

Hamilton Bancorp, Inc.  
Form 10-K  
June 29, 2016  
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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-K**

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

**For the fiscal year ended March 31, 2016**

**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: **1-35693**

**HAMILTON BANCORP, INC.**

(Exact name of registrant as specified in its charter)

**MARYLAND**

**46-0543309**

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer 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:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
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

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

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  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  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.



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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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates as of September 30, 2015 was \$47,750,906

The number of shares outstanding of the registrant's common stock as of June 29, 2016 was 3,413,646.

**DOCUMENTS INCORPORATED BY REFERENCE:**

Proxy Statement for the Registrant's Annual Meeting of Stockholders (Part III)

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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. (the “Company”) is a Maryland chartered corporation 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. In connection with the conversion, the Company sold 3,703,000 shares of common stock at a price of \$10.00 per share, through which the Company received net proceeds of approximately \$35,580,000. 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.

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 seven full-service banking offices located in Baltimore City, Maryland and the Maryland counties of Baltimore, Howard, and Anne Arundel. Our business consists primarily of accepting 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, 2016, \$102.6 million, or 46.0%, of our gross loan portfolio was comprised of permanent residential mortgage loans.

We also invest in securities, which consist primarily of U.S. government agency, municipal and corporate 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. However, in the second half of fiscal 2015, we borrowed from the Federal Home Loan Bank and purchased brokered deposits to meet growing loan demand. We also acquired additional borrowings through a recent acquisition. We are committed to offering alternative banking delivery systems, including ATMs, online banking and remote deposit capture.

**Recent Acquisitions**

On September 11, 2015, the Company completed its acquisition of Fairmount Bancorp, Inc. (“Fairmount Bancorp”) through the merger of Fairmount Bancorp, the parent company of Fairmount Bank, with and into the Company pursuant to the Agreement and Plan of Merger dated April 15, 2015. As a result of the acquisition, each shareholder of Fairmount Bancorp received a cash payment equal to thirty dollars (\$30.00) for each share of Fairmount Bancorp common stock, or an aggregate of approximately \$15.4 million. Immediately after the acquisition of Fairmount Bancorp, Fairmount Bank was merged with and into the Bank, with the Bank the surviving bank.

On May 13, 2016, the Company completed its acquisition of Fraternity Community Bancorp, Inc. (“Fraternity Community Bancorp”) through the merger of Fraternity Community Bancorp, the parent company of Fraternity Federal Savings & Loan Association, with and into the Company pursuant to the Agreement and Plan of Merger dated October 12, 2015. As a result of the merger, each shareholder of Fraternity Community Bancorp received a cash payment equal to nineteen dollars and twenty-five cents (\$19.25) for each share of Fraternity Community Bancorp common stock, or an aggregate of approximately \$25.7 million. Immediately after the acquisition of Fraternity Community Bancorp, Fraternity Federal Savings & Loan Association was merged with and into the Bank, with the Bank the surviving bank.

**Available Information**

The Bank’s website address is [www.hamilton-bank.com](http://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 seven full-service banking offices in Maryland. Our primary deposit market includes the areas surrounding our banking offices in Cockeyville, Pasadena, Towson, Rosedale, Ellicott City and two locations in Baltimore City. In May 2015, we closed our stand-alone branch office in the Towson area of Baltimore County and relocated it within our administrative offices, also located in the area of Towson. A branch presence at the administrative office allows the lending area to better service their customers, as well as reduces overhead costs without compromising our customers or our service in this area of Baltimore County.

The Bank considers greater Maryland, southern Pennsylvania, Washington D.C., and northern Virginia as its primary lending area for its various consumer, commercial and mortgage lending services. It is the policy of the Bank to focus on lending to customers within its primary lending area, and/or to collateralize secured loans with real property located within the primary lending area. 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 both the financial and health service industries.

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Our branch network includes Baltimore City and the Maryland counties of Anne Arundel, Howard, and Baltimore. 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. Baltimore City, Baltimore County, Howard, and Anne Arundel County reported preliminary unemployment rates of 7.0%, 4.9%, 3.3% and 3.9%, respectively, for December 2015, compared to the statewide and national unemployment rates of 4.7% and 5.1%, 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, internet banks, mortgage banking firms, consumer finance companies, credit unions, and non-bank lenders. 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, 2015 (the latest date for which information is available), our market share was 0.33% of total deposits in Baltimore City, making us the 13th largest out of 30 financial institutions in Baltimore City based upon deposit share as of that date. In addition, as of June 30, 2015, our deposit market share was 0.62% and 0.38% of total deposits in Baltimore County and Anne Arundel County, respectively, making us the 20th largest out of 36 financial institutions in Baltimore County and the 21st largest out of 29 financial institutions in Anne Arundel County.

## **Lending Activities**

**General.** Historically, our principal lending activity has been the origination of mortgage loans collateralized by one- to four-family residential real estate located within our primary market area. We have altered that emphasis in recent years to become less reliant upon one- to four-family mortgage lending and to emphasize commercial business and commercial real estate lending. This has allowed the Bank to develop a more diversified loan portfolio, generate loan growth from different resources, and provide our customers with more products and services that fit their needs. In connection with this strategy, we have hired several commercial real estate and commercial business loan officers with strong experience in these lending areas. In addition, back office commercial loan personnel have also been hired to assist with the record keeping, underwriting, and monitoring of our commercial loan portfolio. Our commercial loan underwriting analysis is maintained in-house and allows us to be more efficient in originating loans and enhance the customer experience. We currently sell a majority 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 offer home equity loans and lines of credit, residential and commercial construction loans, and, to a much lesser extent, other consumer loans. A portion of the loans that we portfolio with respect to one- to four-family residential properties are made to investors who reside in our community.

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**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 \$259,000, \$581,000, \$-0-, \$197,000 and \$-0- at March 31, 2016, 2015, 2014, 2013 and 2012, respectively.

	At March 31, 2016		2015		2014	
	Amount	Percent	Amount	Percent	Amount	Percent
(Dollars in thousands)						
Real estate loans:						
Residential mortgage loans:						
One- to four-family residential	\$69,300	31.1 %	\$49,865	31.1 %	\$57,674	39.8 %
One- to four-family investor	27,860	12.5	12,971	8.1	14,000	9.7
Construction	8,527	3.8	6,362	4.0	3,268	2.3
Commercial real estate	78,115	35.1	59,273	36.9	41,406	28.6
Total real estate loans	183,802	82.5	128,471	80.1	116,348	80.4
Commercial business loans	20,395	9.2	18,490	11.5	15,657	10.8
Consumer:						
Home equity loans and lines of credit	14,391	6.5	12,261	7.6	11,660	8.0
Other consumer	4,179	1.9	1,166	0.8	1,154	0.8
Total consumer loans	18,570	8.3	13,427	8.4	12,814	8.8
Total loans receivable	222,767	100.0 %	160,388	100.0 %	144,819	100.0 %
Discount on loans acquired	(769 )		-		-	