MACDONALD WILLIAM E III
Form 3
May 01, 2007

FORM 3

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL

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INITIAL STATEMENT OF BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
Â MACDONALD WILLIAM E III

(Last) (First) (Middle)

JOHN'S ISLAND,Â 900 BEACH ROAD APT 385

(Street)

VERO BEACH,Â FLÂ 32963

(City) (State) (Zip)

2. Date of Event Requiring Statement (Month/Day/Year)
04/27/2007

3. Issuer Name **and** Ticker or Trading Symbol
LINCOLN ELECTRIC HOLDINGS INC [LECO]

4. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

5. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Beneficially Owned

1.Title of Security (Instr. 4)	2. Amount of Securities Beneficially Owned (Instr. 4)	3. Ownership Form: Direct (D) or Indirect (I) (Instr. 5)	4. Nature of Indirect Beneficial Ownership (Instr. 5)
Common Shares	0	D	Â

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

SEC 1473 (7-02)

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Table II - Derivative Securities Beneficially Owned (*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 4)	2. Date Exercisable and Expiration Date (Month/Day/Year)	3. Title and Amount of Securities Underlying Derivative Security (Instr. 4)	4. Conversion or Exercise Price of Derivative	5. Ownership Form of Derivative Security:	6. Nature of Indirect Beneficial Ownership (Instr. 5)

Date Exercisable	Expiration Date	Title	Amount or Number of Shares	Security	Direct (D) or Indirect (I) (Instr. 5)

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
MACDONALD WILLIAM E III JOHN'S ISLAND 900 BEACH ROAD APT 385 VERO BEACH,Â FLÂ 32963	Â X	Â	Â	Â

Signatures

/s/ William E. MacDonald, III	04/27/2007
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 5(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *See* Instruction 6 for procedure.
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One-to four-family

$528,362 $(159) $1,638 $1,105 $527,670 $167,547 $360,123 $2,096,687 $67,924,493

Commercial

575,881 19,921 595,802 595,802 3,359,813 39,935,027

Commercial Construction

60,361 (60,361) 1,505,008

Commercial

590,975 287,369 4,657 883,001 2,466 880,535 3,507,889 15,271,341

Home equity loans

27,181 54,128 42,850 38,459 38,459 161,271 11,323,948

Consumer

3,213 (898) 2,315 2,315 1,145,726

Unallocated

Explanation of Responses:

$1,785,973	$300,000	$44,488	$5,762	$2,047,247	$170,013	$1,877,234	$10,630,668	$135,600,535

March 31, 2015

Allowance
3/31/2014 Provision for
Loan Losses Charge
offs Recoveries Allowance
3/31/2015 Individually
Evaluated
for
Impairment Collectively
Evaluated
for
Impairment Individually
Evaluated
for
Impairment Collectively
Evaluated
for
Impairment

Real estate loans:

One-to four-family

$528,362 $38,738 $138,821 $5,291 $433,570 $97,632 $335,938 $2,092,580 $64,699,564

Commercial

575,881 9,936 585,817 585,817 3,358,447 55,914,951

Commercial Construction

60,361 7,474 67,835 67,835 1,374,530 1,031,319

Commercial

590,975 (82,390) 83,879 48,421 473,127 730 472,397 2,010,424 16,479,179

Home equity loans

27,181 169,990 100,693 2,505 98,983 98,983 15,229 12,246,063

Consumer

3,213 (3,925) 1,439 727 727 1,166,155

Unallocated

30,177 30,177 30,177

$1,785,973	$170,000	$323,393	$57,656	$1,690,236	$98,362	$1,591,874	$8,851,210	$151,537,231

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Explanation of Responses:

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HAMILTON BANCORP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Unaudited)

Past due loans, segregated by age and class of loans, as of and for the three months ended June 30, 2015 and as of and for the year ended March 31, 2015, were as follows.

ne 30, 2015	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	Totals loans	Accruing loans 90 or more days past due	Nonaccrual loans	Nonaccru interest not accrued
eal estate ans:									
ne-to ur-family	**$ 197,512**	**$ 258,229**	**$ 416,111**	**$ 871,852**	**$ 65,589,136**	**$ 66,460,988**	**$**	**$ 564,444**	**$ 30,64**
ommercial					**66,148,361**	**66,148,361**			
ommercial onstruction					**2,866,664**	**2,866,664**		**1,330,559**	**11,49**
ommercial	**15,074**		**778,074**	**793,148**	**17,168,176**	**17,961,324**	**599,630**	**178,444**	**66,66**
ome equity ans	**44,790**		**11,659**	**56,449**	**12,251,607**	**12,308,056**		**20,136**	**18**
onsumer	**533**	**284**		**817**	**3,871,780**	**3,872,597**			
	$ 257,909	**$ 258,513**	**$ 1,205,844**	**$ 1,722,266**	**$ 167,895,724**	**$ 169,617,990**	**$ 599,630**	**$ 2,093,583**	**$ 108,98**

arch 31, 2015	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	Totals loans	Accruing loans 90 or more days past due	Nonaccrual loans	Nonaccru interest not accrued
eal estate ans:									
ne-to ur-family	$ 299,259	$ 158,898	$ 487,617	$ 945,774	$ 65,846,370	$ 66,792,144	$	$ 639,191	$ 28,33
ommercial					59,273,398	59,273,398			
ommercial onstruction			1,374,530	1,374,530	1,031,319	2,405,849		1,374,530	11,97
ommercial		733,809	225,573	959,382	17,530,221	18,489,603		225,573	82,78
ome equity ans			6,000	6,000	12,255,292	12,261,292		15,229	98

onsumer	187	492		679	1,165,476	1,166,155				
	$ 299,446	$ 893,199	$ 2,093,720	$ 3,286,365	$ 157,102,076	$ 160,388,441	$		$ 2,254,523	$ 124,08

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HAMILTON BANCORP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Unaudited)

Impaired Loans as of and for the three months ended June 30, 2015 and as of and for the year ended March 31, 2015, were as follows:

June 30, 2015	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	**$ 2,327,127**	**$ 703,183**	**$ 1,432,133**	**$ 2,135,316**	**$ 92,054**	**$ 2,186,765**	**$ 15,992**
Commercial	**3,433,653**	**3,358,431**		**3,358,431**		**3,358,439**	**41,985**
Commercial Construction	**2,549,027**	**1,330,559**		**1,330,559**		**1,352,544**	
Commercial	**2,400,189**	**1,687,697**		**1,687,697**		**1,820,249**	**40,338**
Home equity loans	**79,295**	**20,136**		**20,136**		**20,575**	
Consumer							
	$ 10,789,291	**$ 7,100,006**	**$ 1,432,133**	**$ 8,532,139**	**$ 92,054**	**$ 8,738,572**	**$ 98,315**

March 31, 2015	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	$ 2,221,429	$ 652,411	$ 1,440,169	$ 2,092,580	$ 97,632	$ 2,176,952	$ 72,593
Commercial	3,433,669	3,358,447		3,358,447		3,359,762	157,242
Commercial Construction	2,549,027	1,374,530		1,374,530		1,775,778	
Commercial	2,730,393	1,961,074	49,350	2,010,424	730	2,810,816	96,056
Home equity loans	67,924	15,229		15,229		40,701	112
Consumer							
	$ 11,002,442	$ 7,361,691	$ 1,489,519	$ 8,851,210	$ 98,362	$ 10,164,009	$ 326,003

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.

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HAMILTON BANCORP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Unaudited)

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.

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.

Doubtful

A doubtful loan has all the weaknesses inherent as 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.

The following tables present the June 30, 2015 and March 31, 2015, balances of classified loans based on the risk grade. Classified loans include Special Mention, Substandard, and Doubtful loans. The Bank had no loans classified as Doubtful or Loss as of June 30, 2015 or March 31, 2015.

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HAMILTON BANCORP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Unaudited)

June 30, 2015	Pass	Special Mention	Substandard	Total
Real estate loans:				
One-to four-family	**$ 64,275,451**	**$ 1,511,196**	**$ 674,341**	**$ 66,460,988**
Commercial	**59,878,342**	**2,911,588**	**3,358,431**	**66,148,361**
Commercial Construction	**1,536,105**		**1,330,559**	**2,866,664**
Commercial	**13,734,331**	**3,153,481**	**1,073,512**	**17,961,324**
Home equity loans	**12,296,397**		**11,659**	**12,308,056**
Consumer	**3,872,313**	**284**		**3,872,597**
	$ 155,592,939	**$ 7,576,549**	**$ 6,448,502**	**$ 169,617,990**
Percentage of total loans	**91.7%**	**4.5%**	**3.8%**	**100%**

March 31, 2015	Pass	Special Mention	Substandard	Total
Real estate loans:				
One-to four-family	$ 64,467,025	$ 1,678,604	$ 646,515	$ 66,792,144
Commercial	52,979,048	2,935,904	3,358,446	59,273,398
Commercial Construction	1,031,319		1,374,530	2,405,849
Commercial	13,966,656	3,126,880	1,396,067	18,489,603
Home equity loans	12,255,292		6,000	12,261,292
Consumer	1,165,476	679		1,166,155
	$ 145,864,816	$ 7,742,067	$ 6,781,558	$ 160,388,441
Percentage of total loans	91.0%	4.8%	4.2%	100%

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HAMILTON BANCORP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Unaudited)

Impaired 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, nonaccrual loans that are modified and considered 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.

A summary of TDRs at June 30, 2015 and March 31, 2015 follows:

June 30, 2015	Number of contracts	Performing	Nonperforming	Total
Real estate loans:				
One-to four-family	**5**	**$ 1,313,684**	**$ 118,567**	**$ 1,432,251**
Commercial	**2**	**3,358,431**		**3,358,431**
Commercial Construction				
Commercial	**3**	**614,185**	**44,850**	**659,035**
Home equity loans				
Consumer				
	10	**$ 5,286,300**	**$ 163,417**	**$ 5,449,717**

March 31, 2015	Number of contracts	Performing	Nonperforming	Total
Real estate loans:				
One-to four-family	5	$ 1,366,132	$ 74,085	$ 1,440,217
Commercial	2	3,358,446		3,358,446
Commercial Construction				
Commercial	3	614,358	59,883	674,241
Home equity loans				
Consumer				
	10	$ 5,338,936	$ 133,968	$ 5,472,904

The Bank did not add any new TDR s, nor were there any TDR s that defaulted within twelve months of their restructuring, during the three month period ended June 30, 2015.

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.

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HAMILTON BANCORP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Unaudited)

The Bank had the following outstanding commitments and unused lines of credit as of June 30, 2015 and March 31, 2015:

	June 30, 2015	March 31, 2015
Unused commercial lines of credit	**$ 7,517,138**	$ 8,074,686
Unused home equity lines of credit	**14,950,123**	15,885,344
Unused consumer lines of credit	**31,591**	31,876
Residential mortgage loan commitments	**155,000**	
Home equity loan commitments	**54,000**	337,000
Commercial loan commitments	**500,000**	269,000
Residential construction loan commitments	**4,906,501**	5,325,095
Commercial construction loan commitments	**472,895**	1,129,681
Standby letters of credit	**100,000**	50,000

Note 7: Deposits

The following table details the composition of deposits and the related percentage mix of total deposits, respectively:

	June 30, 2015		**March 31, 2015**	
	Amount	% of Total	Amount	% of Total
Savings	**$ 16,961,611**	**8%**	$ 16,933,011	8%
Noninterest-bearing checking	**17,685,631**	**8%**	16,652,771	7%
Interest-bearing checking	**11,442,171**	**5%**	11,003,370	5%
Money market accounts	**28,780,509**	**13%**	28,033,238	13%
Time deposits	**148,180,184**	**66%**	149,696,502	67%
Total deposits	**$ 223,050,106**	**100%**	$ 222,318,892	100%

Note 8: Lines of Credit and Federal Home Loan Bank Advances

The Bank may 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 under these lines of credit at June 30, 2015 and March 31, 2015.

Borrowings consist of advances from the Federal Home Loan Bank (FHLB). The Bank may borrow up to 20 percent of its assets under a line of credit agreement with the FHLB. Advances under the line of credit are secured by investments and certain loans owned by the Bank. As of June 30, 2015 and March 31, 2015, the Bank had $51.0 million and $50.1 million respectively, of available credit from the FHLB. Advances would be limited by the balance of investment securities and loans available for pledge. As a condition of obtaining the line of credit from the FHLB, the FHLB also requires the Bank purchase shares of capital stock in the FHLB. Information relating to borrowings at June 30, 2015 and March 31, 2015 is presented below.

	June 30, 2015			March 31, 2015		
	Amount	**Rate**	**Maturity Date**	Amount	Rate	Maturity Date
FHLB advance	**$ 2,000,000**	**0.28%**	9/3/2015	$ 2,000,000	0.21%	6/3/2015
FHLB advance	**2,000,000**	**0.43%**	3/3/2016	2,000,000	0.28%	9/3/2015
FHLB advance	**2,000,000**	**0.43%**	6/3/2016	2,000,000	0.43%	3/3/2016
At period end	**$ 6,000,000**			$ 6,000,000		

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HAMILTON BANCORP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Unaudited)

Note 9: Regulatory Capital Ratios

Banks and bank holding companies are subject to various regulatory capital requirements administered by state and federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk weighting and other factors.

The Basel III Capital Rules became effective for Hamilton Bank on January 1, 2015 (subject to a phase-in period for certain provisions). Quantitative measures established by the Basel III Capital Rules to ensure capital adequacy require the maintenance of minimum amounts and ratios (set forth in the table below) of Common Equity Tier 1 capital, Tier 1 capital and Total capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier 1 capital to adjusted quarterly average assets (as defined).

In connection with the adoption of the Basel III Capital Rules, we elected to opt-out of the requirement to include accumulated other comprehensive income in Common Equity Tier 1. Common Equity Tier 1 for Hamilton Bank is reduced by goodwill and other intangible assets, net of associated deferred tax liabilities and subject to transition provisions.

Under the revised prompt corrective action requirements, as of January 1, 2015, insured depository institutions are 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%; (3) a total risk-based capital ratio of 10% and (4) a Tier 1 leverage ratio of 5%. Management believes that, as of June 30, 2015, The Bank would meet all capital adequacy requirements under the Basel III Capital Rules on a fully phased-in basis as if such requirements were currently in effect.

The implementation of the capital conservation buffer will begin on January 1, 2016 at the 0.625% level and be phased in over a four-year period (increasing by that amount on each subsequent January 1, until it reaches 2.5% on January 1, 2019). The Basel III Capital Rules also provide for a countercyclical capital buffer that is applicable to only certain covered institutions and does not have any current applicability to Hamilton Bank.

The aforementioned capital conservation buffer is designed to absorb losses during periods of economic stress. Banking institutions with a ratio of Common Equity Tier 1 capital to risk-weighted assets above the minimum but below the conservation buffer (or below the combined capital conservation buffer and countercyclical capital buffer, when the latter is applied) will face constraints on dividends, equity repurchases and compensation based on the amount of the shortfall.

The following table presents actual and required capital ratios as of June 30, 2015 and March 31, 2015 for Hamilton Bank under the Basel III Capital Rules. The minimum required capital amounts presented include the minimum required capital levels as of March 31, 2015 based on the phase-in provisions of the Basel III Capital Rules and the minimum required capital levels as of January 1, 2019 when the Basel III Capital Rules have been fully phased-in. Capital levels required to be considered well capitalized are based upon prompt corrective action regulations, as amended to reflect the changes under the Basel III Capital Rules.

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HAMILTON BANCORP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Unaudited)

	Actual		Minimum Capital Required - Basel III Phase-In Schedule		Minimum Capital Required - Basel III Fully Phased-In		To be well Capitalized (1)	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(dollars in thousands)							
June 30, 2015								
Common equity tier 1 capital (to risk-weighted assets)	**$ 44,844**	**23.47%**	**$ 8,598**	**4.50%**	**$ 13,374**	**7.00%**	**$ 12,419**	**6.50%**
Total risk-based capital (to risk-weighted assets)	**46,554**	**24.37%**	**15,285**	**8.00%**	**20,061**	**10.50%**	**19,106**	**10.00%**
Tier 1 capital (to risk-weighted assets)	**44,844**	**23.47%**	**11,463**	**6.00%**	**16,240**	**8.50%**	**15,285**	**8.00%**
Tier 1 capital (to adjusted total assets)	**44,844**	**15.77%**	**11,373**	**4.00%**	**11,373**	**4.00%**	**14,217**	**5.00%**
March 31, 2015								
Common equity tier 1 capital (to risk-weighted assets)	$ 44,187	24.37%	$ 8,160	4.50%	$ 12,694	7.00%	$ 11,787	6.50%
Total risk-based capital (to risk-weighted assets)	45,910	25.32%	14,508	8.00%	19,041	10.50%	18,134	10.00%
Tier 1 capital (to risk-weighted assets)	44,187	24.37%	10,881	6.00%	15,414	8.50%	14,508	8.00%
Tier 1 capital (to adjusted total assets)	44,187	15.82%	11,168	4.00%	11,168	4.00%	13,960	5.00%

(1) - Under prompt corrective action

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 June 30, 2015, 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 10: 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 June 30, 2015, there were 81,500 restricted stock awards issued and outstanding and 219,650 stock option awards granted under the 2013 Equity Incentive Plan. The cost to fund these equity awards for the three months ended June 30, 2015 and 2014 was $108,449 and $105,798, respectively.

<u>Stock Options:</u>

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 plans to issue new shares to satisfy share option exercises. The total cost that has been incurred for the stock option plan was $52,302 for the three months ended June 30, 2015 and 2014, respectively.

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

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HAMILTON BANCORP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Unaudited)

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, 2015 was determined using the following weighted-average assumptions as of grant date.

	2015
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 three months ended June 30, 2015 is as follows:

Three Months Ended June 30, 2015:	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term
Outstanding at beginning of period	**219,650**	**$ 13.85**	8.6 years
Granted			
Exercised			
Forfeited, exchanged or expired			
Outstanding at end of year	**219,650**	**$ 13.85**	8.6 years
Vested at end of year	**43,930**	**$ 13.85**	8.6 years

As of June 30, 2015 there was $749,667 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 3.6 years. As of June 30, 2015, the weighted average fair value of the options granted was $13.85. As of June 30, 2015, the outstanding stock options have an intrinsic value of $70,288.

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 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 and succeeding installments on each anniversary thereafter.

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 April 1, 2015	**66,500**	**$ 13.76**
Granted		
Vested		
Forfeited		
Nonvested at June 30, 2015	**66,500**	**$ 13.76**

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HAMILTON BANCORP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Unaudited)

The Company recorded restricted stock awards expense of $56,146 and $53,496 during the three months ended June 30, 2015 and June 30, 2014. As of June 30, 2015, there was $820,196 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 3.7 years.

Note 11: 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 June 30, 2015 and March 31, 2015, the Bank has categorized its investment securities available for sale as follows:

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HAMILTON BANCORP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Unaudited)

	Level 1 inputs	Level 2 inputs	Level 3 inputs	Total
June 30, 2015				
U.S. government agencies	**$**	**$ 17,040,329**	**$**	**$ 17,040,329**
Municipal bonds		**2,260,820**		**2,260,820**
Corporate bonds		**1,937,606**		**1,937,606**
Mortgage-backed		**65,134,341**		**65,134,341**
Total investment securities available for sale	**$**	**$ 86,373,096**	**$**	**$ 86,373,096**
March 31, 2015				
U.S. government agencies	$	$ 17,311,947	$	$ 17,311,947
Municipal bonds		2,317,130		2,317,130
Corporate bonds		1,953,264		1,953,264
Mortgage-backed		71,357,410		71,357,410
Total investment securities available for sale	$	$ 92,939,751	$	$ 92,939,751

Fair value measurements on a nonrecurring basis

Impaired Loans - The Bank has measured impairment generally based on the fair value of the loan s collateral. 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 June 30, 2015 and March 31, 2015, the fair values consist of loan balances of $8,532,139 and $8,851,210 that have been written down by $92,054 and $98,362, respectively, as a result of specific loan loss allowances.

Foreclosed real estate The Bank s foreclosed real estate is measured at fair value less estimated cost to sell. As of June 30, 2015 and March 31, 2015, the fair value of foreclosed real estate was estimated to be $443,015 and $455,575, 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
June 30, 2015				
Impaired loans	**$**	**$**	**$ 8,440,085**	**$ 8,440,085**
Foreclosed real estate			**443,015**	**443,015**

Total impaired loans and foreclosed real estate	**$**	**$**	**$ 8,883,100**	**$ 8,883,100**
March 31, 2015				
Impaired loans	$	$	$ 8,752,848	$ 8,752,848
Foreclosed real estate			455,575	455,575
Total impaired loans and foreclosed real estate	$	$	$ 9,208,423	$ 9,208,423

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HAMILTON BANCORP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Unaudited)

The following table summarizes changes in foreclosed real estate for the three months ended June 30, 2015, which is measured on a nonrecurring basis using significant unobservable, level 3, inputs.

Balance, March 31, 2015	**$ 455,575**
Transfer to foreclosed real estate	
Proceeds from sale of foreclosed real estate	**(11,752)**
Loss on sale of foreclosed real estate	**(808)**
Balance, June 30, 2015	**$ 443,015**

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.

	June 30, 2015		March 31, 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Level 1 inputs				
Cash and cash equivalents	**$ 14,584,019**	**$ 14,584,019**	$ 16,643,888	$ 16,643,888
Level 2 inputs				
Loans held for sale	**260,683**	**265,372**	581,139	591,670
Federal Home Loan Bank stock	**522,700**	**522,700**	522,700	522,700
Bank-owned life insurance	**12,447,711**	**12,447,711**	12,359,969	12,359,969
Level 3 inputs				
Loans receivable, net	**167,945,754**	**169,816,405**	158,594,958	160,612,436
Financial liabilities				
Level 1 inputs				
Advance payments by borrowers for taxes and insurance	**970,939**	**970,939**	619,028	619,028
Level 3 inputs				
Deposits	**223,050,106**	**223,659,478**	222,318,892	222,880,492
Borrowings	**6,000,000**	**5,999,152**	6,000,000	5,999,250

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 value of loans held for sale is based on commitments from investors.

The fair value 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.

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HAMILTON BANCORP, INC AND SUBSIDIARY

Notes to Consolidated Financial Statements (Unaudited)

The fair value 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 value of borrowings is estimated based on interest rates currently offered for borrowings of similar remaining maturities.

The fair value 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.

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Safe Harbor Statement for Forward-Looking Statements

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

Forward-looking statements are not guarantees of future performance. Numerous risks and uncertainties could cause or contribute to the Company s actual results, performance, and achievements being materially different from those expressed or implied by the forward-looking statements. Factors that may cause or contribute to these differences include, without limitation, general economic conditions, including changes in market interest rates and changes in monetary and fiscal policies of the federal government, legislative and regulatory changes, the quality and composition of the loan and investment securities portfolio, loan demand, deposit flows, competition, and changes in accounting principles and guidelines. Additional factors that may affect our results are discussed in item 1A of Hamilton Bancorp, Inc. s Annual Report on Form 10-K filed June 26, 2015 with the Securities and Exchange Commission under the section titled *Risk Factors* . 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 applicable law or regulation, the Company assumes no obligation and disclaims any obligation to update any forward-looking statements.

General

Hamilton Bancorp, Inc. (the Company) is a Maryland corporation incorporated on June 7, 2012 by Hamilton Bank (the Bank) to be its holding company following the Bank s conversion from the mutual to the stock form of organization (the Conversion). The Conversion was completed on October 10, 2012. On that same date, the Company completed its public stock offering and issued 3,703,000 shares of its common stock for aggregate proceeds of $37,030,000, and net proceeds of $35,580,000. The Company s business is the ownership of the outstanding capital stock of the Bank. The Company does not own or lease any property but instead uses the premises, equipment and other property of the Bank.

Founded in 1915 and currently celebrating its 100th year anniversary, the Bank is a community-oriented financial institution, dedicated to serving the financial service needs of customers and businesses within its geographic area, which consists of Baltimore City, Baltimore County, and Anne Arundel County in Maryland. We offer a variety of deposit products and provide loans secured by real estate located in our market area. Our real estate loans consist primarily of one-to four-family mortgage loans, as well as commercial real estate loans, and home equity loans and lines of credit. We also offer commercial term and line of credit loans and, to a limited extent, consumer loans. We currently operate out of our corporate headquarters in Towson, Maryland and our four full-service branch offices located in Baltimore City, Cockeysville, Towson and Pasadena, Maryland. The Bank is subject to extensive regulation, examination and supervision by the Office of the Comptroller of the Currency, its primary federal regulator, and the Federal Deposit Insurance Corporation, its deposit insurer. The Company is subject to regulation and supervision by the Board of Governors of the Federal Reserve System.

The Company and the Bank maintain an Internet website at http://www.hamilton-bank.com. Information on our website should not be considered a part of this Quarterly Report on Form 10-Q.

Summary of Recent Performance and Other Activities

The Company and its wholly owned subsidiary, Hamilton Bank, continue to show improvement in earnings and earnings per share, as well as loan growth and asset quality during the first quarter of fiscal 2016 compared to the same period a year ago. We were able to record no provision for loan loss during the first three months of fiscal 2016 compared to $300,000 for the same period in fiscal 2015 as a result of fewer charge-offs and improving asset

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quality. Net interest income improved $42,000 during the first quarter ended June 30, 2015 compared to the first quarter ended June 30, 2014 as the Company continued to show strong loan demand and worked towards reducing our cost of funds by concentrating on growing core deposits which we consider to be all deposits except certificate of deposits. The Company was able to increase its non-interest revenue in the first three months of fiscal 2016 compared to the first three months of fiscal 2015 due to the sale of its Towson branch location, which generated a gain on sale of $407,000. Finally, non-interest expenses increased $68,000 in the first quarter of 2016 compared to the same period a year ago, however, that increase was due to $216,000 in expenses that have been incurred to date relating to the merger agreement entered into with Fairmount. Excluding the expenses relating to the merger, the Company was able to reduce operating expenses by $148,000. Management has diligently worked at monitoring and improving efficiencies to reduce our overall operating expenses and improve our efficiency ratio going forward.

The following highlights contain additional financial data and events that have occurred during the first quarter ended June 30, 2015:

Hamilton Bancorp recorded net income of $118,000, or $0.04 per common share for the first quarter of fiscal 2016 compared to a net loss of $192,000, or $(0.06) per common share for the same period a year ago, a $0.10 increase in earnings per share.

Hamilton Bancorp entered into and signed a definitive agreement in April 2015 to merge Fairmount Bancorp, Inc. with Hamilton Bancorp. Upon signing the definitive agreement, our team completed and submitted its regulatory application and is currently awaiting regulatory approval to proceed with the transaction. The cost incurred for the quarter to complete the application and perform other necessary tasks associated with the deal was $216,000. Additional costs are still anticipated to complete the merger.

The Company closed its Towson branch location in early May of 2015 and converted its limited service branch located at the administrative offices in Towson to a full service branch so that we may continue to service our customers in the Towson area. The Towson branch property was subsequently sold for $500,000, generating a gain on sale of $407,000 in the first quarter. The branch closure is expected to reduce operating costs on an annual basis by $150,000.

Total gross loans, including loans held for sale, increased $8.9 million, or 5.5 percent, during the first quarter of fiscal 2016, from $161.0 million at March 31, 2015 to $169.9 million at June 30, 2015. The growth in loans is attributable to management s focus on growing commercial real estate loans and the purchase of a $2.8 million auto loan portfolio

Nonperforming loans to total loans decreased more than 50 percent compared to a year ago, from 3.46 percent at June 30, 2014 to 1.59 percent at June 30, 2015. The improved credit quality over the past year resulted in no provision for loan losses during the first quarter ended June 30, 2015.

Net interest margin for the first quarter of fiscal 2016 increased 12 basis points to 2.94 percent compared to 2.82 percent for the same period last year due to an increase in the average balance of higher interest-earning assets, primarily commercial loans.

The Company s book value per common share was $17.64 at June 30, 2015.

The Company maintained strong liquidity and at June 30, 2015 the Bank was deemed well capitalized under federal regulations.

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Strategic Plan

We have based our strategic plan on the objective of improving shareholder value and growth through creating sustainable and profitable growth given the current and expected economic and competitive environment in the financial industry. Our short-term goals include continuing the growth of our loan portfolio, changing the mix of our deposits base to be more concentrated in lower costing core deposits, collecting payments on non-accrual and past due loans, enhancing and improving credit quality, expanding fee income, maintaining a sensible branch network, and using technology to improve efficiencies and enhance the customer experience.

We identified several strategic priorities that we wanted to focus on throughout the 2016 fiscal year. Those priorities included focusing on the following core areas:

- <u>Profitable growth of commercial / small business relationships</u> We want to grow the number and profitability of commercial relationships across all product lines including loans, deposits, cash management, and payments. This will include a more focused approach to identifying our target customer, being disciplined in our approach to pricing, and understanding the products and services our customers want as well as new products and services that they need to make their businesses more functional.

- <u>Enhanced efficiency and productivity</u> To create and support profitable growth of new commercial relationships, as well as maintain existing relationships, we will work to enhance efficiency and productivity bank wide. This includes a consistent customer experience at every touch point and convenient, responsive customer support. In addition, we will evaluate our people, processes, policies, technology, and delivery to ensure effectiveness and efficiency with regards to properly supporting customers and employees while continually evaluating our cost structure and allocation of resources.

- <u>Acquisition strategy and planning</u> It is expected that the banking industry will continue to consolidate over the coming years due to a competitive market and the cost of regulatory compliance. Hamilton Bancorp is well positioned to take advantage of strategic opportunities that present themselves either through potential mergers or acquisitions in our marketplace. This may include other financial institutions, individual branches, or loan purchases. These opportunities, however, will be aligned with our strategic vision and goal of creating shareholder value and growth.

Although the current economic climate continues to present significant challenges for the financial industry, management believes that based on our strategic initiatives, we have positioned the Company to capitalize on the opportunities that may become available in the current economy.

Critical Accounting Policies

We consider accounting policies involving significant judgments and assumptions by management that have, or could have, a material impact on the carrying value of certain assets or on income to be critical accounting policies. 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 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 an evaluation of the allowance for loan losses at least quarterly. Consideration is given to historical losses in conjunction with a variety of other factors 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.

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The analysis has two components, specific and general allocations. Specific allocations can be made for estimated 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 June 30, 2015, all of our securities were either issued by U.S. government agencies, U.S. government-sponsored enterprises, municipalities, or corporations and the principal and interest on 95.4% 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 2015, 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.

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Comparison of Financial Condition at June 30, 2015 and March 31, 2015

Assets. Total assets increased $410,000, or 0.1%, to $291.4 million at June 30, 2015 from $291.0 million at March 31, 2015. The increase was primarily the result of a $9.0 million increase in net loans (including loans held for sale), partially offset by a decrease of $2.1 million in cash and cash equivalents and a $6.7 million decrease in investment securities.

Cash and Cash Equivalents. Cash and cash equivalents decreased by $2.1 million, or 12.4%, to $14.6 million at June 30, 2015 from $16.6 million at March 31, 2015. These funds were used to fund a $9.2 million increase in gross loans over the first quarter of fiscal 2016.

Investment Securities. Our investment portfolio consists primarily of investment grade securities including U.S. government agency and government sponsored entity securities, securities issued by states, counties and municipalities, corporate bonds, and mortgage backed securities. At June 30, 2015, all securities are classified as available for sale. While we usually intend to hold investment securities until maturity, this classification provides us the opportunity to divest of securities that may no longer meet our liquidity objectives. During the first quarter of fiscal 2016, we did not purchase or sell any securities, nor did any securities mature.

Investment securities decreased $6.6 million, or 7.1%, to $86.4 million at June 30, 2015, from $92.9 million at March 31, 2015. The proceeds from the decreasing investment portfolio during the first quarter of fiscal 2016 were used to fund a growing loan portfolio. The decrease resulted from $5.3 million in monthly principal pay-downs associated with government sponsored collaterized mortgage obligations and mortgage-backed securities. In addition to principal paydowns, the fair value of the investment portfolio also decreased $1.2 million from an unrealized loss position of $498,000 at March 31, 2015 to an unrealized loss position of $1.7 million at June 30, 2015. The decrease in fair value of the investment portfolio is a result of the increase in interest rates over the past three months.

We have evaluated securities with unrealized losses for an extended period of time and determined that these losses are temporary because, at this point in time, we have the ability to hold them until maturity. Currently, we have no intent to sell these securities, however, if market conditions or funding needs change, we may sell securities if needed. It is not likely that we will have to sell these securities. As a result we have not identified any portion of the loss that is a result of credit deterioration in the issuer of the security. As the maturity date moves closer and/or interest rates decline, any unrealized losses in the portfolio will decline or dissipate.

Loans. Gross loans, excluding loans held for sale, increased by $9.2 million, or 5.8%, to $169.6 million at June 30, 2015 from $160.4 million at March 31, 2015. The following table details the composition of loans and the related percentage mix and growth of total loans:

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	June 30, 2015		March 31, 2015		Year-To-Date Growth	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent
Real estate loans:						
One-to four-family:						
Residential	$ 48,331,343	28%	$ 49,864,923	31%	$ (1,533,580)	-3%
Residential construction	5,335,744	3%	3,955,702	2%	1,380,042	35%
Investor	12,793,901	8%	12,971,519	8%	(177,618)	-1%
Commercial	66,148,361	39%	59,273,398	36%	6,874,963	12%
Commercial construction	2,866,664	2%	2,405,849	1%	460,815	19%
	135,476,013	80%	128,471,391	79%	7,004,622	5%
Commercial	17,961,324	11%	18,489,603	12%	(528,279)	-3%
Home equity loans	12,308,056	7%	12,261,292	8%	46,764	0%
Consumer	3,872,597	2%	1,166,155	1%	2,706,442	232%
Total Loans	$ 169,617,990		$ 160,388,441		$ 9,229,549	6%

The Bank continues to focus on growing both commercial real estate and commercial business loans as these loans offer higher rates of return and shorter maturity periods than typical retail lending. The largest increase in loans over the most recent three months is a $6.9 million, or 11.6%, increase in commercial real estate loans from $59.3 million at March 31, 2015 to $66.1 million at June 30, 2015. Commercial business loans declined slightly, decreasing $528,000, or 2.9%, to $18.0 million at June 30, 2015 from $18.5 million at March 31, 2015. The Bank continues to see the benefits of our new commercial lending platform that has been restructured with new personnel and improved underwriting and monitoring procedures from both an origination and credit quality perspective.

In addition to the increase in the commercial portfolio, the Bank saw strong growth in consumer loans. Consumer loans grew by $2.7 million, or 232%, from $1.2 million at March 31, 2015 to $3.9 million at June 30, 2015. That growth is attributable to the purchase of an automobile loan portfolio by the Bank in the amount of $2.8 million from another financial institution. This purchase enabled the Bank to further diversify its loan portfolio and generate additional interest income.

Partially offsetting the increases in the commercial and consumer loan portfolio is a $331,000 decrease in one- to four-family residential loans (including investor loans) from $66.8 million at March 31, 2015 to $66.5 million at June, 2015 as these loans either paid down, prepaid or refinanced. The Bank continues to originate traditional one- to four-family residential loans and sell them in the secondary market at a premium in order to manage interest rate risk in a rising rate environment. Beginning in fiscal 2015, the Bank began to promote its one- to four-family residential construction lending program. During the first quarter of fiscal 2016, the Bank originated roughly $5.0 million in residential construction loans. As a result, at June 30, 2015 there is $10.2 million in residential construction commitments, of which $5.3 million in funds have been advanced compared to $7.1 million in residential construction commitments, at March 31, 2015 of which $4.0 million in funds had been advanced. The construction period on the residential homes is typically nine to twelve months, at which time Hamilton Bank is repaid through permanent financing by a third party.

Deposits. Total deposits increased $731,000, or 0.3%, to $223.1 million at June 30, 2015 from $222.3 million at March 31, 2015. The Company continues to focus on generating lower cost core deposits (which we consider to be all deposits other than certificates of deposit), as well as concentrate on both increasing and maintaining our maturing certificates of deposits. As a result, core deposits increased $2.2 million to $74.9 million at June 30, 2015 compared to $72.6 million at March 31, 2015. The increase in core deposits over the past three months consisted of a $1.5 million, or 5.3%, increase in checking accounts to $29.1 million, a $747,000, or 2.7%, increase in money market accounts to $28.8 million, and a $29,000 increase in savings accounts.

The increase in core deposits was partially offset by a $1.5 million, or 1.0%, decrease in time deposits, which declined from $149.7 million at March 31, 2015 to $148.2 million at June 30, 2015. As loan demand has increased, our strategy has changed with respect to certificates of deposit as we are now trying to maintain our current certificate of deposit base and attract new certificates of deposits through various promotions.

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Borrowings. Borrowings consist of short-term credit borrowings from the Federal Home Loan Bank (FHLB) with a maturity of less than a year. At June 30, 2015, the Company had $6.0 million in FHLB borrowings outstanding compared to the same amount at the beginning of the quarter. The short-term borrowings provide a less expensive means to support the cash outflow needed to fund new loan originations and the decline in time deposits experienced over the past couple of quarters versus selling higher yielding investment securities. These obligations are secured by our home equity loan portfolio. At June 30, 2015, we had the ability to borrow approximately $51.0 million from the FHLB, subject to our pledging sufficient assets.

Equity. Total equity decreased $500,000, or 0.8%, to $60.3 million at June 30, 2015 from $60.8 million at March 31, 2015. The decrease was primarily attributable to a $727,000 decrease in accumulated other comprehensive income (loss) associated with a decrease in the fair value of the investment portfolio due to increasing interest rates over the first quarter of fiscal 2016, partially offset by the $118,000 in net income for the first quarter. The Company s book value per share was $17.64 at June 30, 2015.

Comparison of Asset Quality at June 30, 2015 and March 31, 2015

The Bank s asset quality continues to improve and remains a primary focus of management and the Board of Directors. Nonperforming assets at June 30, 2015, 2014 were $3.1 million, an increase of $426,000, or 15.7%, from March 31, 2015, but a $2.6 million, or 45.5%, decrease from a year ago. Nonperforming assets to total assets increased slightly from 0.93% at March 31, 2015 to 1.08% at June 30, 2015. Nonperforming assets for the respective periods were as follow:

	At June 30, 2015	At March 31, 2015	At June 30, 2014
		(dollars in thousands)	
Nonaccruing loans	$ 2,094	$ 2,255	$ 3,790
Accruing loans delinquent more than 90 days	600		1,297
Foreclosed real estate	443	455	664
Total nonperforming assets	$ 3,137	$ 2,710	$ 5,751
Asset Quality Ratios:			
Nonperforming loans to gross loans	1.59%	1.41%	3.46%
Nonperforming assets to total assets	1.08%	0.93%	1.91%
Net charge-offs (annulaized) to average loans	0.04%	0.18%	0.11%

Nonperforming loans, consisting of accruing loans delinquent more than 90 days, made up the increase in nonperforming assets, increasing $600,000 at June 30, 2015 compared to March 31, 2015. Accruing loans delinquent more than 90 days represent loans that are on accrual status and paying under the contractually agreed upon terms of the note, however, such loans were 90 days past their contractual maturity date and, therefore, reported as nonperforming. At March 31, 2015 there were no such loans as all loans that matured were either renewed or extended.

Nonaccrual loans decreased $161,000, or 7.1%, to $2.1 million at June 30, 2015 compared to $2.3 million at March 31, 2015. The decrease in non-accrual loans includes $76,000 in charge-offs, a $68,000 residential mortgage loan that was on non-accrual at March 31, 2015 due to an unknown error in payment at the time and subsequently returned to accrual status, and $81,000 in proceeds from loan payments and/or sale of collateral. Partially offsetting the decrease in nonaccrual loans was $72,000 in loans that were added to non-accrual over the current quarter.

Nonaccrual loans at June 30, 2015, 2014 include four commercial loans totaling $1.5 million, one of which is a construction loan for $1.3 million that is current and paying as agreed but has been placed on nonaccrual by management due to failure to complete the project and lack of funding to do so. The remaining balance of nonaccrual loans is primarily associated with one- to four-family residential mortgages.

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Foreclosed real estate decreased $13,000 from $456,000 at March 31, 2015 to $443,000 at June 30, 2015. Two of three properties making up foreclosed real estate at March 31, 2015 were disposed of during the quarter at a slight loss. These properties were one-to four-family residential properties in which the Bank held a minor participation interest. The remaining property as of June 30, 2015 represents semi-developed land in the amount of $443,000. The Bank is a participant in this credit and not the lead lender. The lead lender has since failed and the Federal Deposit Insurance Corporation (FDIC) has taken interest in this property.

The Bank did not record a provision for loan loss in the first quarter of fiscal 2016 compared to a $300,000 provision for loan loss for the same period a year ago. No provision was necessary due to the improved asset quality, fewer charge-offs and increased recoveries. We estimate the allowance for loan losses within a range based upon our historical charge-off history and certain environmental factors. Our current estimate of the allowance for loan losses falls within that range at June 30, 2015, indicating no provision for the quarter was necessary.

The allowance for loan losses at June 30, 2015 totaled $1.7 million, or .98% of total gross loans, compared to $1.7 million, or 1.05% of total gross loans, at March 31, 2015. The small decrease of $17,000 from March 31, 2015 in the allowance for loan losses is the result of $84,000 in charge-offs, partially offset by $67,000 in recoveries for the three month period ended June 30, 2015. We currently review the adequacy of the allowance for loan losses on a monthly basis to be more aware and proactive in dealing with problem assets. Based upon our analysis and the historical performance of the loan portfolio, we believe this allowance appropriately reflects the inherent risk of loss in our loan portfolio.

Results of Operations for the Three Months Ended June 30, 2015 and 2014 (unaudited)

General. Net income available to common shareholders was $118,000 or $0.04 per basic and diluted common share for the three month period ended June 30, 2015 compared to a net loss available to common shareholders of $192,000 or $(0.06) per basic and diluted common share for the same period in fiscal 2015, an improvement of $310,000. The increase in net income resulted primarily from a $300,000 decrease in the provision for loan losses and a $398,000 increase in noninterest revenue, partially offset by a $68,000 increase in noninterest expense and a $362,000 increase in income tax expense.

Net Interest Income. Net interest income increased $42,000, or 2.1%, to $2.0 million for the three months ended June 30, 2015 compared to $2.0 million for the three months ended June 30, 2014. The increase in net interest income was due to a $54,000 decrease in interest expense, partially offset by a $12,000 decrease in interest revenue. The decrease in interest revenue was due to a decrease in the average balance of interest-earning assets, partially offset by an increase in average yield. The average balance of interest-earning assets decreased $5.5 million, or 2.0%, for the quarter ended June 30, 2015 compared to the same period in fiscal 2015, while the average yield increased 6 basis points from 3.44% for the quarter ended June 30, 2014 to 3.50% for the quarter ended June 30, 2015. Over this period, the Bank was able to increase the average balance of higher interest-earning assets, particularly commercial loans, while lowering lower yielding assets.

The decline in the average balance of interest-earning assets for the quarter ended June 30, 2015 was offset by a $10.9 million decline in the average balance of interest-bearing liabilities for the same period, as well as a 7 basis point decrease in the average yield of interest-bearing liabilities from 0.78% for the quarter ended June 30, 2014 to 0.71% for the quarter ended June 30, 2015. As a result, the net interest margin increased 12 basis point from 2.82% for the three months ended June 30, 2014 to 2.94% for the three months ended June 30, 2015.

Interest Revenue. Interest revenue decreased $12,000 to $2.3 million during the three months ended June 30, 2015 compared to the three months ended June 30, 2014, as a result of decreases in interest on investment securities, partially offset by an increase in revenue from interest and fees on loans.

Interest and fees on loans increased $99,000, or 5.4%, to $1.9 million for the three months ended June 30, 2015, compared to $1.8 million for the three months ended June 30, 2014. The increase in interest and fees on loans is due to an $18.3 million increase in the average balance of net loans from $144.1 million for the three months ended June 30, 2014 to $162.4 million for the three months ended June 30, 2015. The increase in average loans is attributable to our new commercial lending platform and staff that was put in place at the beginning of fiscal 2015. Partially offsetting revenue derived from an increase in the average balance of loans is a 33 basis point decrease in the yield earned on average loans from 5.11% for the three months ended June 30, 2014 to 4.78% for the three months ended June 30, 2015. The decline in yield is a result of the extended low interest rate environment in today s market.

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Interest revenue on investment securities decreased $106,000 to $429,000 during the three months ended June 30, 2015 from $535,000 during the three months ended June 30, 2014. The average balance of investment securities decreased by $14.5 million, or 13.6%, to $91.5 million during the three months ended June 30, 2015 from $106.0 million during the same period last year, while the average yield decreased to 1.87% during the three months ended June 30, 2015 from 2.01% during the same period last year. The largest decrease in the average balance of investment securities was in mortgage-backed securities, which declined $10.4 million to $69.2 million during the three months ended June 30, 2015 from $79.6 million during the same period last year. The proceeds from the mortgage-backed securities have been used to fund the increase in the average loans over the same period.

Interest Expense. Total interest expense decreased $54,000, or 12.5%, to $377,000 during the three months ended June 30, 2015 from $431,000 for the same period in fiscal 2015, as a result of the decrease in the average balance of interest bearing liabilities, primarily interest bearing deposits. The average interest bearing deposits decreased $16.9 million, or 7.6%, to $205.1 million for the three months ended June 30, 2015 from $221.9 million for the three months ended June 30, 2014. Over this same period, the average rate on interest bearing deposits declined from 0.78% for the three months ended June 30, 2014 to 0.73% for the three months ended June 30, 2015. A significant portion of our time deposits have already repriced in today s low interest rate environment, as a result, the decrease in interest expense is more attributable to a decrease in average balances compared to interest rates.

For the three month period ended June 30, 2015, we were able to change the mix of the average interest bearing liabilities compared to the same period last year by allowing higher costing time deposits to run off and partially replace them with lower costing core deposits, including savings, interest bearing checking and money market accounts. The average balance of time deposits decreased $20.6 million to $148.1 million for the three months ended June 30, 2015 compared to $168.6 million for the three months ended June 30, 2014. Over this same period, the core interest bearing deposits increased $3.7 million, or 7.0%, to $57.0 million for the three months ended June 30, 2015. The growth in core deposits was primarily a result of the continued efforts by our cash management and financial service teams.

Non-interest bearing deposits allow us to fund growth in interest earning assets at minimal cost. As a result of the growth generated primarily from the efforts of our cash management personnel and commercial loan officers in working with commercial loan clients to move their commercial loan deposits to Hamilton Bank, average non-interest bearing deposits increased $3.2 million, or 19.9%, to $19.1 million for the three months ended June 30, 2015, compared to $16.0 million for the three months ended June 30, 2014.

In the quarter ended June 30, 2015, the Bank had outstanding $6.0 million in short-term borrowed funds from the Federal Home Loan Bank (FHLB) at an average rate of 0.38% compared to no outstanding borrowings in the same period last year. Additional funding was needed in the past seven months to support new loan originations, as well as fund the decrease in deposits over that period. Short-term borrowing from the FHLB in today s low interest rate environment is a more cost effective means to obtain funds compared to selling investment securities that are earning a higher yield.

Average Balances, Interest and Yields. The following table presents information regarding average balances of assets and liabilities, the total dollar amounts of interest revenue from average interest-earning assets, the 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 revenue or expense by the average balances of assets or liabilities, respectively, for the periods presented. Average balances have been calculated using average daily balances. No tax-equivalent adjustments were made. Nonaccrual loans have been included in the table as loans carrying a zero yield.

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	Three Months Ended June 30, (dollars in thousands)					
	2015			2014		
	Average Balance	Interest	Yield/ Cost	Average Balance	Interest	Yield/ Cost
Interest-earning assets:						
Cash and cash equivalents	**$ 17,698**	**$ 5**	**0.11%**	$ 27,113	$ 10	0.15%
Investment securities (1)	**22,346**	**131**	**2.34%**	26,420	146	2.21%
Mortgage-backed securities	**69,203**	**298**	**1.72%**	79,594	389	1.95%
Loans receivable, net (2)	**162,443**	**1,941**	**4.78%**	144,094	1,842	5.11%
Total interest-earning assets	**271,690**	**2,375**	**3.50%**	277,221	2,387	3.44%
Noninterest-earning assets	**21,449**			22,937		
Total assets	**$ 293,139**			$ 300,158		
Interest-bearing liabilities:						
Certificates of deposit	**$ 148,059**	**$ 361**	**0.98%**	$ 168,633	$ 419	0.99%
Money Market	**27,679**	**8**	**0.12%**	28,330	9	0.13%
Statement savings	**17,560**	**2**	**0.05%**	15,716	2	0.05%
NOW accounts	**11,764**	**1**	**0.03%**	9,242	1	0.04%
Total interest-bearing deposits	**205,062**	**372**	**0.73%**	221,921	431	0.78%
Borrowings	**6,000**	**5**	**0.33%**			0.00%
Total interest-bearing liabilities	**211,062**	**377**	**0.71%**	221,921	431	0.78%
Noninterest-bearing liabilities and equity:						
Noninterest-bearing deposits	**19,142**			**15,968**		
Other noninterest-bearing liabilities	**1,886**			**2,240**		
Total liabilities	**232,090**			240,129		
Total shareholders equity	**61,049**			**60,029**		
Total liabilities and shareholders equity	**$ 293,139**			$ 300,158		
Net interest income		**$ 1,998**			$ 1,956	
Net interest rate spread (3)			**2.78%**			2.66%
Net interest-earning assets (4)	**$ 60,628**			$ 55,300		
Net interest margin (5)			**2.94%**			2.82%
Average interest-earning assets to average interest-bearing liabilities	**128.73%**			124.92%		

(1) Includes U.S agency and treasury securities, municipal and corporate bonds and to a much lesser extent, FHLMC and Federal Home Loan Bank equity securities.
(2) Loans on non-accrual status are included in average loans carrying a zero yield.
(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.

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. The was no provision for loan losses for the three months ended June 30, 2015 compared to a provision of $300,000 for the three months ended June 30, 2014. We were able to record no provision during the most recent quarter due to fewer charge-offs and improved asset quality. Management identified probable losses in the loan portfolio and recorded net charge-offs of $17,000 for the three months ended June 30, 2015, compared to $39,000 for the three months ended June 30, 2014.

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The allowance for loan losses was $1.7 million, or 62.1% of non-performing loans at June 30, 2015 compared to $2.0 million, or 40.2% of non-performing loans at June 30, 2014. During the three months ended June 30, 2015, loan charge offs totaled $84,000 with recoveries of $67,000, compared to $45,000 in charge offs and $6,000 in recoveries during the three months ended June 30, 2014. During fiscal year 2016 we will continue our emphasis in growing commercial real estate and commercial business loans, which are generally considered to bear higher risk than one-to four-family mortgage loans and could contribute to higher provisions going forward.

Summary of Allowance for Loan Losses Activity. The following table sets forth an analysis of the allowance for loan losses for the periods indicated.

	Three Months Ended June 30,	
	2015	**2014**
	(dollars in thousands)	
Allowance for loan losses at beginning of period	**$ 1,690**	$ 1,786
Charge-offs:		
Real estate loans:		
One-to four-family	**60**	2
Commercial		
Construction		
Commercial	**10**	
Home equity	**6**	43
Consumer	**8**	
Total charge-offs	**84**	45
Recoveries	**67**	6
Net charge-offs	**17**	39
Provision for loan losses		300
Allowance for loan losses at end of period	**$ 1,673**	$ 2,047
Allowance for loan losses to non-performing loans	**62.12%**	40.24%
Allowance for loan losses to total loans outstanding at the end of the period	**0.98%**	1.39%
Net charge-offs to average loans outstanding during the period (annualized)	**0.04%**	0.11%

Noninterest Revenue. Noninterest revenue increased $398,000, or 171.6%, to $630,000 for the three months ended June 30, 2015, compared to $232,000 for the three months ended June 30, 2014. The following table outlines the changes in noninterest revenue for the three month periods.

	Three months ended June 30,			
	2015	2014	$ Change	% Change
Service charges	$ 91,621	$ 98,418	$ (6,797)	(6.9)
Gain (loss) on sale of investment securities		22,019	(22,019)	(100.0)
Gain on sale of loans held for sale	16,998	1,199	15,799	1,317.7
Gain on sale of property and equipment	407,188	1,832	405,356	22,126.4
Earnings on bank-owned life insurance	87,742	90,530	(2,788)	(3.1)
Other fees and commissions	26,454	17,674	8,780	49.7
Total noninterest revenue	$ 630,003	$ 231,672	$ 398,331	171.9

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Noninterest revenue increased as a result of increases in gain on sale of property and equipment, gain on sale of loans held for sale, and other fees and commissions. The increase on gain on sale of property and equipment is a result of the Company closing its Towson branch location in early May of 2015 and converting its limited service branch located at the administrative offices in Towson to a full service branch. The Towson branch closure will allow us to reduce expenses by an estimated $150,000 and continue to give our customers in the Towson area the same quality service and convenience. The Towson branch property was sold for $500,000, generating a gain on sale of $407,000 after applicable expenses. The increase associated with gain on sale of loans held for sale is attributable to the revenues earned on residential mortgage loans sold in the secondary market and the premiums associated with such sales.

These increases were partially offset by decreases in service charges, gain on sale of investment securities, and bank-owned life insurance (BOLI). Service charges primarily pertain to fees associated with retail deposit products. We have continued to focus on growing our core deposits, particularly checking accounts, which generate more service fee income. In addition, we continually review our fee structure on transactional accounts so that we may be more aligned with our market. The decrease in gain on sale of investments is a result us not selling any securities during the three months ended June 30, 2015 compared to the same period a year ago.

Noninterest Expense. Noninterest expense increased $68,000, or 3.0%, to $2.3 million for the three months ended June 30, 2015 compared to the three months ended June 30, 2014. The following table outlines the changes in noninterest expense for the three month periods.

	Three months ended June 30,			
	2015	2014	$ Change	% Change
Salaries and benefits	$ 1,200,422	$ 1,283,612	$ (83,190)	(6.5)
Occupancy	174,626	183,891	(9,265)	(5.0)
Advertising	27,363	33,738	(6,375)	(18.9)
Furniture and equipment	78,440	76,121	2,319	3.0
Data processing	141,988	147,527	(5,539)	(3.8)
Legal services	28,634	59,691	(31,057)	(52.0)
Other professional services	95,094	94,483	611	0.6
Merger related expenses	216,312		216,312	N/A
Deposit insurance premiums	49,864	58,198	(8,334)	(14.3)
Foreclosed real estate expense and losses (gains)	808	(4,964)	5,772	(116.3)
Other operating	309,423	322,364	(12,941)	(4.0)
Total noninterest expense	$ 2,322,974	$ 2,254,661	$ 68,313	3.0

The $68,000 increase in noninterest expense during the three months ended June 30, 2015, as compared to the same period of 2014, was attributable to the $216,000 in merger related expenses pertaining to the on-going merger between Hamilton Bancorp and Fairmount. This expense includes fees paid to attorneys, investment bankers and accountants, as well other costs associated with items that are necessary to assist with the progression of this transaction.

Other than merger related expenses, the majority of other noninterest expenses, including salaries and benefits, occupancy, advertising, data processing, legal, FDIC insurance and other operating expenses decreased during the three months ended June 30, 2015 compared to the same period a year ago. Salaries and benefits decreased $83,000 as a result of a change in our health benefit carrier and the loss of a couple of employees that were not replaced, including one commercial loan officer. Included within salaries and benefits for the three months ended June 30, 2015 is $79,000 in expense relating to equity awards granted to officers in prior periods. The equity awards provide for management to have a vested interest in the performance of the Company and share in the benefit of an increase in shareholder value. Similarly, other operating expenses for the same period include $29,000 in expense associated with equity awards granted to Directors.

Legal expenses continue to trend downward as we have worked through our problem assets and subsequently have not incurred any significant new problems within the loan portfolio. Our new lending platform has made our underwriting stronger and improved our monitoring. Other areas of noninterest expenses, such as occupancy, advertising, and other operating have also decreased as management has diligently looked for ways to cut costs and improve efficiency. We continue to monitor more closely the costs associated with daily operations and are reviewing existing vendor contracts and discussing cost reductions and/or alternative means.

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Income Tax Expense. We recorded $186,000 in income tax expense for the three months ended June 30, 2015 after net income before income taxes of $305,000, compared to a tax benefit of $175,000 for the three months ended June 30, 2014 after a net loss before income taxes of $367,000. The effective income tax rate was 61.2% for the three months ended June 30, 2015 and a negative 47.8% for the three months ended June 30, 2014. The reason the effective tax rate is so high for the current quarter is that the $216,000 in merger related expenses are non-deductible for tax purposes, thus increasing taxable income as compared to book income. In the prior year period, the effective tax rate was negative due to the net loss before income taxes, as well as the impact from tax-exempt revenue.

Liquidity and Capital Resources

Liquidity is the ability to meet current and future financial obligations of a short-term nature. Our primary sources of funds available to meet short-term liquidity needs consist of deposit inflows, loan repayments, and maturities and sales of investment securities. While maturities and scheduled amortization of loans and securities are predictable sources of funds, deposit flows and mortgage prepayments are greatly influenced by general interest rates, economic conditions, and competition. We regularly adjust our investments in liquid assets available to meet short-term liquidity needs based upon our assessment of (i) expected loan demand, (ii) expected deposit flows, (iii) yields available on interest-earning deposits and securities, and (iv) the objectives of our asset/liability management policy. We do not have long-term debt or other financial obligations that would create long-term liquidity concerns.

Our most liquid assets are cash and cash equivalents and interest-bearing deposits. The level of these assets depends on our operating, financing, lending, and investing activities during any given period. At June 30, 2015, cash and cash equivalents totaled $14.6 million and securities classified as available-for-sale amounted to $86.4 million. The Bank also has the ability to borrow from the Federal Home Loan Bank (FHLB) to meet liquidity demands. At June 30, 2015, we had $6.0 million in borrowings outstanding from the FHLB and the capacity to borrow approximately $51.0 million more, subject to our pledging sufficient assets.

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.

Certificates of deposit due within one year of June 30, 2015 totaled $78.1 million, or 52.7% of certificates of deposit. We believe the large percentage of certificates of deposit that mature within one year reflects customers   hesitancy to invest their funds for longer periods due to the current low interest rate environment and local competitive pressures. If these maturing deposits do not remain with us, we will be required to seek other sources of funds, including other certificates of deposit and borrowings. Depending on market conditions, we may be required to pay higher rates on such deposits or other borrowings than we currently pay on certificates of deposit due on or before June 30, 2016. We believe, however, based on past experience that a significant portion of our certificates of deposit will remain with us. We have the ability to attract and retain deposits by adjusting the interest rates offered.

In the normal course of operations, we engage in a variety of financial transactions that, in accordance with generally accepted accounting principles, are not recorded in our financial statements. These transactions involve, to varying degrees, elements of credit, interest rate and liquidity risk. Such transactions are used primarily to manage customers requests for funding and take the form of loan commitments, unused lines of credit and letters of credit. At June 30, 2015, we had $28.7 million in commitments to extend credit outstanding.

At June 30, 2015, we exceeded all of the applicable regulatory capital requirements for the Bank, including a new requirement under Basel III to obtain a minimum common equity core (Tier 1) capital to risk-weighted assets ratio of 4.5%. To be classified as a well-capitalized bank, we must have a common equity core (Tier 1) capital to risk-weighted assets ratio of at least 6.5%. For the quarter ended June 30, 2015, our common equity to Tier 1 capital was $44.8 million, or 23.47%, of risk-weighted assets. Basel III was not in effect as of the prior year, and therefore, there is no ratio to report for the year ended June 30, 2014.

Our core (Tier 1) capital was $46.8 million and $44.2 million, or 15.77% and 15.82% of total assets, at June 30, 2015 and March 31, 2015. In order to be classified as well-capitalized under federal banking regulations, we were

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required to have core capital of at least $14.2 million, or 5.0% of total assets, as of June 30, 2015. 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 8%. At June 30, 2015 and March 31, 2015, we had total risk-based capital ratios of 24.37% and 25.32%, respectively, and Tier 1 risk-based capital ratios of 23.47% and 24.37%, respectively. Our regulatory risk weighted capital ratios decreased during the first quarter of 2016 primarily as a result of our risk-weighted assets increasing $9.7 million due to an increase in commercial loans, while our core capital ratio year for the quarter remained relatively the same as a result of minimal change in our adjusted total assets.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

For a discussion of our market risk, please refer to the consolidated financial statements and notes thereto included in the Company s Annual Report on Form 10-K for the year ended March 31, 2015 filed on June 26, 2015. The Company s market risk has not changed materially from that disclosed in the annual report.

Item 4. Controls and Procedures

As of the end of the period covered by this report, management of the Company carried out an evaluation, under the supervision and with the participation of the Company s principal executive officer and principal financial officer, of the effectiveness of the Company s disclosure controls and procedures as that term is defined in Rule 13a-15(e). Based on this evaluation, the Company s principal executive officer and principal financial officer concluded that the Company s disclosure controls and procedures are effective in ensuring that information required to be disclosed by the Company in reports that it files or submits under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission s rules and forms and is accumulated and communicated to the Company s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

It should be noted that the design of the Company s disclosure controls and procedures is based in part upon certain reasonable assumptions about the likelihood of future events, and there can be no reasonable assurance that any design of disclosure controls and procedures will succeed in achieving its stated goals under all potential future conditions, regardless of how remote, but the Company s principal executive and financial officers have concluded that the Company s disclosure controls and procedures are, in fact, effective at a reasonable assurance level.

During the period covered by this report, there have been no changes in the Company s internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Securities and Exchange Commission Rule 13a-15 that has materially affected, or is reasonably likely to materially affect, the Company s internal control over financial reporting.

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Part II Other Information

Item 1. Legal Proceedings
The Bank and Company are subject to various legal actions arising in the normal course of business. In the opinion of management, the resolution of these legal actions is not expected to have a material adverse effect on the Bank s or the Company s financial condition or results of operations.

Item 1A. Risk Factors
For information regarding the Company s risk factors, see Risk Factors in the Company s Annual Report on Form 10-K, filed with the Securities and Exchange Commission on June 26, 2015. As of June 30, 2015, the risk factors of the Company have not changed materially from those disclosed in the annual report.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds
None.

Item 3. Defaults Upon Senior Securities
None.

Item 4. Mine Safety Disclosures
None.

Item 5. Other Information
None.

Item 6. Exhibits

31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
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Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Statements of Financial Condition as of June 30, 2015 (unaudited) and March 31, 2015; (ii) the Consolidated Statements of Operations for the three months ended June 30, 2015 and 2014 (unaudited); (iii) the Consolidated Statements of Comprehensive Income for the three months ended June 30, 2015 and 2014 (unaudited); (iv) the Consolidated Statements of Equity for the three months ended June 30, 2015 and 2014 (unaudited); (v) the Consolidated Statement of Cash Flows for the three months ended June 30, 2015 and 2014 (unaudited); and (vi) Notes to Consolidated Financial Statements (unaudited).

* This information is furnished and not filed for purposes of Section 18 of the Securities Exchange Act of 1934, and shall not be deemed incorporated into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934 unless specifically incorporated therein.

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SIGNATURES

Pursuant to the requirements 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: August 14, 2015	/s/ Robert A. DeAlmeida Robert A. DeAlmeida President and Chief Executive Officer
Date: August 14, 2015	/s/ John P. Marzullo John P. Marzullo Senior Vice President, Chief Financial Officer and Treasurer