the applicable guidance for subsequently measuring an indemnification asset recognized as a result of a government-assisted acquisition of a financial institution. Under ASU 2012-06, when a reporting entity recognizes an indemnification asset as a result of a government-assisted acquisition of a financial institution and, subsequently, a change in the cash flows expected to be collected on the indemnification asset occurs (as a result of a change in cash flows expected to be collected on the assets subject to indemnification), the reporting entity should subsequently account for the change in the measurement of the indemnification asset on the same basis as the change in the assets subject to indemnification. Any amortization of changes in value should be limited to the contractual term of the indemnification agreement (that is, the lesser of the term of the indemnification agreement and the remaining life of the indemnified assets). ASU 2012-06 became effective on January 1, 2013, and did not have a significant impact on our financial statements.

ASU 2013-02, Comprehensive Income (Topic 220) Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive income. ASU 2013-02 amends recent guidance related to the reporting of comprehensive income to enhance the reporting of reclassifications out of accumulated other comprehensive income. ASU 2013-02 became effective on January 1, 2013, and did not have a significant impact on our financial statements.

Note 3: Earnings per Share

Basic earnings per share is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity. The calculation of the weighted average common shares outstanding for the year ended March 31, 2013 is based on the period from October 10, 2012, the date of the conversion stock issuance through March 31, 2013.

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HAMILTON BANCORP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Continued)

Both the basic and diluted earnings per share for the years ended March 31, 2014 and 2013 are summarized below:

	Year Ended March 31, 2014	Year Ended March 31, 2013
Net loss	**(1,195,384)**	$ (172,135)
Average common shares outstanding	**3,369,863**	3,414,551
Loss per common share basic and diluted	**$ (0.35)**	**$ (0.05)**

Due to the net loss reported for the year ended March 31, 2014, the outstanding common stock equivalents are not dilutive. There were no common stock equivalents, such as stock options, outstanding during the year ended March 31, 2013.

Note 4: Goodwill and Other Intangible Assets

On December 4, 2009, the Bank acquired a branch office in Pasadena, Maryland from K Bank. The Bank paid premiums of $653,000 and $92,000 for the certificates of deposit and loans that were acquired, respectively. The premiums were amortized over four years, which were the estimated lives of the certificates and loans. The Bank also purchased $757,432 of premises and equipment, which includes the building, land, and equipment. In addition, the Bank recorded goodwill totaling $2,664,432 and identifiable intangibles (core deposit intangible) totaling $434,000. The goodwill is deductible for tax purposes. We evaluate goodwill and other intangible assets for impairment on an annual basis. The core deposit intangible asset is being amortized over 10 years.

The activity in goodwill and acquired intangible assets related to the branch purchase is as follows:

	Goodwill	Core deposit intangible
Balance March 31, 2012	**$ 2,664,432**	$ 263,666
Amortization		(51,333)
Balance March 31, 2013	**2,664,432**	**212,333**
Amortization		**(41,000)**
Balance March 31, 2014	**$ 2,664,432**	**$ 171,333**

At March 31, 2014, future expected annual amortization associated with the core deposit intangible is as follows:

Year ending March 31,	Amount

2015	$ 33,000
2016	28,667
2017	28,000
2018	28,000
2019	28,000
2020	25,666
	$ 171,333

HAMILTON BANCORP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Continued)

Note 5: Correspondent Bank Relationships

The Bank normally carries balances with other banks that exceed the federally insured limit. The average balance carried in excess of the limit, including unsecured federal funds sold to the same banks, was $18,140,476 and $45,928,428 for the years ended March 31, 2014 and 2013, respectively.

Banks are required to carry non-interest bearing cash reserves at specified percentages of deposit balances. The Bank s normal amount of cash on hand and on deposit with other banks is sufficient to satisfy the reserve requirements.

Note 6: Lines of Credit

The Bank may borrow up to 20 percent of its assets under a line of credit agreement with the Federal Home Loan Bank of Atlanta (the FHLB). Advances under the line of credit are secured by investments and certain loans owned by the Bank. As of March 31, 2014 and 2013, the Bank had $58,100,000 and $64,190,000, respectively, of available credit from the FHLB. Advances would be limited by the balance of investment securities and loans available for pledge.

The Bank may also borrow up to $5,000,000 from a correspondent bank under a secured federal funds line of credit and $1,000,000 under an unsecured federal funds line of credit. The Bank would be required to pledge investment securities to draw upon the secured line of credit.

There were no borrowings outstanding under the lines of credit as of March 31, 2014 and 2013.

Note 7: Related Party Transactions

The officers and directors of the Bank enter into loan transactions with the Bank in the ordinary course of business. The terms of these transactions are similar to the terms provided to other borrowers entering into similar loan transactions. All related party loans are subject to review by management and the board of directors.

Activity in these loans during the year ended March 31 was as follows:

	2014	2013
Balance Beginning of year	**$ 721,558**	$ 732,405
New loans		400
Line of credit advances	**6,400**	4,200
Principal repayments	**(55,544)**	(15,447)
Balance End of year	**$ 672,414**	$ 721,558

Deposits from officers and directors of the Bank totaled $1,850,454 and $1,543,381 at March 31, 2014 and 2013, respectively.

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HAMILTON BANCORP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Continued)

Note 8: Investment Securities Available for Sale

The amortized cost and estimated fair value of investment securities available for sale at March 31, 2014 and March 31, 2013, are summarized as follows:

March 31, 2014	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government agencies	$ 24,539,483	$ 20,505	$ 1,146,883	$ 23,413,105
Municipal bonds	3,241,992	95,568		3,337,560
Mortgage-backed	78,368,150	367,505	1,960,066	76,775,589
	106,149,625	483,578	3,106,949	103,526,254
FHLMC stock	6,681	20,339		27,020
	$ 106,156,306	$ 503,917	$ 3,106,949	$ 103,553,274

March 31, 2013	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government agencies	$ 27,075,038	$ 66,149	$ 111,939	$ 27,029,248
Mortgage-backed	88,496,379	1,015,105	311,549	89,199,935
	115,571,417	1,081,254	423,488	116,229,183
FHLMC stock	6,681		1,921	4,760
	$ 115,578,098	$ 1,081,254	$ 425,409	$ 116,233,943

Proceeds from sales of investment securities were $13,224,898 and $16,237,218 during the years ended March 31, 2014 and 2013, respectively, with gains of $304,960 and losses of $133,070 for the year ended March 31, 2014 and gains of $273,670 and losses of $43,308 for the year ended March 31, 2013.

As of March 31, 2014 and 2013, all mortgage-backed securities are backed by U.S. Government- Sponsored Enterprises (GSE s).

As of March 31, 2014, the Bank had pledged one security to the Federal Reserve Bank with a book value of $2,000,000 and a fair value of $1,845,068.

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HAMILTON BANCORP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Continued)

The amortized cost and estimated fair value of debt securities by contractual maturity at March 31, 2014 and 2013 follow. Actual maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations.

	Available For Sale			
	March 31, 2014		March 31, 2013	
	Amortized cost	Fair value	Amortized cost	Fair value
Maturing				
Within one year	**$ 1,017,006**	**$ 1,032,051**	$ 1,505,451	$ 1,520,815
Over one to five years	**4,522,476**	**4,527,248**	6,575,873	6,620,671
Over five to ten years	**17,000,000**	**15,904,931**	11,999,256	11,938,889
Over ten years	**5,241,993**	**5,286,435**	6,994,458	6,948,873
Mortgage-backed, in monthly installments	**78,368,150**	**76,775,589**	88,496,379	89,199,935
	$ 106,149,625	**$ 103,526,254**	$ 115,571,417	$ 116,229,183

The following table presents the gross unrealized losses on investment securities and the corresponding fair values by investment category and length of time that the securities have been in a continuous unrealized loss position at March 31, 2014 and 2013:

March 31, 2014	**Less than 12 months**		**12 months or longer**		**Total**	
	Gross unrealized losses	**Fair value**	**Gross unrealized losses**	**Fair value**	**Gross unrealized losses**	**Fair value**
U.S. government agencies	**$ 995,320**	**$ 17,004,680**	**$ 151,563**	**$ 2,848,437**	**$ 1,146,883**	**$ 19,853,117**
Municipal bonds						
Mortgage-backed	**1,712,098**	**48,609,006**	**247,968**	**7,216,678**	**1,960,066**	**55,825,684**
FHLMC stock						
	$ 2,707,418	**$ 65,613,686**	**$ 399,531**	**$ 10,065,115**	**$ 3,106,949**	**$ 75,678,801**

March 31, 2013	Less than 12 months		12 months or longer		Total	
	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value

U.S. government agencies	$ 111,939	$ 18,881,775	$	$	$ 111,939	$ 18,881,775
Mortgage-backed	298,271	35,541,939	13,278	3,373,491	311,549	38,915,430
FHLMC stock			1,921	4,760	1,921	4,760
	$ 410,210	$ 54,423,714	$ 15,199	$ 3,378,251	$ 425,409	$ 57,801,965

The gross unrealized losses on debt securities are not considered by management to be other-than-temporary impairments. Management has the intent and ability to hold these securities until recovery of their value. In most cases, temporary impairment is caused by market interest rate fluctuations.

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HAMILTON BANCORP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Continued)

Note 9: Loans Receivable and Allowance for Loan Losses

Loans receivable consist of the following at March 31, 2014 and 2013:

	March 31, 2014	**March 31, 2013**
Real estate loans:		
One- to four-family:		
Residential	**$ 57,673,450**	$ 63,895,507
Residential construction	**473,271**	17,000
Investor	**14,000,119**	15,825,857
Commercial	**41,406,424**	36,238,661
Commercial construction	**2,794,793**	3,508,125
	116,348,057	119,485,150
Commercial	**15,656,599**	26,936,644
Home equity loans	**11,660,531**	13,727,266
Consumer	**1,154,007**	1,122,770
Total loans	**144,819,194**	161,271,830
Premium on loans purchased		15,334
Net deferred loan origination fees and costs	**(119,630)**	(95,522)
Allowance for loan losses	**(1,785,973)**	(2,071,224)
	142,913,591	$ 159,120,418

Residential lending is generally considered to involve less risk than other forms of lending, although payment experience on these loans is dependent on economic and market conditions in the Bank s lending area. Construction loan repayments are generally dependent on the related properties or the financial condition of the borrower or guarantor. Accordingly, repayment of such loans can be more susceptible to adverse conditions in the real estate market and the regional economy.

A substantial portion of the Bank s loan portfolio is mortgage loans secured by residential and commercial real estate properties located in the Baltimore metropolitan area. Loans are extended only after evaluation of a customer s creditworthiness and other relevant factors on a case-by-case basis. The Bank generally does not lend more than 90% of the appraised value of a property and requires private mortgage insurance on residential mortgages with loan-to-value ratios in excess of 80%. In addition, the Bank generally obtains personal guarantees of repayment from borrowers and/or others for construction loans and disburses the proceeds of those and similar loans only as work progresses on the related projects.

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Notes to Consolidated Financial Statements (Continued)

The following tables set forth for the years ended March 31, 2014 and 2013, the balance of the allowance for loan losses by portfolio segment, disaggregated by impairment methodology, which is further segregated by amounts evaluated for impairment collectively and individually. The allowance for loan losses allocated to each portfolio segment is not necessarily indicative of future losses in any particular portfolio segment and does not restrict the use of the allowance to absorb losses in other portfolio segments.

						Allowance		Loan Balance	
n 31, 2014	Allowance 3/31/2013	Provision for Loan Losses	Charge offs	Recoveries	Allowance 3/31/2014	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Individually Evaluated for Impairment	Collecti Evalua for Impairm
state loans									
o									
amily	**$ 372,390**	**$ 337,416**	**$ 205,809**	**$ 24,365**	**$ 528,362**	**$ 168,487**	**$ 359,875**	**$ 1,913,630**	**$ 70,233**
ercial	**613,047**	**(84,100)**		**46,934**	**575,881**		**575,881**	**3,363,584**	**38,042**
uction	**417,311**	**643,050**	**1,000,000**		**60,361**		**60,361**	**1,552,293**	**1,242**
ercial	**635,840**	**968,537**	**1,058,733**	**45,331**	**590,975**	**259**	**590,716**	**3,953,618**	**11,702**
equity									
	31,484	**7,082**	**11,385**		**27,181**		**27,181**	**204,209**	**11,456**
mer	**1,152**	**1,572**		**489**	**3,213**		**3,213**		**1,154**
ocated									
	$ 2,071,224	**$ 1,873,557**	**$ 2,275,927**	**$ 117,119**	**$ 1,785,973**	**$ 168,746**	**$ 1,617,227**	**$ 10,987,334**	**$ 133,831**

						Allowance		Loan Balance	
n 31, 2013	Allowance 3/31/2012	Provision for Loan Losses	Charge offs	Recoveries	Allowance 3/31/2013	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Individually Evaluated for Impairment	Collecti Evalua for Impairm
state loans									
o									
amily	$ 342,905	$ 284,263	$ 254,778	$	$ 372,390	$ 66,504	$ 305,886	$ 2,274,664	$ 77,463
ercial	879,698	434,621	701,272		613,047		613,047	4,806,293	31,432
uction	1,047,658	(293,270)	337,077		417,311	417,311		3,508,125	
ercial	1,231,723	1,308,430	1,904,313		635,840	24,770	611,070	2,993,490	23,943

equity									
	41,829	(5,015)	5,330		31,484		31,484	21,874	13,70
mer	270	9,227	8,345		1,152		1,152		1,122
ocated	8,281	(8,281)							
	$ 3,552,364	$ 1,729,975	$ 3,211,115	$	$ 2,071,224	$ 508,585	$ 1,562,639	$ 13,604,446	$ 147,667

Past due loans, segregated by age and class of loans, as of March 31, 2014 and 2013, were as follows:

31, 2014	Loans 30-59 days past due	Loans 60-89 days past due	Loans 90 or more days past due	Total past due loans	Current loans	Total loans	Accruing loans 90 or more days past due	Nonaccrual loans	Nona int n acc
tate loans									
mily	$ 253,465	$	$ 442,355	$ 695,820	$ 71,451,020	$ 72,146,840	$	$ 442,355	$ 2
ercial			301,295	301,295	41,105,129	41,406,424	301,295		
uction		1,242,500		1,242,500	1,552,293	2,794,793		1,552,293	
ercial	439,603	2,172,968	1,801,746	4,414,317	11,242,282	15,656,599	500,000	2,040,864	7
equity									
			204,209	204,209	11,456,322	11,660,531		204,209	
ner	7,629			7,629	1,146,378	1,154,007			
	$ 700,697	$ 3,415,468	$ 2,749,605	$ 6,865,770	$ 137,953,424	$ 144,819,194	$ 801,295	$ 4,239,721	$ 11

31, 2013	Loans 30-59 days past due	Loans 60-89 days past due	Loans 90 or more days past due	Total past due loans	Current loans	Total loans	Accruing loans 90 or more days past due	Nonaccrual loans	Nona int n acc
tate loans									
mily	$ 756,123	$ 179,316	$ 1,371,429	$ 2,306,868	$ 77,431,496	$ 79,738,364	$	$ 1,377,827	$ 15
ercial			1,406,421	1,406,421	34,832,240	36,238,661		1,406,421	16
uction			1,003,314	1,003,314	2,504,811	3,508,125		1,003,314	11
ercial	1,865,563		319,167	2,184,730	24,751,914	26,936,644		1,307,290	2
equity									
	63,106		36,891	99,997	13,627,269	13,727,266		36,891	
ner					1,122,770	1,122,770			
	$ 2,684,792	$ 179,316	$ 4,137,222	$ 7,001,330	$ 154,270,500	$ 161,271,830	$	$ 5,131,743	$ 46

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HAMILTON BANCORP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Continued)

Impaired loans as of March 31, 2014 and 2013 were as follows:

March 31, 2014	Unpaid contractual principal balance	Recorded investment with no allowance	Recorded investment with allowance	Total recorded investment	Related allowance	Average recorded investment	Interest recognized
Real estate loans							
One- to four-family	**$ 2,103,937**	**$ 442,355**	**$ 1,471,275**	**$ 1,913,630**	**$ 168,487**	**$ 2,015,371**	**$ 85,927**
Commercial	**5,212,253**	**3,363,584**		**3,363,584**		**3,381,166**	**278,249**
Construction	**2,552,293**	**1,552,293**		**1,552,293**		**2,546,048**	**174,501**
Commercial	**5,405,706**	**3,886,889**	**66,729**	**3,953,618**	**259**	**4,664,305**	**319,389**
Home equity loans	**215,594**	**204,209**		**204,209**		**153,943**	**8,315**
Consumer							
	$ 15,489,783	**$ 9,449,330**	**$ 1,538,004**	**$ 10,987,334**	**$ 168,746**	**$ 12,760,833**	**$ 866,381**

March 31, 2013	Unpaid contractual principal balance	Recorded investment with no allowance	Recorded investment with allowance	Total recorded investment	Related allowance	Average recorded investment	Interest recognized
Real estate loans							
One- to four-family	$ 2,766,726	$ 1,373,947	$ 900,717	$ 2,274,664	$ 66,504	$ 2,476,899	$ 78,717
Commercial	5,498,540	4,806,293		4,806,293		5,045,501	237,838
Construction	3,853,728	1,003,314	2,504,811	3,508,125	417,311	3,462,305	168,173
Commercial	3,586,694	2,783,250	210,240	2,993,490	24,770	3,231,026	124,040
Home equity loans	22,554	21,874		21,874		24,166	425
Consumer							
	$ 15,728,242	$ 9,988,678	$ 3,615,768	$ 13,604,446	$ 508,585	$ 14,239,897	$ 609,193

Credit quality indicators

As part of the ongoing monitoring of the credit quality of the Bank s loan portfolio, management tracks certain credit quality indicators including trends related to the risk grade of loans, the level of classified loans, net charge offs, nonperforming loans, and the general economic conditions in the Bank s market.

The Bank utilizes a risk grading matrix to assign a risk grade to each of its loans. A description of the general characteristics of loans characterized as watch list or classified is as follows:

Pass

A pass loan is considered of sufficient quality to preclude a special mention or an adverse rating. Pass assets generally are well protected by the current net worth and paying capacity of the obligor or by the value of the asset or underlying collateral.

Special mention

A special mention loan has potential weaknesses that deserve management s close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or in the Bank s credit position at some future date. Special mention loans are not adversely classified and do not expose the Bank to sufficient risk to warrant adverse classification.

Loans that would primarily fall into this notational category could have been previously classified adversely, but the deficiencies have since been corrected. Management should closely monitor recent payment history of the loan and value of the collateral.

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HAMILTON BANCORP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Continued)

Borrowers may exhibit poor liquidity and leverage positions resulting from generally negative cash flow or negative trends in earnings. Access to alternative financing may be limited to finance companies for business borrowers and may be unavailable for commercial real estate borrowers.

Substandard

A substandard loan is inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Substandard loans have a well defined weakness, or weaknesses, that jeopardize the collection or liquidation of the debt. They are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected. This will be the measurement for determining if a loan is impaired.

Borrowers may exhibit recent or unexpected unprofitable operations, an inadequate debt service coverage ratio, or marginal liquidity and capitalization. These loans require more intense supervision by Bank management.

Foreclosed real estate will be treated as a classifiable asset. Generally, foreclosed real estate will be classified as substandard, except if the property is subject to an agreement of sale or if the asset is generating sufficient income. An appraisal may be performed on the asset to estimate its value. When the property is transferred to foreclosed real estate, a sufficient amount will be charged-off against the allowance for loan losses in order to account for the property at its fair value less estimated costs to sell.

Doubtful

A doubtful loan has all the weaknesses inherent in a substandard loan with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. A loan classified as doubtful exhibits loss potential. However, there is still sufficient reason to permit the loan to remain on the books. A doubtful classification could reflect the deterioration of the primary source of repayment and serious doubt exists as to the quality of the secondary source of repayment.

Doubtful classifications should be used only when a distinct and known possibility of loss exists. When identified, adequate loss should be recorded for the specific assets. The entire asset should not be classified as doubtful if a partial recovery is expected, such as liquidation of the collateral or the probability of a private mortgage insurance payment is likely.

Loss

Loans classified as loss are considered uncollectable and of such little value that their continuance as loans is unjustified. A loss classification does not mean a loan has absolutely no value; partial recoveries may be received in the future. When loans or portions of a loan are considered a loss, it will be the policy of the Bank to write-off the amount designated as a loss. Recoveries will be treated as additions to the allowance for loan losses.

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HAMILTON BANCORP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Continued)

The following tables present the March 31, 2014 and 2013 balances of classified loans based on the risk grade. Classified loans include Special Mention, Substandard, Doubtful, and Loss loans. The Bank had no loans classified as Doubtful or Loss as of March 31, 2014 or 2013.

March 31, 2014	**Pass**	**Special Mention**	**Substandard**	**Total**
Real estate loans				
One-to four-family	**$ 69,979,745**	**$ 1,724,740**	**$ 442,355**	**$ 72,146,840**
Commercial	**35,187,711**	**2,855,129**	**3,363,584**	**41,406,424**
Construction	**1,242,500**		**1,552,293**	**2,794,793**
Commercial	**8,462,441**	**3,240,542**	**3,953,616**	**15,656,599**
Home equity loans	**11,456,322**		**204,209**	**11,660,531**
Consumer	**1,154,007**			**1,154,007**
	$ 127,482,726	**$ 7,820,411**	**$ 9,516,057**	**$ 144,819,194**

March 31, 2013	Pass	Special Mention	Substandard	Total
Real estate loans				
One-to four-family	$ 76,599,005	$ 1,767,930	$ 1,371,429	$ 79,738,364
Commercial	31,432,368		4,806,293	36,238,661
Construction			3,508,125	3,508,125
Commercial	22,723,043	1,220,111	2,993,490	26,936,644
Home equity loans	13,638,716	51,659	36,891	13,727,266
Consumer	1,122,770			1,122,770
	$ 145,515,902	$ 3,039,700	$ 12,716,228	$ 161,271,830

Classified loans also include certain loans that have been modified in troubled debt restructurings (TDRs) where economic concessions have been granted to borrowers who have experienced or are expected to experience financial difficulties. These concessions typically result from the Bank s loss mitigation activities and could include reductions in the interest rate, payment extensions, forgiveness of principal, forbearance or other actions. Generally, TDRs are classified as nonperforming at the time of restructure and may only be returned to performing status after considering the borrower s sustained repayment performance for a reasonable period, generally six months.

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HAMILTON BANCORP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Continued)

A summary of TDRs at March 31, 2014 and 2013 follows:

March 31, 2014	Number of Contracts	Performing	Nonperforming	Total
Real estate				
One- to four-family	**5**	**$ 1,471,275**	**$ 6,259**	**$ 1,477,534**
Commercial				
Construction				
Commercial	**3**	**66,729**	**870,489**	**937,218**
Home equity loans				
Consumer				
	8	**$ 1,538,004**	**$ 876,748**	**$ 2,414,752**

March 31, 2013	Number of Contracts	Performing	Nonperforming	Total
Real estate loans				
One- to four-family	4	$ 1,436,343	$ 6,630	$ 1,442,973
Commercial				
Construction				
Commercial	3		1,177,788	1,177,788
Home equity loans	1	21,874		21,874
Consumer				
	8	$ 1,458,217	$ 1,184,418	$ 2,642,635

The following table presents the number of contracts and the dollar amount of TDR s that were added during the fiscal year ended March 31, 2014. The amount shown reflects the outstanding loan balance at the time of the modification.

Year Ended March 31, 2014	Number of Contracts	Outstanding Recorded Investment
Real estate		
One- to four-family	**1**	**$ 72,104**
Commercial		
Construction		
Commercial		
Home equity loans		

Consumer			
	1	**$**	**72,104**

The following table represents loans that were modified as TDRs during the year ended March 31, 2013, and have subsequently defaulted in the twelve months ended March 31, 2014. Payment default under a TDR is defined as any TDR that is 90 days or more past due since the loan was modified.

	Year ended March 31, 2014	
TDR Loan Type	Number of Contracts	Recorded Investment
Commercial	**1**	**$ 196,667**

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Notes to Consolidated Financial Statements (Continued)

The recorded investment of the commercial TDR loan as of March 31, 2014 reflects a partial charge-off of $47,060 during the quarter ended March 31, 2013 and a subsequent payment of $122,500 from the auction of repossessed equipment. There is additional collateral that the Bank has yet to collect upon. Management does not expect to incur any additional losses on this particular loan.

In the normal course of business, the Bank has various outstanding commitments and contingent liabilities that are not reflected in the accompanying financial statements. Loan commitments and lines of credit are agreements to lend to a customer as long as there is no violation of any condition to the contract. Mortgage loan commitments generally have fixed interest rates, fixed expiration dates, and may require payment of a fee. Other loan commitments generally have fixed interest rates. Lines of credit generally have variable interest rates. Such lines do not represent future cash requirements because it is unlikely that all customers will draw upon their lines in full at any time.

The Bank s maximum exposure to credit loss in the event of nonperformance by the customer is the contractual amount of the credit commitment. Loan commitments, lines of credit, and letters of credit are made on the same terms, including collateral, as outstanding loans. Management is not aware of any accounting loss to be incurred by funding these loan commitments.

The Bank had the following outstanding commitments and unused lines of credit as of March 31, 2014 and 2013:

	2014	2013
Unused commercial lines of credit	**$ 2,614,410**	$ 8,161,901
Unused home equity lines of credit	**17,473,620**	17,402,335
Residential construction loan commitments	**976,829**	837,000
Commercial construction loan commitments	**47,021**	240,875
Home equity loan commitments	**142,200**	132,500
Commercial loan commitments	**2,589,249**	7,710,000

Note 10: Premises and Equipment

A summary of premises and equipment and the related depreciation and amortization as of March 31, is as follows:

	Estimated Useful Life	**2014**	2013
Land		**$ 290,219**	$ 298,119
Office buildings and improvements	3 - 39 years	**2,825,293**	3,185,655
Furniture and equipment	3 - 7 years	**1,653,963**	1,723,943
Automobiles	5 years	**84,352**	84,352
		4,853,827	5,292,069

Accumulated depreciation and amortization	**(2,752,240)**	(2,831,237)
Net premises and equipment	**$ 2,101,587**	$ 2,460,832
Depreciation and amortization expense	**$ 310,935**	$ 353,296

The Bank closed its Belmar branch in Baltimore City on August 2, 2013. Management closed the Belmar branch due to its close proximity to one of the Bank s other four branch locations. The building and land were sold in December 2013 for $224,052 and the Bank recognized a gain of $82,518 on the sale.

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HAMILTON BANCORP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Continued)

The Bank has an operating lease for one of its existing branch locations in Baltimore County that ends May 1, 2015. In addition, the Bank signed a sublease dated April 28, 2011, for its administrative office space located in Baltimore County that ends November 1, 2016. Each of the lease agreements have options to renew at the end of the lease term. Rental expense under the two leases for the years ended March 31, 2014 and 2013 was $387,535 and $383,958, respectively. The minimum future rental commitment under both agreements is as follows:

Year ending March 31,	Payments
2015	**$ 404,354**
2016	**348,247**
2017	**207,820**
	$ 960,421

Note 11: Interest-Bearing Deposits

Major classifications of interest-bearing deposits as of March 31, are as follows:

Deposit Product	**2014**	2013
Statement savings	**$ 15,951,875**	$ 15,482,596
NOW accounts	**9,067,604**	8,859,606
Money market	**28,382,326**	28,200,665
Certificates of Deposit	**170,091,205**	196,017,794
Premium on deposits purchased		10,000
	$ 223,493,010	$ 248,570,661

The aggregate amount of time deposits in denominations of $100,000 or more were $68,356,091 and $77,122,727 at March 31, 2014 and 2013, respectively.

Schedule of maturity of time deposits is as follows:

Maturity period	**2014**	2013
Within one year	**$ 102,001,002**	$ 112,636,692
Over one year through two years	**37,294,279**	42,169,385
Over two years through three years	**15,716,214**	22,095,958
Over three years through four years	**6,762,094**	12,291,031

Over four years through five years	**8,317,616**	6,824,728
	$ 170,091,205	$ 196,017,794

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HAMILTON BANCORP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Continued)

Note 12: Regulatory Capital Ratios

The Office of the Comptroller of the Currency has adopted risk-based capital standards for banking organizations. These standards require ratios of capital to assets for minimum capital adequacy and to be classified as well capitalized under prompt corrective action provisions. The capital ratios and minimum capital requirements of the Bank at March 31, 2014 and March 31, 2013 were as follows:

	Actual		Minimum capital requirement		To be well capitalized (1)	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(dollars in thousands)			
March 31, 2014						
Total Risk-based Capital (to risk-weighted assets)	**$ 45,800**	**28.38%**	**$ 12,908**	**8.00%**	**$ 16,135**	**10.00%**
Tier 1 Capital (to risk-weighted assets)	**44,014**	**27.28%**	**6,454**	**4.00%**	**9,681**	**6.00%**
Tier 1 Capital (to adjusted total assets)	**44,014**	**15.10%**	**11,660**	**4.00%**	**14,575**	**5.00%**
March 31, 2013						
Total Risk-based Capital (to risk-weighted assets)	$ 46,956	26.70%	$ 14,068	8.00%	$ 17,586	10.00%
Tier 1 Capital (to risk-weighted assets)	44,885	25.52%	7,034	4.00%	10,551	6.00%
Tier 1 Capital (to adjusted total assets)	44,885	14.13%	12,707	4.00%	15,884	5.00%

(1) Under prompt corrective action provisions

Tier 1 capital consists of total shareholders equity less goodwill and intangible assets. Total capital includes a limited amount of the allowance for loan losses and a portion of any unrealized gain on equity securities. In calculating risk-weighted assets, specified risk percentages are applied to each category of asset and off-balance-sheet items.

Failure to meet the capital requirements could affect, among other things, the Bank s ability to accept brokered deposits and may significantly affect the operations of the Bank.

In its regulatory report filed as of March 31, 2014, the Bank exceeded all regulatory capital requirements and was considered well capitalized under regulatory guidelines. Management is not aware of any events that would have caused this classification to change. Management has no plans that should change the classification of the capital adequacy.

Note 13: Income Taxes

The provisions for income taxes for the years ended March 31, 2014 and 2013 consist of the following components:

	March 31, 2014	2013
Current:		
Federal	**$ (590,715)**	$ (530,824)
State	**(181,134)**	(173,231)
Deferred income tax	**(219,940)**	397,057
Total	**$ (991,789)**	$ (306,998)

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Notes to Consolidated Financial Statements (Continued)

A reconciliation of the provision for taxes on income from the statutory federal income tax rate to the effective income tax rates follows:

	March 31,	
	2014	2013
Tax at statutory federal income tax rate	**$ (743,639)**	$ (162,905)
Tax effect of:		
Tax-exempt income	**(141,850)**	(102,069)
State income taxes, net of federal benefit	**(135,773)**	(40,603)
Nondeductible expenses and other	**29,473**	(1,421)
Income tax expense	**$ (991,789)**	$ (306,998)

The following is a summary of the tax effects of the temporary differences between financial and income tax accounting that give rise to deferred tax assets and deferred tax liabilities as of March 31:

	2014	2013
Deferred tax assets:		
Allowance for loan losses	**$ 712,296**	$ 829,814
Nonaccrual interest	**114,876**	249,489
Deferred compensation	**287,695**	241,117
Foreclosed real estate write down and holding costs	**133,834**	46,394
Deferred loan costs	**59,282**	61,158
Capital loss carryforward		28,196
Charitable contribution carryforward	**28,596**	16,698
Net operating loss carryforward	**333,022**	
Stock based payment awards	**17,550**	
Unrealized loss on investment securities available for sale	**1,026,766**	
Valuation allowance on deferred tax asset	**(2,418)**	
	2,711,499	1,472,866
Deferred tax liabilities:		
Accumulated depreciation	**827**	73,416
FHLB stock dividends	**67,245**	101,272
Goodwill and other intangible assets	**249,464**	184,158
		259,098

Unrealized gain on investment securities available for sale		
Other	**33,237**	
	350,773	617,944
Net deferred tax asset	**$ 2,360,726**	$ 854,922

In management s opinion, it is more likely than not that the Company will be able to realize the recorded net deferred income tax asset. This is based on management s analysis, which includes projections of future taxable income as well as income taxes paid in prior years available for carryback. As of March 31, 2014 the Company recorded a valuation allowance related to the holding company s State of Maryland net operating loss carryforward. As of March 31, 2014, the Company has a federal net operating loss carryforward of $803,991, which will expire during the year ending March 31, 2034.

The Company s tax returns are subject to review and examination by federal and state taxing authorities. The Company s tax returns are currently open to audit under the applicable statutes of limitations by the Internal Revenue Service for the years ended March 31, 2011 through March 31, 2014. In management s opinion, the Company does not have any uncertain tax positions that are deemed material, and did not recognize any adjustments for unrecognized tax benefits.

HAMILTON BANCORP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Continued)

Note 14: Fair Value Measurements

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a hierarchy for determining fair value measurement. The hierarchy includes three levels and is based upon the valuation techniques used to measure assets and liabilities. The three levels are as follows:

Level 1: Valuation is based on quoted prices (unadjusted) for identical assets or liabilities in active markets;

Level 2: Valuation is determined from quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar instruments in markets that are not active or by model-based techniques in which all significant inputs are observable in the market; and

Level 3: Valuation is derived from model-based techniques in which at least one significant input is unobservable and based on the Company s own estimates about the assumptions that market participants would use to value the asset or liability.

The following is a description of the valuation methods used for instruments measured at fair value as well as the general classification of such instruments pursuant to the applicable valuation method.

Fair value measurements on a recurring basis

Securities available for sale If quoted prices are available in an active market for identical assets, securities are classified within Level 1 of the hierarchy. If quoted market prices are not available, then fair values are estimated using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. As of March 31, 2014 and 2013, the Company has categorized its investment securities available for sale as follows:

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
March 31, 2014				
U.S. government agencies	$	$ **23,413,105**	$	$ **23,413,105**
Municipal bonds		**3,337,560**		**3,337,560**
Mortgage-backed		**76,775,589**		**76,775,589**
FHLMC stock	**27,020**			**27,020**
Total investment securities available for sale	**$ 27,020**	**$ 103,526,254**	**$**	**$ 103,553,274**

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
March 31, 2013				

U.S. government agencies	$	$ 27,029,248	$	$ 27,029,248
Mortgage-backed		89,199,935		89,199,935
FHLMC stock	4,760			4,760
Total investment securities available for sale	$ 4,760	$ 116,229,183	$	$ 116,233,943

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HAMILTON BANCORP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Continued)

Fair value measurements on a nonrecurring basis

Impaired Loans The Company has measured impairment generally based on the fair value of the loan s collateral or the present value of expected future cash flows. Fair value is generally determined based upon independent appraisals of the properties, or discounted cash flows based upon the expected proceeds. These assets are included as Level 3 fair values. As of March 31, 2014 and 2013, the fair values consist of loan balances of $10,987,334 and $13,604,446 that have been written down by $168,746 and $508,585, respectively, as a result of specific loan loss allowances.

Foreclosed real estate The Company s foreclosed real estate is measured at fair value less estimated cost to sell. As of March 31, 2014 and 2013, the fair value of foreclosed real estate was estimated to be $664,020 and $755,659, respectively. Fair value was determined based on offers and/or appraisals. Cost to sell the assets was based on standard market factors. The Company has categorized its foreclosed assets as Level 3.

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
March 31, 2014				
Impaired loans	**$**	**$**	**$ 10,818,588**	**$ 10,818,588**
Foreclosed real estate			**664,020**	**664,020**
Total impaired loans and foreclosed real estate	**$**	**$**	**$ 11,482,608**	**$ 11,482,608**
March 31, 2013				
Impaired loans	$	$	$ 13,095,861	$ 13,095,861
Foreclosed real estate			755,659	755,659
Total impaired loans and foreclosed real estate	$	$	$ 13,851,520	$ 13,851,520

The following table reconciles the beginning and ending balance of foreclosed real estate, which is measured on a nonrecurring basis using significant unobservable, Level 3 inputs for the years ended March 31, 2014 and 2013:

	2014	2013
Beginning balance	**$ 755,659**	$ 755,659
Transfer to foreclosed real estate	**1,003,314**	427,988
Proceeds from sale of foreclosed real estate	**(601,250)**	(422,458)
Loss on sale of foreclosed real estate	**(154,409)**	(5,530)
Write down of foreclosed real estate	**(339,294)**	
Ending balance	**$ 664,020**	$ 755,659

The remaining financial assets and liabilities are not reported on the balance sheets at fair value on a recurring basis. The calculation of estimated fair values is based on market conditions at a specific point in time and may not reflect current or future fair values.

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HAMILTON BANCORP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Continued)

	March 31, 2014		March 31, 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Level 1 inputs				
Cash and cash equivalents	**$ 33,073,310**	**$ 33,073,310**	$ 33,968,744	$ 33,968,744
Level 2 inputs				
Loans held for sale			196,743	203,416
Federal Home Loan Bank stock	**266,000**	**266,000**	400,600	400,600
Bank-owned life insurance	**12,002,078**	**12,002,078**	11,622,667	11,622,667
Level 3 inputs				
Loans receivable, net	**142,913,591**	**145,442,441**	159,120,418	162,443,898
Financial liabilities				
Level 1 inputs				
Advances by borrowers for taxes and insurance	**669,797**	**669,797**	769,000	769,000
Level 3 inputs				
Deposits	**238,820,171**	**239,452,889**	260,116,875	261,490,896

The fair values of cash and cash equivalents and advances by borrowers for taxes and insurance are estimated to equal the carrying amount.

The fair values of Federal Home Loan Bank stock and bank-owned life insurance are estimated to equal carrying amounts, which are based on repurchase prices of the FHLB stock and the insurance company.

The fair value of fixed-rate loans is estimated to be the present value of scheduled payments discounted using interest rates currently in effect. The fair value of variable-rate loans, including loans with a demand feature, is estimated to equal the carrying amount. The valuation of loans is adjusted for estimated loan losses.

The fair values of interest-bearing checking, savings, and money market deposit accounts is equal to the carrying amount. The fair value of fixed-maturity time deposits is estimated based on interest rates currently offered for deposits of similar remaining maturities.

The fair values of outstanding loan commitments and unused lines of credit are considered to be the same as the contractual amounts, and are not included in the table above. These commitments generate fees that approximate those currently charged to originate similar commitments.

Note 15: Defined Contribution Retirement Plan

The Bank offers a retirement plan qualifying under section 401(k) of the Internal Revenue Code to its employees. The Plan covers all full-time employees with one year of service who have reached 18 years of age. The Bank contributes three percent of each participant s eligible compensation to the Plan. The Bank may make elective deferrals as well, upon Board of Directors approval. During the years ended March 31, 2014 and 2013, the Bank recorded expense of $95,785 and $90,818, respectively, related to the 401(k) Plan.

HAMILTON BANCORP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Continued)

Note 16: Employee Stock Ownership Plan

In connection with the conversion to stock form in October 2012, the Company established an Employee Stock Ownership Plan (ESOP) for the exclusive benefit of eligible employees. The ESOP borrowed funds from the Company in the amount of $2,962,400, which was sufficient to purchase 296,240 shares or 8% of the Common Stock issued in the offering. The shares were acquired at a price of $10.00 per share.

The loan is secured by the shares purchased with the loan proceeds and will be repaid by the ESOP over the 20-year term of the loan with funds from the Bank s contributions to the ESOP and dividends paid on the stock, if any. The interest rate on the ESOP loan is an adjustable rate equal to the lowest prime rate, as published in the Wall Street Journal. The interest rate will adjust annually and will be the prime rate on the first business day of the calendar year. The interest rate on the loan as of March 31, 2014 is 3.25%.

Shares purchased with the loan proceeds are held in a suspense account for allocation among participants as the loan is repaid. Contributions to the ESOP and shares released from the suspense account are allocated among participants in proportion to their compensation, relative to total compensation of all active participants. Participants will vest their accrued benefits under the employee stock ownership plan at a rate of 20% per year, such that the participants will be 100% vested upon completion of five years of credited service. Vesting is accelerated upon retirement, death, or disability of the participant, or a change in control of the Bank. Forfeitures will be reallocated to remaining plan participants. Benefits may be payable upon retirement, death, disability, separation of service, or termination of the ESOP. Participants may elect to receive benefits in cash in lieu of common stock.

The debt of the ESOP, in accordance with generally accepted accounting principles, is eliminated in consolidation and the shares pledged as collateral are reported as unearned ESOP shares in the consolidated balance sheet. Contributions to the ESOP shall be sufficient to pay principal and interest currently due under the loan agreement. As shares are committed to be released from collateral, the Company reports compensation expense equal to the fair market price of the shares as they are committed to be released from the unallocated suspense account to participants accounts. The shares allocated will then become outstanding shares for earnings per share computations. The ESOP compensation expense for the year ended March 31, 2014 and 2013 was $211,345 and $171,292, respectively.

A summary of ESOP shares at March 31, 2014 and 2013 is as follows:

	2014	2013
Shares allocated to employees	**29,624**	14,812
Unearned shares	**266,616**	281,428
Total ESOP shares	**296,240**	296,240
Fair value of unearned shares	**$ 3,732,624**	$ 3,866,821

Note 17: Stock Based Compensation

In November 2013, the Company s shareholders approved a new Equity Incentive Plan (the 2013 Equity Incentive Plan). The 2013 Equity Incentive Plan allows for up to 148,120 shares to be issued to employees, executive officers or Directors in the form of restricted stock, and up to 370,300 shares to be issued to employees, executive officers or Directors in the form of stock options. At March 31, 2014, there were 77,250 restricted stock awards issued and outstanding and 225,150 stock option awards granted under the 2013 Incentive Plan.

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HAMILTON BANCORP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Continued)

Stock Options:

Under the above plan, the exercise price for stock options is the market price at date of grant. The maximum option term is ten years and the options granted shall vest in five equal annual installments of 20% with the first installment becoming exercisable on the first anniversary of the date of grant, or February 3, 2015, and succeeding installments on each anniversary thereafter, through February 3, 2019. The Company issues new shares to satisfy share option exercises. Total compensation cost that has been charged against income for the stock option plan was $34,868 for the year ended March 31, 2014.

The fair value of each option award is estimated on the date of grant using a closed form option valuation (Black-Scholes) model that uses the assumptions noted in the table below. Expected volatilities are based on historical data. The Company uses historical data to estimate option exercise and post-vesting termination behavior. The expected term of options granted represents the period of time that options granted are expected to be outstanding, which takes into account that the options are not transferable. The risk-free interest rate for the expected term of the option is based on the U.S. Treasury rate equal to the expected term of the option in effect at the time of the grant.

The fair value of options granted during the year ended March 31, 2014 was determined using the following weighted-average assumptions as of grant date.

	2014
Risk free interest rate	2.07%
Expected term	7.0 years
Expected stock price volatility	27.30%
Dividend yield	0.00%

A summary of stock option activity for the year ended March 31, 2014 is as follows:

March 31, 2014:	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term
Outstanding at beginning of year		$	
Granted	225,150	13.85	10.0 years
Exercised			
Forfeited, exchanged or expired			
Outstanding at end of year	225,150	$ 13.85	9.8 years

Vested at end of year	$ 13.85	9.8 years

As of March 31, 2014 there was $1,011,179 of total unrecognized compensation cost related to nonvested stock options granted under the Plan. The cost is expected to be recognized over a weighted-average period of 4.83 years. As of March 31, 2014, the weighted average fair value of the options granted was $4.65. As of March 31, 2014, the outstanding stock options have an intrinsic value of $33,773.

Restricted Stock:

The specific terms of each restricted stock award are determined by the Compensation Committee at the date of the grant. Compensation expense is recognized over the vesting period of the awards based on the fair value of the stock at the issue date. The fair value of the stock was determined using the total number of restricted stock awards granted multiplied by the fair market value of a share of Company stock at the grant date. Restricted stock awards granted shall vest in five equal annual installments of 20% with the first installment becoming vested on the first anniversary of the date of grant, or February 3, 2015, and succeeding installments on each anniversary thereafter, through February 3, 2019.

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HAMILTON BANCORP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Continued)

A summary of changes in the Company s nonvested shares for the year is as follows:

	Shares	Weighted-Average Grant-Date Fair Value
Nonvested at November 18, 2013 (Plan approval date)		$
Granted	77,250	13.85
Vested		
Forfeited		
Nonvested at March 31, 2014	77,250	$ 13.85

The Company recorded restricted stock awards expense of $35,663 during the year ended March 31, 2014. As of March 31, 2014, there was $1,034,250 of total unrecognized compensation cost related to nonvested shares granted under the 2013 stock incentive plan. The cost is expected to be recognized over a weighted-average period of 4.83 years.

Note 18: Condensed Financial Statements of Parent Company

Presented below are the condensed statement of financial condition as of March 31, 2014 and 2013, and the related condensed statement of operations and condensed statement of cash flows for Hamilton Bancorp, Inc. for the year ended March 31, 2014 and 2013.

Condensed Statement of Financial Condition

	March 31, 2014	March 31, 2013
Assets		
Cash and due from bank	**$ 8,750,970**	$ 10,444,504
Investment securities available-for-sale	**4,913,669**	5,991,545
ESOP loan receivable	**2,676,994**	2,785,252
Investment in bank subsidiary	**45,325,948**	48,164,118
Other assets	**102,687**	50,192
Total Assets	**$ 61,770,268**	$ 67,435,611
Liabilities	**$**	$

Shareholders Equity				
Common stock		**35,951**		37,030
Additional paid in capital		**32,910,362**		35,554,350
Retained earnings		**33,066,380**		34,261,764
Unearned ESOP shares		**(2,666,160)**		(2,814,280)
Accumulated other comprehensive income		**(1,576,265)**		396,747
Total Shareholders Equity		**61,770,268**		67,435,611
Total Liabilities and Shareholders Equity	**$**	**61,770,268**	$	67,435,611

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HAMILTON BANCORP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Continued)

Condensed Statement of Operations

	March 31, 2014	March 31, 2013
Interest revenue		
Interest on bank deposits	**$ 10,068**	$ 1,672
Interest on investments	**41,683**	10,498
Interest on ESOP loan	**89,641**	44,260
Total interest revenue	**141,392**	56,430
Noninterest expenses	**167,955**	59,180
Loss before equity in net loss of bank subsidiary	**(26,563)**	(2,750)
Equity in net loss of bank subsidiary	**(1,168,821)**	(169,385)
Net loss	**$ (1,195,384)**	$ (172,135)

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HAMILTON BANCORP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Continued)

Condensed Statement of Cash Flows

	March 31, 2014	March 31, 2013
Cash flows from operating activities:		
Net loss	**$ (1,195,384)**	$ (172,135)
Adjustments to reconcile net loss to net cash used by operating activities:		
Equity in undistributed net loss of subsidiary	**1,168,821**	169,385
Accretion of discount on investment securities	**(1,108)**	(392)
Increase in other assets	**(20,941)**	(47,694)
Net cash used by operating activities	**(48,612)**	(50,836)
Cash flows from investing activities:		
Investment in bank subsidiary		(16,300,000)
ESOP loan to bank		(2,962,400)
Principal collected on ESOP loan	**108,258**	177,148
Proceeds from maturing and called securities available for sale, including principal pay downs	**1,000,000**	
Purchase of investment securities available-for-sale		(5,998,500)
Net cash provided (used) by investing activities	**1,108,258**	(25,083,752)
Cash flows from financing activities:		
Proceeds from issuance of common stock (net of costs)		35,579,092
Repurchase of common stock	**(2,753,180)**	
Net cash provided (used) by financing activities	**(2,753,180)**	35,579,092
Net increase (decrease) in cash and cash equivalents	**(1,693,534)**	10,444,504
Cash and cash equivalents at beginning of period	**10,444,504**	
Cash and cash equivalents at end of period	**$ 8,750,970**	$ 10,444,504

Supplemental disclosure of noncash financing activities:

In October 2012, the company advanced $2,962,400 to the Employee Stock Ownership Plan, which was used to acquire 296,240 shares of common stock. The loan is secured by the shares purchased and is shown as Unearned ESOP shares in the consolidated statement of condition.