

Hamilton Bancorp, Inc.
Form 10-Q
August 15, 2016
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2016

OR

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission File No. 001-35693

Hamilton Bancorp, Inc.

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of
incorporation or organization)

46-0543309

(I.R.S. Employer
Identification Number)

501 Fairmount Avenue, Suite 200, Towson, Maryland

(Address of Principal Executive Offices)

21286

Zip Code

(410) 823-4510

(Registrant's telephone number)

N/A

(Former name or former address, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such requirements for the past 90 days.

YES] NO]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES] NO]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one)

Large accelerated filer]

Accelerated filer]

Non-accelerated filer]

Smaller reporting company]

(Do not check if smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES] NO]

3,413,646 shares of the Registrant's common stock, par value \$0.01 per share, were issued and outstanding as of August 15, 2016.

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Hamilton Bancorp, Inc. and Subsidiaries

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Table Of Contents**Part I. – Financial Information****Item 1. Financial Statements****HAMILTON BANCORP, INC AND SUBSIDIARY****Consolidated Statements of Financial Condition****June 30, 2016 and March 31, 2016**

	June 30,	March 31,
	2016	2016
	(Unaudited)	(Audited)
Assets		
Assets		
Cash and due from banks	\$51,189,015	\$47,101,688
Federal funds sold	13,647,738	20,346,848
Cash and cash equivalents	64,836,753	67,448,536
Certificates of deposit held as investment	3,726,067	3,968,229
Securities available for sale, at fair value	80,523,378	70,484,400
Federal Home Loan Bank stock, at cost	1,640,100	1,042,500
Loans held for sale	-	259,450
Loans and leases, net of unearned income	331,438,194	221,859,056
Allowance for loan losses	(1,896,972)	(1,702,365)
Net loans and leases	329,541,222	220,156,691
Premises and equipment, net	4,284,327	3,555,474
Premises and equipment held for sale	405,000	405,000
Foreclosed real estate	460,780	443,015
Accrued interest receivable	1,388,315	948,166
Bank-owned life insurance	17,880,474	12,709,908
Deferred income taxes	5,141,277	2,353,141
Income taxes refundable	228,920	228,920
Goodwill and other intangible assets	10,655,873	7,386,111
Other assets	2,051,298	1,527,014
Total Assets	\$522,763,784	\$392,916,555
Liabilities and Shareholders' Equity		
Liabilities		

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Noninterest-bearing deposits	\$22,132,850	\$19,747,437
Interest-bearing deposits	403,391,490	294,246,214
Total deposits	425,524,340	313,993,651
Borrowings	28,487,127	14,805,237
Advances by borrowers for taxes and insurance	3,069,417	1,079,794
Other liabilities	4,019,560	1,493,290
Total liabilities	461,100,444	331,371,972
Commitments and contingencies	-	-
Shareholders' Equity		
Common stock, \$.01 par value, 100,000,000 shares authorized. Issued: 3,413,646 shares at June 30, 2016 and March 31, 2016	34,136	34,136
Additional paid in capital	31,351,459	31,242,731
Retained earnings	32,324,247	32,659,455
Unearned ESOP shares	(2,369,920)	(2,369,920)
Accumulated other comprehensive income (loss)	323,418	(21,819)
Total shareholders' equity	61,663,340	61,544,583
Total Liabilities and Shareholders' Equity	\$522,763,784	\$392,916,555

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

Table Of Contents**HAMILTON BANCORP, INC AND SUBSIDIARY****Consolidated Statements of Operations (Unaudited)****Three Months Ended June 30, 2016 and 2015**

	Three Months Ended	
	June 30,	
	2016	2015
Interest revenue		
Loans, including fees	\$3,316,673	\$1,940,608
U.S. treasuries, government agencies and FHLB stock	86,574	96,708
Municipal and corporate bonds	49,026	34,806
Mortgage-backed securities	231,497	297,594
Federal funds sold and other bank deposits	66,706	5,263
Total interest revenue	3,750,476	2,374,979
Interest expense		
Deposits	611,812	372,444
Borrowed funds	42,072	4,953
Total interest expense	653,884	377,397
Net interest income	3,096,592	1,997,582
Provision for loan losses	210,000	-
Net interest income after provision for loan losses	2,886,592	1,997,582
Noninterest revenue		
Service charges	95,120	95,078
Gain on sale of loans held for sale	11,172	16,998
Gain on sale of property and equipment	-	407,188
Earnings on bank-owned life insurance	112,526	87,742
Other	50,680	22,997
Total noninterest revenue	269,498	630,003
Noninterest expenses		
Salaries	1,430,939	938,239
Employee benefits	349,334	261,837
Occupancy	215,900	174,626
Advertising	31,351	27,363
Furniture and equipment	98,323	78,440
Data processing	185,723	141,988
Legal services	50,263	22,179

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Other professional services	100,098	87,422
Merger related expenses	236,484	230,785
Branch consolidation expense	437,424	-
Deposit insurance premiums	77,200	49,864
Foreclosed real estate expense and losses	8,108	808
Other operating	487,952	309,423
Total noninterest expense	3,709,099	2,322,974
(Loss) income before income taxes	(553,009)	304,611
Income tax (benefit) expense	(217,801)	186,288
Net (loss) income	\$(335,208)	\$118,323
Net (loss) income per common share:		
Basic	\$(0.11)	\$0.04
Diluted	\$(0.11)	\$0.04

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

Table Of Contents**HAMILTON BANCORP, INC AND SUBSIDIARY****Consolidated Statements of Comprehensive Income (Loss) (Unaudited)****Three Months Ended June 30, 2016 and 2015**

	Three Months Ended	
	June 30,	
	2016	2015
Net income (loss)	\$(335,208)	\$118,323
Other comprehensive income (loss):		
Unrealized gain (loss) on investment securities available for sale	570,123	(1,200,479)
Reclassification adjustment for realized gain on investment securities available for sale included in net income	-	-
Total unrealized gain (loss) on investment securities available for sale	570,123	(1,200,479)
Income tax expense (benefit) relating to investment securities available for sale	224,886	(473,529)
Other comprehensive income (loss)	345,237	(726,950)
Total comprehensive income (loss)	\$10,029	\$(608,627)

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

Table Of Contents**HAMILTON BANCORP, INC AND SUBSIDIARY****Consolidated Statements of Changes in Shareholders' Equity (Unaudited)****Three Months Ended June 30, 2016 and 2015**

	Common stock	Additional paid-in capital	Retained earnings	Unearned ESOP shares	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balances March 31, 2015	\$ 34,177	\$ 30,832,815	\$ 32,752,071	\$(2,518,040)	\$(301,315)	) \$ 60,799,708
Net income	-	-	118,323	-	-	) 118,323
Unrealized loss on available for sale securities, net of tax effect of \$473,529	-	-	-	-	(726,950)	) (726,950)
Stock based compensation - options	-	52,302	-	-	-	) 52,302
Stock based compensation - restricted stock	-	56,147	-	-	-	) 56,147
Balances June 30, 2015	\$ 34,177	\$ 30,941,264	\$ 32,870,394	\$(2,518,040)	\$(1,028,265)	) \$ 60,299,530
Balance March 31, 2016	\$ 34,136	\$ 31,242,731	\$ 32,659,455	\$(2,369,920)	\$(21,819)	) \$ 61,544,583
Net loss	-	-	(335,208)	-	-	) (335,208)
Unrealized gain on available for sale securities, net of tax effect of \$224,886	-	-	-	-	345,237	) 345,237
Stock based compensation - options	-	52,302	-	-	-	) 52,302
Stock based compensation - restricted stock	-	56,426	-	-	-	) 56,426
Balance June 30, 2016	\$ 34,136	\$ 31,351,459	\$ 32,324,247	\$(2,369,920)	\$ 323,418	) \$ 61,663,340

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

Table Of Contents**HAMILTON BANCORP, INC AND SUBSIDIARY****Consolidated Statements of Cash Flows (Unaudited)****Three Months Ended June 30, 2016 and 2015**

	Three Months Ended	
	June 30,	
	2016	2015
Cash flows from operating activities		
Interest received	\$3,520,057	\$2,560,794
Fees and commissions received	145,801	526,071
Interest paid	(742,098)	(377,634)
Cash paid to suppliers and employees	(2,422,853)	(2,547,248)
Origination of loans held for sale	(675,000)	(1,095,650)
Proceeds from sale of loans held for sale	945,622	1,433,104
Income taxes paid	(1,735,421)	-
Net cash (used) provided by operating activities	(963,892)	499,437
Cash flows from investing activities		
Acquisition, net of cash acquired	(11,006,813)	-
Proceeds from maturing and called securities available for sale, including principal pay downs	7,968,235	5,252,100
Proceeds from maturing and called certificates of deposit	735,000	-
Purchase of Federal Home Loan Bank stock	185,000	-
Loans made, net of principal repayments	(1,121,745)	(9,360,001)
Purchase of premises and equipment	(75,953)	(46,282)
Proceeds from sale of foreclosed real estate	-	11,752
Proceeds from sale of premises and equipment	35,000	500,000
Net cash used by investing activities	(3,281,276)	(3,642,431)
Cash flows from financing activities		
Net increase in		
Deposits	1,643,762	731,214
Advances by borrowers for taxes and insurance	1,989,623	351,911
Proceeds from borrowings	-	2,000,000
Payments of borrowings	(2,000,000)	(2,000,000)
Net cash provided by financing activities	1,633,385	1,083,125
Net decrease in cash and cash equivalents	(2,611,783)	(2,059,869)
Cash and cash equivalents at beginning of period	67,448,536	16,643,888

Cash and cash equivalents at end of period	\$64,836,753	\$14,584,019
Supplemental Disclosures of Cash Flow Information:		
Total cash consideration paid for Fraternity Acquisition	\$25,704,871	\$-
Less cash acquired	14,698,058	-
Acquisition, net of cash acquired	\$11,006,813	\$-

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

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HAMILTON BANCORP, INC AND SUBSIDIARY

Consolidated Statements of Cash Flows (Unaudited)

(Continued)