Hamilton Bancorp, Inc.
Form 10-Q
February 14, 2018

Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended December 31, 2017

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	**46-0543309**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
501 Fairmount Avenue, Suite 200, Towson, Maryland	**21286**
(Address of Principal Executive Offices)	Zip Code

<u>(410) 823-4510</u>

(Registrant's telephone number)

<u>N/A</u>

(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 [X] NO [ ]

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

Indicate by check mark 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 [X]
(Do not check if smaller reporting company)
Emerging growth company [X]

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [ ]

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

YES [ ] NO [X]

The Registrant's common stock, par value $0.01 per share, consisted of 3,411,075 shares issued and outstanding as of February 14, 2018.

Table of Contents

Hamilton Bancorp, Inc. and Subsidiaries

Form 10-Q

Index

Table of Contents

Part I. – Financial Information

Item 1. Financial Statements

HAMILTON BANCORP, INC. AND SUBSIDIARY

Consolidated Statements of Financial Condition

December 31, 2017 and March 31, 2017

	December 31, 2017 (Unaudited)	March 31, 2017 (Audited)
Assets		
Assets		
Cash and due from banks	**$*9,808,784***	$*24,436,793*
Federal funds sold	***278,054***	*4,917,128*
Cash and cash equivalents	***10,086,838***	*29,353,921*
Certificates of deposit held as investment	***499,212***	*499,280*
Securities available for sale, at fair value	***79,385,066***	*102,429,128*
Federal Home Loan Bank stock, at cost	***3,103,900***	*2,020,200*
Loans	***388,997,498***	*338,933,198*
Allowance for loan losses	***(2,609,537***)	*(2,194,815*)
Net loans and leases	***386,387,961***	*336,738,383*
Premises and equipment, net	***3,865,095***	*3,674,280*
Premises and equipment held for sale	***-***	*547,884*
Foreclosed real estate	***451,248***	*503,094*
Accrued interest receivable	***1,513,148***	*1,310,080*
Bank-owned life insurance	***18,623,339***	*18,253,348*
Deferred income taxes	***5,208,321***	*7,976,850*
Goodwill and other intangible assets	***9,208,280***	*9,302,828*
Other assets	***1,619,735***	*1,920,740*
Total Assets	**$*519,952,143***	$*514,530,016*
Liabilities and Shareholders' Equity		
Liabilities		
Noninterest-bearing deposits	**$*27,337,694***	$*30,401,454*
Interest-bearing deposits	***365,353,296***	*382,454,320*
Total deposits	***392,690,990***	*412,855,774*
Borrowings	***62,765,387***	*36,124,899*
Advances by borrowers for taxes and insurance	***1,108,006***	*1,868,110*
Other liabilities	***3,982,573***	*3,890,003*

Total liabilities	***460,546,956***	*454,738,786*
Commitments and contingencies	***-***	-
Shareholders' Equity		
Common stock, $.01 par value, 100,000,000 shares authorized. Issued and outstanding: 3,411,075 shares at December 31, 2017 and March 31, 2017	***34,111***	*34,111*
Additional paid in capital	***32,050,303***	*31,656,235*
Retained earnings	***30,606,613***	*31,730,673*
Unearned ESOP shares	***(2,073,680***)	*(2,221,800*)
Accumulated other comprehensive loss	***(1,212,160***)	*(1,407,989*)
Total shareholders' equity	***59,405,187***	*59,791,230*
Total Liabilities and Shareholders' Equity	**$*519,952,143***	$*514,530,016*

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

1

Table of Contents

HAMILTON BANCORP, INC. AND SUBSIDIARY

Consolidated Statements of Operations (Unaudited)

Three and Nine Months Ended December 31, 2017 and 2016

	Three Months Ended December 31,		**Nine Months Ended December 31,**	
	2017	2016	**2017**	2016
Interest revenue				
Loans, including fees	***$4,104,127***	*$3,878,223*	***$11,890,765***	*$11,026,020*
U.S. treasuries, government agencies and FHLB stock	***37,836***	*33,022*	***117,034***	*182,130*
Municipal and corporate bonds	***102,847***	*107,564*	***329,386***	*226,230*
Mortgage-backed securities	***297,851***	*310,709*	***951,330***	*829,437*
Federal funds sold and other bank deposits	***18,998***	*28,065*	***100,145***	*147,504*
Total interest revenue	***4,561,659***	*4,357,583*	***13,388,660***	*12,411,321*
Interest expense				
Deposits	***714,350***	*673,348*	***2,044,413***	*1,959,630*
Borrowed funds	***209,926***	*74,336*	***502,830***	*192,977*
Total interest expense	***924,276***	*747,684*	***2,547,243***	*2,152,607*
Net interest income	***3,637,383***	*3,609,899*	***10,841,417***	*10,258,714*
Provision for loan losses	***345,000***	*780,000*	***625,000***	*1,040,006*
Net interest income after provision for loan losses	***3,292,383***	*2,829,899*	***10,216,417***	*9,218,708*
Noninterest revenue				
Service charges	***109,151***	*104,882*	***347,201***	*319,489*
(Loss) gain on sale of investment securities	***(12,736)***	*23,720*	***(2,356)***	*23,720*
Gain on sale of loans held for sale	***-***	*1,438*	***-***	*23,047*
Gain (loss) on sale of property and equipment	***212,743***	*(11,043)*	***212,743***	*(11,043)*
Earnings on bank-owned life insurance	***123,597***	*126,302*	***369,991***	*364,928*
Other	***29,860***	*42,784*	***95,972***	*119,937*
Total noninterest revenue	***462,615***	*288,083*	***1,023,551***	*840,078*
Noninterest expenses				
Salaries	***1,445,336***	*1,354,327*	***4,415,848***	*4,092,481*
Employee benefits	***373,699***	*359,987*	***1,115,185***	*1,056,741*
Occupancy	***259,595***	*234,310*	***759,848***	*709,081*
Advertising	***22,487***	*16,305*	***63,685***	*91,635*
Furniture and equipment	***92,894***	*93,058*	***262,632***	*290,818*
Data processing	***176,114***	*206,596*	***522,469***	*583,407*
Legal services	***153,615***	*47,831*	***374,610***	*161,278*
Other professional services	***218,879***	*284,979*	***611,699***	*808,309*

Merger related expenses	*-*	-	*-*	219,417
Branch consolidation expense	*-*	-	*-*	437,424
Deposit insurance premiums	***91,470***	*63,571*	***222,359***	*251,759*
Foreclosed real estate expense and losses (gains)	***43,706***	*(1,578)*	***45,005***	*6,530*
Other operating	***452,423***	*457,466*	***1,306,791***	*1,367,726*
Total noninterest expense	***3,330,218***	*3,116,852*	***9,700,131***	*10,076,606*
Income (loss) before income taxes	***424,780***	*1,130*	***1,539,837***	*(17,820)*
Income tax expense (benefit)	***2,351,970***	*(58,239)*	***2,663,897***	*(65,466)*
Net (loss) income	**$*(1,927,190)***	$*59,369*	**$*(1,124,060)***	$*47,646*
Net (loss) income per common share:				
Basic	**$*(0.60)***	$*0.02*	**$*(0.35)***	$*0.01*
Diluted	**$*(0.60)***	$*0.02*	**$*(0.35)***	$*0.01*

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

Table of Contents

HAMILTON BANCORP, INC. AND SUBSIDIARY

Consolidated Statements of Comprehensive (Loss) Income (Unaudited)

Three and Nine Months Ended December 31, 2017 and 2016

	Three Months Ended December 31,		**Nine Months Ended December 31,**	
	2017	**2016**	**2017**	**2016**
Net (loss) income	**$*(1,927,190)***	$*59,369*	**$*(1,124,060)***	$*47,646*
Other comprehensive income (loss):				
Unrealized (loss) gain on investment securities available for sale	***(393,475)***	*(2,467,108)*	***243,772***	*(2,380,040)*
Reclassification adjustment for realized loss (gain) on investment securities available for sale included in net income	***12,736***	*(23,720)*	***2,356***	*(23,720)*
Total unrealized (loss) gain on investment securities available for sale	***(380,739)***	*(2,490,828)*	***246,128***	*(2,403,760)*
Unrealized gain (loss) on derivative transactions	***122,388***	-	***22,784***	-
Income tax (benefit) expense relating to investment securities available for sale and derivative transactions	***(101,906)***	*(982,508)*	***73,083***	*(948,164)*
Other comprehensive (loss) income	***(156,445)***	*(1,508,320)*	***195,829***	*(1,455,596)*
Total comprehensive (loss)	**$*(2,083,635)***	$*(1,448,951)*	**$*(928,231)***	$*(1,407,950)*

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)

Nine Months Ended December 31, 2017 and 2016

	Common stock	Additional paid-in capital	Retained earnings	Unearned ESOP shares	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balances April 1, 2016	$ *34,136*	$ *31,242,731*	$ *32,659,455*	$ *(2,369,920)*	$ *(21,819)*	$ *61,544,583*
Net income	-	-	*47,646*	-	-	*47,646*
Unrealized loss on available for sale securities, net of tax effect of $ (948,164)	-	-	-	-	*(1,455,596)*	*(1,455,596)*
Stock based compensation - options	-	*156,907*	-	-	-	*156,907*
Stock based compensation - restricted stock	-	*169,279*	-	-	-	*169,279*
ESOP shares alocated for release	-	*62,951*	-	*148,120*	-	*211,071*
Balances December 31, 2016	**$ *34,136***	**$ *31,631,868***	**$ *32,707,101***	**$ *(2,221,800)***	**$ *(1,477,415)***	**$ *60,673,890***
Balances April 1, 2017	**$ *34,111***	**$ *31,656,235***	**$ *31,730,673***	**$ *(2,221,800)***	**$ *(1,407,989)***	**$ *59,791,230***
Net loss	-	-	*(1,124,060)*	-	-	*(1,124,060)*
Unrealized gain on available for sale securities, net of tax effect of $97,085	-	-	-	-	*149,043*	*149,043*
Unrealized loss on derivative transactions, net of tax effect of $(24,002)	-	-	-	-	*46,786*	*46,786*
Stock based compensation - options	-	*172,177*	-	-	-	*172,177*
Stock based compensation - restricted stock	-	*173,457*	-	-	-	*173,457*
ESOP shares alocated for release	-	*48,434*	-	*148,120*	-	*196,554*
Balances December 31, 2017	**$ *34,111***	**$ *32,050,303***	**$ *30,606,613***	**$ *(2,073,680)***	**$ *(1,212,160)***	**$ *59,405,187***

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)

Nine Months Ended December 31, 2017 and 2016

	Nine Months Ended December 31,	
	2017	**2016**
Cash flows from operating activities		
Interest received	$***13,864,923***	$*12,443,330*
Fees and commissions received	***444,472***	*428,385*
Interest paid	***(3,236,631)***	*(3,005,077)*
Cash paid to suppliers and employees	***(8,418,190)***	*(8,881,370)*
Origination of loans held for sale	***-***	*(2,397,825)*
Proceeds from sale of loans held for sale	***-***	*2,680,322*
Income taxes payable (refundable)	***31,549***	*(1,479,473)*
Net cash provided (used) by operating activities	***2,686,123***	*(211,708)*
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	***12,219,990***	*24,634,898*
Proceeds from sale of investment securities available for sale	***11,608,699***	*4,273,234*
Purchase of investment securities available for sale	***(1,208,990)***	*(50,585,898)*
Proceeds from maturing and called certificates of deposit	***-***	*1,724,000*
Proceeds from sale of certificates of deposit	***-***	*2,228,273*
Purchase of Federal Home Loan Bank stock	***(1,083,700)***	*-*
Redemption of Federal Home Loan Bank stock	***-***	*185,000*
Loans made, net of principal repayments	***778,762***	*(1,442,039)*
Purchase of loan portfolios	***(51,049,819)***	*-*
Purchase of premises and equipment	***(443,450)***	*(190,682)*
Proceeds from sale of premises and equipment	***769,914***	*429,177*
Proceeds from sale of foreclosed real estate	***35,896***	*-*
Net cash used by investing activities	***(28,372,698)***	*(29,750,850)*
Cash flows from financing activities		
Net increase (decrease) in		
Deposits	***(19,836,138)***	*(15,202,712)*
Advances by borrowers for taxes and insurance	***(760,104)***	*32,484*
Proceeds from borrowings	***40,000,000***	*-*
Payments of borrowings	***(13,007,050)***	*(4,000,000)*
Interest rate swap on FHLB borrowings	***22,784***	*-*
Net cash (provided) used by financing activities	***6,419,492***	*(19,170,228)*

Net decrease in cash and cash equivalents	***(19,267,083)***	*(49,132,786)*
Cash and cash equivalents at beginning of period	***29,353,921***	*67,448,536*
Cash and cash equivalents at end of period	**$*10,086,838***	$*18,315,750*
Supplemental Disclosures of Cash Flow Information:		
Total cash consideration paid for Fraternity Acquisition	**$-**	$*25,704,871*
Less cash acquired	**-**	*14,698,058*
Acquisition, net of cash acquired	**$-**	$*11,006,813*

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

5

Table of Contents

HAMILTON BANCORP, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows (Unaudited)

(Continued)

	Nine Months Ended September 30,	
	2017	2016
Reconciliation of net (loss) income to net cash provided (used) by operating activities		
Net (loss) income	**$*(1,124,060)***	$*47,646*
Adjustments to reconcile net (loss) income to net cash provided (used) by operating activities		
Amortization of premiums on certificates of deposit	***68***	*12,927*
Amortization of premiums on securities	***668,133***	*600,201*
Loss (gain) on sale of investment securities	***2,356***	*(23,720)*
Loan discount amortization (accretion)	***46,841***	*(103,330)*
Deposit premium amortization	***(328,646)***	*(455,107)*
Borrowing premium amortization	***(352,463)***	*(404,632)*
Core deposit intangible asset amortization	***94,548***	*89,506*
Premises and equipment depreciation and amortization	***243,348***	*251,976*
Gain (loss) on disposal of premises and equipment	***(212,743)***	*11,043*
Loss on sale of foreclosed real estate	***1,299***	-
Stock based compensation	***345,634***	*326,186*
Provision for loan losses	***625,000***	*1,040,006*
ESOP shares allocated for release	***196,555***	*211,071*
Decrease (increase) in:		
Accrued interest receivable	***(203,068)***	*(533,222)*
Loans held for sale	**-**	*259,450*
Cash surrender value of life insurance	***(369,991)***	*(364,927)*
Income taxes refundable and deferred income taxes	***2,695,446***	*(1,544,939)*
Other assets	***301,007***	*2,300,101*
Increase (decrease) in:		
Accrued interest payable	***(8,279)***	*7,269*
Deferred loan origination fees	***(35,711)***	*55,433*
Other liabilities	***100,849***	*(1,994,646)*
Net cash provided (used) by operating activities	**$*2,686,123***	$*(211,708)*
Noncash investing activity		
Real estate acquired through foreclosure	**$*17,305***	$*17,205*

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

6

HAMILTON BANCORP, INC. AND SUBSIDIARY

Form 10-Q

Notes to Consolidated Financial Statements (Unaudited)

December 31, 2017

Note *1:*   Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Hamilton Bancorp, Inc. (the "Company") was incorporated on *June 7, 2012* to serve as the stock holding company for Hamilton Bank (the "Bank"), a federally chartered savings bank. On *October 10, 2012,* the Bank converted from a mutual savings bank to a stock savings bank and became the wholly owned subsidiary of the Company. In connection with the conversion, the Company sold *3,703,000* shares of common stock at a price of *$10.00* per share, through which the Company received proceeds of approximately *$35,580,000,* net of offering expenses of approximately *$1,450,000.* The Bank's employee stock ownership plan (the "ESOP") purchased *8.0%* of the shares sold in the offering, or *296,240* common shares. The purchase of shares by the ESOP was funded by a loan from the Company. The company's common stock began trading on the NASDAQ Capital Market under the trading symbol "HBK" on *October 12, 2012.*

On *December 21, 2017,* the Bank converted its charter from a federal savings bank to a Maryland state-chartered commercial bank and now operates under the laws of the State of Maryland. In conjunction with the Bank's charter conversion, Hamilton Bancorp converted from a savings and loan holding company to a bank holding company. The charter conversion is part of the Bank's strategic plan which will allow it to continue to focus on growth opportunities in commercial, consumer and mortgage lending as well as small business and retail banking. The Maryland Office of the Commissioner of Financial Regulation will serve as the Bank's primary regulator with federal oversight provided by the Federal Deposit Insurance Corporation. Hamilton Bancorp will continue to be regulated by the Federal Reserve Board.

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

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

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

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial reporting and with instructions for Form *10*–Q and Regulation S–X as promulgated by the Securities and Exchange Commission (the "SEC"). Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, the preceding unaudited consolidated financial statements contain all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the financial condition and results of operations for the periods presented. We derived the balances as of *March 31, 2017* from audited financial statements. Operating results for the *three* and *nine* months ended *December 31, 2017* are *not* necessarily indicative of the results that *may* be expected for the fiscal year ending *March 31, 2018,* or any other period. For further information, 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, 2017.* Certain amounts from prior period financial statements have been reclassified to conform to the current period's presentation.

Table of Contents

HAMILTON BANCORP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Continued)

Summary of Significant Accounting Policies

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

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

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

Investment Securities. Management determines the appropriate classification of investment securities at the time of purchase. Securities that *may* be sold before maturity are classified as available for sale and carried at fair value. Investment securities that management has the intent and ability to hold to maturity are classified as held to maturity and carried at amortized cost. All investment securities held by Hamilton at *December 31, 2017* and *March 31, 2017* are classified as available for sale.

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

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

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

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

HAMILTON BANCORP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Continued)

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

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

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

Reduction of the stated interest rate;

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

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

Reduction of accrued interest.

Accounting for Certain Loans or Debt Securities Acquired in a Transfer. The loans acquired from the Company's acquisition of Fraternity on *May 13, 2016 (*see Note *3* "Acquisition") and Fairmount on *September 11, 2015* were recorded at fair value at the acquisition date and *no* separate valuation allowance was established. The initial fair values were determined by management, with the assistance of an independent valuation specialist, based on estimated expected cash flows discounted at appropriate rates. The discount rates were based on market rates for new originations of comparable loans and did *not* include a separate factor for loan losses as that was included in the estimated cash flows.

Accounting Standards Codification ("ASC") Topic *310-30, Loans and Debt Securities Acquired with Deteriorated Credit Quality*, applies to loans acquired in a transfer with evidence of deterioration of credit quality for which it is probable, at acquisition, that the investor will be unable to collect all contractually required payments receivable. If both conditions exist, the Company determines whether to account for each loan individually or whether such loans will be assembled into pools based on common risk characteristics such as credit score, loan type, and origination date.

The Company considered expected prepayments and estimated the total expected cash flows, which included undiscounted expected principal and interest. The excess of that amount over the fair value of the loan is referred to as accretable yield. Accretable yield is recognized as interest income on a constant yield basis over the expected life of the loan. The excess of the contractual cash flows over expected cash flows is referred to as nonaccretable difference and is *not* accreted into income. Over the life of the loan, the Company continues to estimate expected cash flows. Subsequent decreases in expected cash flows are recognized as impairments in the current period through the allowance for loan losses. Subsequent increases in cash flows to be collected are *first* used to reverse any existing valuation allowance and any remaining increase are recognized prospectively through an adjustment of the loan's yield over its remaining life.

HAMILTON BANCORP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Continued)

ASC Topic *310-20, Nonrefundable Fees and Other Costs*, was applied to loans *not* considered to have deteriorated credit quality at acquisition. Under ASC Topic *310-20,* the difference between the loan's principal balance at the time of purchase and the fair value is recognized as an adjustment of yield over the life of the loan.

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

The allowance for loan losses is increased by provisions charged to income and reduced by charge-offs, net of recoveries. Management's periodic evaluation of the adequacy of the allowance is based on the Bank's past loan loss experience, known and inherent risks in the loan portfolio, adverse situations that *may* affect the borrower's ability to repay, estimated value of any underlying collateral and current economic conditions. The look back period for historical losses consists of reviewing both a *36* and *48* month look back period for net charge-offs. Both of these periods are used individually to develop a range in which the allowance for loan losses should be within.

Management considers a number of factors in estimating the required level of the allowance. These factors include: historical loss experience in the loan portfolios; the levels and trends in past-due and nonaccrual loans; the status of nonaccrual loans and other loans identified as having the potential for further deterioration; credit risk and industry concentrations; trends in loan volume; the effects of any changes in lending policies and procedures or underwriting standards; and a continuing evaluation of the economic environment. Management modified the analysis during the quarter ended *September 30, 2016* by keeping our net charge-off history as a percentage of loans, as it pertains to each loan segment, constant across all risk ratings and altering our qualitative factors either up or down based upon the respective risk rating for each loan segment. The change in methodology did *not* have a material impact on the amount of the allowance for loan and lease losses at *September 30, 2016,* the date of the change, as compared to the prior methodology.

Derivative Financial Instruments and Hedging Activities. Derivatives are initially recognized at fair value on the date the derivative contract is entered into and subsequently re-measured at their fair value. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation. The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions.

For derivatives qualifying as cash flow hedges, the Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The effective portion of changes in fair value of derivatives that are designated and qualify as cash flow hedges is recognized in the consolidated statement of comprehensive income (loss). The gain or loss relating to the ineffective portion is recognized immediately in the consolidated statement of operations as a gain or loss. When a hedging instrument expires or is sold, or when a hedge *no* longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecasted transaction is ultimately recognized in the consolidated statement of operations. When a forecasted transaction is *no* longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated statement of operations as a gain or loss to income.

For derivative instruments designated as fair-value hedges, the change in fair value of the derivative is recognized in the consolidated statement of operations under the same heading as the change in fair value of the hedged item for the portion attributable to the hedged risk. For accounting purposes, if the derivative is highly effective, the change in fair values relating to the asset or liability and the hedged item will offset *one* another and result in *no* impact to overall income.

Gains (losses) on derivatives representing either hedge components excluded from the assessment of effectiveness or hedge ineffectiveness are recognized in earnings.

HAMILTON BANCORP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Continued)

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

Income Taxes. Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities (excluding deferred tax assets and liabilities related to business combinations or components of other comprehensive income). Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and tax bases of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the expected amount most likely to be realized. Realization of deferred tax assets is dependent upon the generation of a sufficient level of future taxable income and recoverable taxes paid in prior years. Although realization is *not* assured, management believes it is more likely than *not* that all of the deferred tax assets will be realized.

On *December 22, 2017,* the Tax Cuts and Jobs Act was passed into law ("TCJA"). The TCJA includes a broad range of tax reform including changes to tax rates and deductions that are effective *January 1, 2018.* The decrease in the enacted corporate tax rate expected to apply when the Company's temporary differences are realized or settled ultimately resulted in a *one*-time revaluation of the Company's net deferred tax asset of *$2.2* million in *December 2017* with a corresponding charge to income tax expense. The tax effects of the TCJA increased income tax expense to a level that reduced net income to a net loss for both the *three* and *nine*-month periods ending *December 31, 2017.*

Note *2:*   New Accounting Pronouncements

Recent Accounting Pronouncements

ASU No. 2017-12, Targeted Improvements to Accounting for Hedging Activities. This ASU's objectives are to: (*1*) improve the transparency and understandability of information conveyed to financial statement users about an entity's risk management activities by better aligning the entity's financial reporting for hedging relationships with those risk management activities; and (*2*) reduce the complexity of and simplify the application of hedge accounting by preparers. The ASU is effective for interim and annual reporting periods beginning after *December 15, 2018;* early adoption is permitted. The Company does *not* expect the adoption of ASU *2017-12* to have a material impact on its consolidated financial statements.

ASU No. 2017-09, Compensation – Stock Compensation (Topic 718). The amendments in this update provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic *718.* An entity should account for the effects of a modification unless all the following are met: *1.*) The fair value (or calculated value or intrinsic value, if such an alternative measurement method is used) of the modified award is the same as the fair value (or calculated value or intrinsic value, if such an alternative measurement method is used) of the original award immediately before the original award is modified. If the modification does *not* affect any of the inputs to the valuation technique that the entity uses to value the award, the entity is *not* required to estimate the value immediately before and after the modification, *2.*) the vesting conditions of the modified award are the same as the vesting conditions of the original award immediately before the original award is modified and, *3*) the classification of the modified award as an equity instrument or a liability instrument is the same as the classification of the original award immediately before the original award is modified. The current disclosure requirements in Topic *718* apply regardless of whether an entity is required to apply modification accounting under the amendments in this. ASU *No. 2017-09* became effective for interim and annual periods beginning after *December 15, 2017* and did *not* have a material impact on the consolidated financial statements.

ASU 2017-04, Simplifying the Test for Goodwill Impairment. This update removes the requirement to compare the implied fair value of goodwill with its carrying amount as part of step *2* of the goodwill impairment test. As a result, under the ASU, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should *not* exceed the total amount of goodwill allocated to that reporting unit. The ASU is effective for annual and interim goodwill impairment tests in fiscal years beginning after *December 15, 2019.* Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after *January 1, 2017.* The Company does *not* expect the adoption of ASU *2017-04* to have a material impact on its consolidated financial statements.

ASU No. 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business. This guidance clarifies the definition of a business and assists entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. Under this guidance, when substantially all of the fair value of gross assets acquired is concentrated in a single asset (or group of similar assets), the assets acquired would *not* represent a business. In addition, in order to be considered a business, an acquisition would have to include at a minimum an input and a substantive process that together significantly contribute to the ability to create an output. The amended guidance also narrows the definition of outputs by more closely aligning it with how outputs are described in FASB guidance for revenue recognition. This guidance is effective for annual periods beginning after *December 15, 2017,* including interim periods within those fiscal years, with early adoption permitted. The Company does *not* expect the adoption of this guidance to have a material impact on its consolidated financial statements.

HAMILTON BANCORP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Continued)

ASU No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. This update addresses diversity on how certain cash receipts and payments are reflected in the statement of cash flows. The update made the following changes that *may* affect the Company: (*1*) Debt Prepayment or Debt Extinguishment Costs: Cash payments for debt prepayment or debt extinguishment costs should be classified as cash flows for financing activities. (*2*) Proceeds from the settlement of Bank-Owned Life Insurance Policies: Cash proceeds received from the settlement of bank-owned life insurance policies should be classified as cash flows from investing activities. The cash payments for premiums on bank-owned policies *may* be classified as cash flows from investing activities, operating activities, or a combination of investing and operating activities. The amendments in this Update will be effective for public business entities for fiscal years beginning after *December 15, 2017,* and interim periods within those fiscal years. The guidance requires application using a retrospective transition method. The Company does *not* expect the guidance to have a significant impact on its consolidated statement of cash flows.

ASU 2016-13, Financial Instruments – Credit Losses. The main objective of this update is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the guidance in this update replaces the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to estimate credit losses. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. An entity must use judgment in determining the relevant information and estimation methods that are appropriate in its circumstances. The guidance in this update for public business entities is effective for fiscal years beginning after *December 15, 2019,* including interim periods within those fiscal years. Hamilton Bancorp is in the process of implementing a committee and has begun to gather loan information and consider acceptable methodologies to comply with this ASU. The implementation team will meet periodically to discuss the latest developments and updates via webcasts, publications, and conferences. Hamilton Bancorps' evaluation indicates that the provisions of ASU *No. 2016-13* are expected to impact its consolidated financial statements, in particular the level of the reserve for loan losses. We are, however, continuing to evaluate the extent of the potential impact.

ASU 2016-09, Improvements to Employee Share-Based Payment Accounting (Topic 718). This ASU includes provisions intended to simplify various aspects related to how share-based payments are accounted for and presented in the financial statements. Some of the key provisions of this new ASU include: (*1*) companies will *no* longer record excess tax benefits and certain tax deficiencies in additional paid-in capital ("APIC"). Instead, they will record all excess tax benefits and tax deficiencies as income tax expense or benefit in the income statement, and APIC pools will be eliminated. The guidance also eliminates the requirement that excess tax benefits be realized before companies can recognize them. In addition, the guidance requires companies to present excess tax benefits as an operating activity on the statement of cash flows rather than as a financing activity; (*2*) increase the amount an employer can withhold to cover income taxes on awards and still qualify for the exception to liability classification for shares used to satisfy the employer's statutory income tax withholding obligation. The new guidance will also require an employer to classify the cash paid to a tax authority when shares are withheld to satisfy its statutory income tax withholding obligation as a financing activity on its statement of cash flows (current guidance did *not* specify how these cash flows should be classified); and (*3*) permit companies to make an accounting policy election for the impact of forfeitures on the recognition of expense for share-based payment awards. Forfeitures can be estimated, as required today, or recognized when they occur. ASU *No. 2016-09* became effective for the Company on *April 1, 2017* and was *not* material to the consolidated financial statements.

ASU 2016-02, Leases (Topic 842). From the lessee's perspective, the new ASU standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than *12* months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement for lessees. The guidance also eliminates the current real estate-specific provision and changes the guidance on sale-leaseback transactions, initial direct costs and lease executory costs. With respect to lessors, the guidance modifies the classification criteria and the accounting for sales-type and direct financing leases. All entities will classify leases to determine how to recognize lease-related revenue and expense. In applying this guidance entities will also need to determine whether an arrangement contains a lease or service agreement. Disclosures are required by lessees and lessors to meet the objective of enabling users of financials statements to assess the amount, timing, and uncertainty of cash flows arising from leases. For public entities, this guidance is effective for the *first* interim or annual period beginning after *December 15, 2018.* Early adoption is permitted. Entities are required to use a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements. The Company is assessing this guidance to determine its impact on the Company's financial position, results of operations and cash flows.

HAMILTON BANCORP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Continued)

ASU No. 2016-01, Financial Instruments – Recognition and Measurement of Financial Assets and Liabilities. This ASU requires equity investments to be measured at fair value with changes in fair value recognized in net income, excluding equity investments that are consolidated or accounted for under the equity method of accounting. The amendment allows equity investments without readily determinable fair values to be measured at cost minus impairment, with a qualitative assessment required to identify impairment. The amendment also requires public companies to use exit prices to measure the fair value of financial instruments purposes; requiring separate presentation of financial assets and financial liabilities by measurement category and form of financial asset on the balance sheet or the accompanying notes to the financial statement; it eliminates the disclosure requirements related to measurement assumptions for the fair value of instruments measured at amortized cost. In addition, for liabilities measured at fair value under the fair value option, to present in other comprehensive income changes in fair value due to changes in instrument specific credit risk. ASU *No. 2016-01* is effective for fiscal years beginning after *December 15, 2017* and interim periods within those fiscal years. The Company is currently evaluating the impact of adopting the new guidance on its consolidated financial statements.

ASU 2014-09, Revenue from Contracts with Customers (Topic 606). ASU *2014-09* implements a common revenue standard that clarifies the principles for recognizing revenue. The core principle of ASU *2014-09* is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract and (v) recognize revenue when (or as) the entity satisfies a performance obligation. The guidance in this update is effective for the *first* interim or annual period beginning after *December 15, 2017.* We expect to adopt the ASU during the *first* quarter of fiscal *2019.* The Company is evaluating the guidance in this update but does *not* believe it will have a material impact on its consolidated financial statements.

Note *3*: Acquisition

Fraternity Community Bancorp, Inc.

On *May 13, 2016,* Hamilton Bancorp acquired Fraternity Community Bancorp, Inc. ("Fraternity"), the parent company of Fraternity Federal Savings and Loan. Under the terms of the Merger Agreement, shareholders of Fraternity received a cash payment equal to *nineteen* dollars and *twenty-five* cents (*$19.25*) for each share of Fraternity common stock. The total merger consideration was *$25.7* million.

In connection with the acquisition, Fraternity Federal Savings and Loan was merged with and into Hamilton Bank, with Hamilton Bank as the surviving bank. The results of the Fraternity acquisition are included with Hamilton's results as of and from *May 13, 2016.*

Table of Contents

HAMILTON BANCORP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Continued)

As required by the acquisition method of accounting, we have adjusted the acquired assets and liabilities of Fraternity to their estimated fair value on the date of acquisition and added them to those of Hamilton Bancorp. Based on management's preliminary valuation of the fair value of tangible and intangible assets acquired and liabilities assumed, which we have based on level *3* valuation estimates and assumptions that were subject to change through the measurement date of *May 2017,* we have allocated the purchase price for Fraternity as follows:

	As recorded by Fraternity Community Bancorp, Inc.	Fair Value Adjustments		As recorded by Hamilton Bancorp, Inc.
Identifiable assets:				
Cash and cash equivalents	$*15,196,058*	$-		$*15,196,058*
Investment securities available for sale	*17,570,712*	-		*17,570,712*
FHLB Bank Stock	*782,600*	-		*782,600*
Loans	*108,872,041*	*(67,858*)	A	*108,804,183*
Allowance For Loan Loss	*(1,550,000*)	*1,550,000*	A	-
Premises and equipment	*691,095*	*78,711*	B	*769,806*
Bank-Owned Life Insurance	*5,058,041*	-		*5,058,041*
Deferred income taxes	*2,743,481*	*(410,377*)	C	*2,333,104*
Other assets	*2,877,665*	-		*2,877,665*
Total identifiable assets	$*152,241,693*	$*1,150,476*		$*153,392,169*
Identifiable liabilities:				
Non-interest bearing deposits	*1,242,187*	-		*1,242,187*
Interest bearing deposits	*107,648,792*	*1,098,131*	D	*108,746,923*
Borrowings	*15,000,000*	*793,537*	E	*15,793,537*
Other liabilities	*4,023,914*	-		*4,023,914*
Total identifiable liabilities	$*127,914,893*	$*1,891,668*		$*129,806,561*
Net tangible assets acquired	*24,326,800*	*(741,192*)		*23,585,608*
Definite lived intangible assets acquired	-	*242,020*		*242,020*
Goodwill	-	*1,877,243*		*1,877,243*
Net intangible assets acquired	-	*2,119,263*		*2,119,263*
Total cash consideration	$*24,326,800*	$*1,378,071*		$*25,704,871*

Explanation of fair value adjustments:

A - Adjustment reflects the fair value adjustments based on Hamilton Bancorp's evaluation of the acquired loan portfolio and excludes the allowance for losses recorded by Fraternity Community Bancorp, Inc.
B - Adjustment reflects the fair value adjustments based on Hamilton Bancorp's evaluation of the acquired premises and equipment.
C - Adjustment to record deferred tax asset related to fair value adjustments at *39.45%* income tax rate.
D - Adjustment arises since the rates on interest-bearing deposits are higher than rates available on similar deposits as of the acquisition date.
E - Adjustment reflects the fair value of Fraternity's borrowings acquired on acquisition date.

Prior to the end of the *May 13, 2016* measurement period, if information became available which indicated the purchase price allocations require adjustments, we included such adjustments in the purchase price allocation retrospectively.

Of the total estimated purchase price, we have allocated *$23.6* million to net tangible assets acquired and we have allocated *$242,020* to the core deposit intangible which is a definite lived intangible asset. We have allocated the remaining purchase price to goodwill. We will amortize the core deposit intangible on a straight-line basis over its estimated useful life of *eight* years. We will evaluate goodwill annually for impairment.

HAMILTON BANCORP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Continued)

The following table outlines the contractually required payments receivable, cash flows we expect to receive, non-accretable credit adjustments and the accretable yield for all Fraternity loans as of the acquisition date.

	Contractually Required Payments Receivable	**Non-Accretable Credit Adjustments**	**Cash Flows Expected To Be Collected**	**Accretable FMV Adjustments**	**Carrying Value of Loans Receivable**
Performing loans acquired	$ *107,474,993*	$ -	$ *107,474,993*	$ *301,672*	$ *107,776,665*
Impaired loans acquired	*1,397,048*	*(314,484*)	*1,082,564*	*(55,046*)	*1,027,518*
Total	**$ *108,872,041***	**$ *(314,484***)	**$ *108,557,557***	**$ *246,626***	**$ *108,804,183***

At our acquisition of Fraternity, we recorded all loans acquired at the estimated fair value on the purchase date with *no* carryover of the related allowance for loan losses. On the acquisition date, we segregated the loan portfolio into *two* loan pools, performing and nonperforming loans, to be retained in our portfolio.

We had an independent *third* party assist us to determine the fair value of cash flows on *$107,474,993* of performing loans. The valuation took into consideration the loans' underlying characteristics, including account types, remaining terms, annual interest rates, interest types, past delinquencies, timing of principal and interest payments, current market rates, loan to value ratios, loss exposures, and remaining balances. These performing loans were segregated into pools based on loan and payment type and in some cases, risk grade. The effect of this fair valuation process was a net accretable premium adjustment of *$301,672* at acquisition.

We also individually evaluated *23* impaired loans totaling *$1,397,048* to determine the fair value as of the *May 13, 2016* measurement date. In determining the fair value for each individually evaluated impaired loan, we considered a number of factors including the remaining life of the acquired loans, estimated prepayments, estimated loss ratios, estimated value of the underlying collateral and net present value of cash flows we expect to receive, among others.

We established a credit risk related non-accretable difference of *$314,484* relating to these acquired, credit impaired loans, reflected in the recorded net fair value. We further estimated the timing and amount of expected cash flows in excess of the estimated fair value and established an accretable discount adjustment of *$55,046* at acquisition relating to these impaired loans.

Fraternity Pro forma Condensed Combined Financial Information. The consolidated statements of operations data for the unaudited pro forma results for the *three* and *nine*-month periods ended *December 31, 2017* and *2016* as if the Fraternity acquisition had occurred as of the beginning of fiscal *2016* and *2017* are deemed immaterial and *not* presented. Due to the fact the acquisition of Fraternity occurred on *May 13, 2016,* the *three* and *nine*-month periods ending *December 31, 2016* and *2017,* as reported in this *10*-Q, already include or include a significant portion of the impact of Fraternity in the consolidated statements of operations as though the acquisition occurred at the beginning of fiscal *2016* and *2017.* The *nine*-month period ending *December 31, 2016* does *not* reflect the full impact to the consolidated statements of operations for those *nine* months since the acquisition occurred towards the beginning of that respective period, however, that amount is deemed to be immaterial to the consolidated statement of operations for that period.

Table of Contents

HAMILTON BANCORP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Continued)

Fraternity acquisition expenses. In connection with the acquisition of Fraternity, the Company incurred merger related costs. These expenses were primarily related to legal, other professional services and system conversions. The following table details the expenses included in the consolidated statements of operations for the *nine*-month periods ending *December 31, 2017* and *2016.* There were *no* merger expenses for the *three*-month periods ending *December 31, 2017* and *2016.*

	Nine months ended December 31,	
	2017	2016
Legal	$ -	$ *55,500*
Professional services	-	*157,567*
Other	-	*6,350*
Total merger related expenses	$ -	$ *219,417*

Note *4*: Earnings per Share

Basic earnings per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the period. Weighted average shares exclude unallocated ESOP shares. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity.

Both the basic and diluted earnings per share for the *three* and *nine* months ended *December 31, 2017* and *2016* are summarized below:

	Three months ended	Three months ended	**Nine months ended**	Nine months ended

	December 31, 2017	December 31, 2016	**December 31, 2017**	December 31, 2016
Net (loss) income	**$*(1,927,190)***	$*59,369*	**$*(1,124,060)***	$*47,646*
Weighted average common shares outstanding - basic	***3,189,056***	*3,177,810*	***3,188,949***	*3,177,041*
Weighted average common shares outstanding - diluted	***3,189,056***	*3,180,276*	***3,188,949***	*3,179,507*
(Loss) income per common share - basic and diluted	**$*(0.60)***	$*0.02*	**$*(0.35)***	$*0.01*
Anti-dilutive shares	***118,525***	*85,394*	***118,525***	*85,394*

During the *three* and *nine* months ending *December 31, 2017, none* of the common stock equivalents were dilutive due to the loss reported during those periods.

Note *5:* Investment Securities Available for Sale

The amortized cost and fair value of securities at *December 31, 2017* and *March 31, 2017,* are summarized as follows:

<u>December 31, 2017</u>	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
U.S. government agencies	**$*2,756,604***	**$ -**	**$*25,281***	**$*2,731,323***
Municipal bonds	***12,464,369***	**-**	***404,378***	***12,059,991***
Corporate bonds	***2,000,000***	**-**	***72,214***	***1,927,786***
Mortgage-backed securities	***64,104,992***	***20,435***	***1,459,461***	***62,665,966***
	$*81,325,965*	**$ *20,435***	**$*1,961,334***	**$*79,385,066***

Table of Contents

HAMILTON BANCORP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Continued)

March 31, 2017	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
U.S. government agencies	$*3,525,373*	$ *323*	$*13,393*	$*3,512,303*
Municipal bonds	*17,096,477*	*21,858*	*950,496*	*16,167,839*
Corporate bonds	*2,000,000*	-	*83,478*	*1,916,522*
Mortgage-backed securities	*81,994,305*	*65,094*	*1,226,935*	*80,832,464*
	$*104,616,155*	$ *87,275*	$*2,274,302*	$*102,429,128*

Proceeds from sales of investment securities were *$7,364,939* and *$4,273,234* during the *three* months ended *December 31, 2017* and *2016,* respectively, with gains of *$33,747* and losses of *$46,483* for the *three* months ended *December 31, 2017* and gains of *$36,131* and losses of *$12,411* for the *three* months ended *December 31, 2016.*

Proceeds from sales of investment securities were *$11,608,699* and *$4,273,234* during the *nine* months ended *December 31, 2017* and *2016,* respectively, with gains of *$57,099* and losses of *$59,455* for the *nine* months ended *December 31, 2017* and gains of *$36,131* and losses of *$12,411* for the *nine* months ended *December 31, 2016.*

As of *December 31, 2017,* and *March 31, 2017,* all mortgage-backed securities are backed by U.S. Government-Sponsored Enterprises (GSE's), except *one* private label mortgage-backed security that was acquired in the Fraternity acquisition in *May 2016* with a book value of *$76,554* and fair value of *$77,649* as of *December 31, 2017.*

As of *December 31, 2017,* and *March 31, 2017,* the Company had *one* pledged security to the Federal Reserve Bank with a book value of *$744,186* and a fair value of *$733,507* and *$736,412,* respectively.

The amortized cost and estimated fair value of debt securities by contractual maturity at *December 31, 2017* and *March 31, 2017* follow. Actual maturities *may* differ from contractual maturities because borrowers *may* have the right to call or prepay obligations.

Available for Sale

	December 31, 2017		March 31, 2017	
	Amortized cost	Fair value	Amortized cost	Fair value
Maturing				
Within one year	***$2,012,418***	***$1,997,816***	$-	$-
Over one to five years	***1,233,485***	***1,212,376***	*4,234,642*	*4,240,740*
Over five to ten years	***3,581,591***	***3,485,451***	*5,538,313*	*5,404,810*
Over ten years	***10,393,480***	***10,023,457***	*12,848,895*	*11,951,114*
Mortgage-backed, in monthly installments	***64,104,992***	***62,665,966***	*81,994,305*	*80,832,464*
	$81,325,966	***$79,385,066***	$*104,616,155*	$*102,429,128*

17

Table of Contents

HAMILTON BANCORP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Continued)

The following table presents the Company's investments' gross unrealized losses and the corresponding fair values by investment category and length of time that the securities have been in a continuous unrealized loss position at *December 31, 2017* and *March 31, 2017.*

	Less than 12 months		12 months or longer		Total	
December 31, 2017	Gross Unrealized losses	Fair value	Gross Unrealized losses	Fair value	Gross Unrealized losses	Fair value
U.S. government agencies	$***10,679***	$***733,507***	$***14,602***	$***1,997,816***	$***25,281***	$***2,731,323***
Municipal bonds	**-**	**-**	***404,378***	***12,059,991***	***404,378***	***12,059,991***
Corporate bonds	**-**	**-**	***72,214***	***1,927,786***	***72,214***	***1,927,786***
Mortgage-backed securities	***238,033***	***18,514,960***	***1,221,428***	***43,065,908***	***1,459,461***	***61,580,868***
	$***248,712***	$***19,248,467***	$***1,712,622***	$***59,051,501***	$***1,961,334***	$***78,299,968***

	Less than 12 months		12 months or longer		Total	
March 31, 2017	Gross Unrealized losses	Fair value	Gross Unrealized losses	Fair value	Gross Unrealized losses	Fair value
U.S. government agencies	$*13,393*	$*3,256,964*	$-	$-	$*13,393*	$*3,256,964*
Municipal bonds	*950,496*	*13,982,251*	-	-	*950,496*	*13,982,251*
Corporate bonds	-	-	*83,478*	*1,916,522*	*83,478*	*1,916,522*
Mortgage-backed securities	*941,183*	*66,953,532*	*285,752*	*7,016,746*	*1,226,935*	*73,970,278*
	$*1,905,072*	$*84,192,747*	$*369,230*	$*8,933,268*	$*2,274,302*	$*93,126,015*

The unrealized losses that exist are a result of market changes in interest rates since the original purchase. Management systematically evaluates investment securities for other-than-temporary declines in fair value on an annual basis from the date of purchase if the respective security is in a loss position. This analysis requires management to consider various factors, which include: (*1*) duration and magnitude of the decline in value; (*2*) the financial condition of the issuer or issuers; and (*3*) structure of the security.

An impairment loss is recognized in earnings if any of the following are true: (*1*) the Company intends to sell the debt security; (*2*) it is more likely than *not* that the Company will be required to sell the security before recovery of its amortized cost basis; or (*3*) the Company does *not* expect to recover the entire amortized cost basis of the security. In situations where the Company intends to sell or when it is more likely than *not* that the Company will be required to sell the security, the entire impairment loss must be recognized in earnings. In all other situations, only the portion of the impairment loss representing the credit loss must be recognized in earnings, with the remaining portion being recognized in shareholders' equity as a component of other comprehensive income, net of deferred tax.

Table of Contents

HAMILTON BANCORP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Continued)

Note *6:* Loans Receivable and Allowance for Loan Losses

Loans receivable, excluding loans held for sale, consist of the following at *December 31, 2017* and *March 31, 2017:*

	December 31, 2017				March 31, 2017			
	Legacy (1)	**Acquired**	**Total Loans**	**% of Total**	Legacy (1)	Acquired	Total Loans	% of Total
Real estate loans:								
One-to four-family:								
Residential (2)	***$80,477,455***	***$74,701,711***	***$155,179,166***	***40 %***	*$67,126,677*	*$83,892,389*	*$151,019,066*	*44 %*
Residential construction	***6,752,565***	***-***	***6,752,565***	***2 %***	*6,426,076*	*-*	*6,426,076*	*2 %*
Investor (3)	***7,375,997***	***18,208,906***	***25,584,903***	***7 %***	*6,742,469*	*18,779,644*	*25,522,113*	*8 %*
Commercial	***100,857,452***	***12,160,844***	***113,018,296***	***29 %***	*92,665,689*	*14,898,523*	*107,564,212*	*32 %*
Commercial construction	***3,995,441***	***856,970***	***4,852,411***	***1 %***	*1,881,541*	*1,308,652*	*3,190,193*	*1 %*
Total real estate loans	***199,458,910***	***105,928,431***	***305,387,341***	***79 %***	*174,842,452*	*118,879,208*	*293,721,660*	*87 %*
Commercial business (4)	***38,988,229***	***1,928,232***	***40,916,461***	***11 %***	*19,518,029*	*2,019,337*	*21,537,366*	*6 %*
Home equity loans	***13,802,091***	***6,874,136***	***20,676,227***	***5 %***	*13,278,229*	*7,266,141*	*20,544,370*	*6 %*
Consumer (5)	***20,075,548***	***785,100***	***20,860,648***	***5 %***	*2,258,836*	*937,600*	*3,196,436*	*1 %*
Total Loans	***272,324,778***	***115,515,899***	***387,840,677***	***100%***	*209,897,546*	*129,102,286*	*338,999,832*	*100%*
Net deferred loan origination fees and costs	***(107,359)***	***-***	***(107,359)***		*(143,070)*	*-*	*(143,070)*	

Loan premium (discount)	***1,792,595***	***(528,415)***	***1,264,180***	*619,846*	*(543,410)*	*76,436*
	$*274,010,014*	**$*114,987,484***	**$*388,997,498***	$*210,374,322*	$*128,558,876*	$*338,933,198*

(*1*) As a result of the acquisition of Fraternity Community Bancorp, Inc., the parent company of Fraternity Federal Savings and Loan, in *May 2016* and Fairmount Bancorp, Inc., the parent company of Fairmount Bank, in *September 2015,* we have segmented the portfolio into *two* components, loans originated by Hamilton Bank "Legacy" and loans acquired from Fraternity Community Bancorp, Inc. and Fairmount Bancorp, Inc. "Acquired".

(*2*) "Legacy" *one*-to *four*-family residential real estate loans at *December 31, 2017* includes *$13.1* million of loans purchased in the *third* quarter of fiscal *2018;* and at *March 31, 2017* includes *$23.4* million of loans purchased in *March 2017*.

(*3*) "Investor" loans are residential mortgage loans secured by non-owner occupied *one*-to *four*-family properties.

(*4*) "Legacy" commercial business loans as of *December 31, 2017* includes *$15.4* million of commercial lease loans purchased in *June 2017*.

(*5*) "Legacy" consumer loans as of *December 31, 2017* includes *$18.4* million of recreational vehicle loans purchased in *August 2017*.

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

A substantial portion of the Bank's loan portfolio is real estate loans secured by residential and commercial real estate properties located in the Baltimore metropolitan area. Loans are extended only after evaluation of a customer's creditworthiness and other relevant factors on a case-by-case basis. The Bank generally does *not* lend more than *75% - 95%* of the appraised value of a property, depending on the type of loan, and requires private mortgage insurance on residential mortgages with loan-to-value ratios in excess of *80%.* In addition, the Bank generally obtains personal guarantees of repayment from borrowers and/or others for construction loans and disburses the proceeds of those and similar loans only as work progresses on the related projects.

Commercial business loans are made to provide funds for equipment and general corporate needs. Repayment of a loan primarily uses the funds obtained from the operation of the borrower's business. Commercial loans also include lines of credit that are utilized to finance a borrower's short-term credit needs and/or to finance a percentage of eligible receivables and inventory. The Company's loan portfolio also includes equipment leases, which consists of leases for essential commercial equipment used by small to medium sized businesses.

Table of Contents

HAMILTON BANCORP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Continued)

The home equity loans consist of both conforming loans and revolving lines of credit to consumers which are secured by residential real estate. These loans are typically secured with *second* mortgages on the homes. Consumer loans include share loans, installment loans and, to a lesser extent, personal lines of credit. Share loans represent loans that are collateralized by a certificate of deposit or other deposit product. Installment loans are used by customers to purchase primarily automobiles, but *may* be used to also purchase boats and recreational vehicles.

The following table details activity in the allowance for loan losses by portfolio segment for the *three* and *nine*-month periods ended *December 31, 2017* and *2016.* The allowance for loan losses allocated to each portfolio segment is *not* necessarily indicative of future losses in any particular portfolio segment and does *not* restrict the use of the allowance to absorb losses in other portfolio segments.

Three Months Ended December 31, 2017	**Residential Real Estate**	**Investor Real Estate**	**Commercial Real Estate**	**Commercial Construction**	**Commercial Business**	**Home Equity**	**Consumer**	**Total**
Allowance for credit losses:								
Beginning balance	$*528,288*	$*52,255*	$*1,360,433*	$ *12,074*	$ *327,130*	$*62,570*	$*128,241*	$*2,470,991*
Charge-offs	*-*	*(111,360*)	*(100,236*)	*-*	*-*	*-*	*-*	*(211,596*)
Recoveries	*3,937*	*-*	*-*	*-*	*171*	*-*	*1,034*	*5,142*
Provision for credit losses	*35,875*	*103,790*	*148,707*	*11,100*	*45,987*	*619*	*(1,078*)	*345,000*
Ending balance	$*568,100*	$*44,685*	$*1,408,904*	$ *23,174*	$ *373,288*	$*63,189*	$*128,197*	$*2,609,537*

Nine Months Ended December 31, 2017	**Residential Real Estate**	**Investor Real Estate**	**Commercial Real Estate**	**Commercial Construction**	**Commercial Business**	**Home Equity**	**Consumer**	**Total**
Allowance for credit losses:								
Beginning balance	$*553,539*	$*35,275*	$*1,375,894*	$ *9,031*	$ *149,461*	$*70,071*	$*1,544*	$*2,194,815*
Charge-offs	*(8,907*)	*(126,482*)	*(100,236*)	*-*	*-*	*-*	*(486*)	*(236,111*)
Recoveries	*3,937*	*18,129*	*-*	*-*	*551*	*-*	*3,216*	*25,833*

Provision for credit losses	*19,531*	*117,763*	*133,246*	*14,143*	*223,276*	*(6,882)*	*123,923*	*625,000*
Ending balance	$*568,100*	$*44,685*	$*1,408,904*	$ *23,174*	$*373,288*	$*63,189*	$*128,197*	$*2,609,537*
Allowance allocated to:								
Legacy Loans:								
Individually evaluated for impairment	$*272,707*	$-	$-	$ -	$ -	$-	$ -	$*272,707*
Collectively evaluated for impairment	*295,393*	*44,685*	*1,408,904*	*23,174*	*373,288*	*63,189*	*128,197*	*2,336,830*
Acquired Loans:								
Individually evaluated for impairment	$ -	$-	$-	$ -	$ -	$-	$ -	$-
Collectively evaluated for impairment	-	-	-	-	-	-	-	-

20

Table of Contents

HAMILTON BANCORP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Continued)

Three Months Ended December 31, 2016	Residential Real Estate	Investor Real Estate	Commercial Real Estate	Commercial Construction	Commercial Business	Home Equity	Consumer	Total
Allowance for credit losses:								
Beginning balance	$461,915	$112,739	$1,090,881	$13,092	$173,891	$88,269	$1,581	$1,942,368
Charge-offs	-	(53,187)	(621,741)	-	-	-	(2,793)	(677,721)
Recoveries	-	5,870	-	-	6,796	-	6,256	18,922
Provision for credit losses	(3,060)	24,589	763,937	29,630	(33,364)	1,952	(3,684)	780,000
Ending balance	$458,855	$90,011	$1,233,077	$42,722	$147,323	$90,221	$1,360	$2,063,569

Nine Months Ended December 31, 2016	Residential Real Estate	Investor Real Estate	Commercial Real Estate	Commercial Construction	Commercial Business	Home Equity	Consumer	Total
Allowance for credit losses:								
Beginning balance	$259,895	$168,132	$901,768	$42,377	$228,199	$82,012	$19,982	$1,702,365
Charge-offs	-	(97,509)	(621,741)	-	(1,521)	-	(4,073)	(724,844)
Recoveries	-	9,043	-	-	28,827	-	8,172	46,042
Provision for credit losses	198,960	10,345	953,050	345	(108,182)	8,209	(22,721)	1,040,006
Ending balance	$458,855	$90,011	$1,233,077	$42,722	$147,323	$90,221	$1,360	$2,063,569
Allowance allocated to:								
Legacy Loans:								
Individually evaluated for impairment	$288,098	$-	$-	$-	$-	$-	$-	$288,098
Collectively evaluated for impairment	170,757	90,011	1,233,077	42,722	147,323	90,221	1,360	1,775,471
Acquired Loans:								
Individually evaluated for impairment	$-	$-	$-	$-	$-	$-	$-	$-

Collectively evaluated for impairment	-	-	-	-	-	-	-	-

21

Table of Contents

HAMILTON BANCORP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Continued)

Our recorded investment in loans at *December 31, 2017* and *2016* related to each balance in the allowance for probable loan losses by portfolio segment and disaggregated on the basis of our impairment methodology was as follows:

December 31, 2017	**Residential Real Estate**	**Investor Real Estate**	**Commercial Real Estate**	**Commercial Construction**	**Commercial Business**	**Home Equity**	**Consumer**	**Total**
Legacy Loans:								
Individually evaluated for impairment	***$1,697,585***	***$121,514***	***$4,500,043***	**$-**	***$905,178***	***$21,579***	**$-**	***$7,245,899***
Collectively evaluated for impairment	***85,532,435***	***7,254,483***	***96,357,409***	***3,995,441***	***38,083,051***	***13,780,512***	***20,075,548***	***265,078,8***
Ending balance	***$87,230,020***	***$7,375,997***	***$100,857,452***	***$3,995,441***	***$38,988,229***	***$13,802,091***	***$20,075,548***	***$272,324,7***
Acquired Loans:								
Individually evaluated for impairment	***$1,061,049***	***$579,172***	***$199,920***	**$-**	**$-**	**$-**	***$56,708***	***$1,896,849***
Collectively evaluated for impairment	***73,640,662***	***17,629,734***	***11,960,924***	***856,970***	***1,928,232***	***6,874,136***	***728,392***	***113,619,0***
Ending balance	***$74,701,711***	***$18,208,906***	***$12,160,844***	***$856,970***	***$1,928,232***	***$6,874,136***	***$785,100***	***$115,515,8***

December 31, 2016	**Residential Real Estate**	**Investor Real Estate**	**Commercial Real Estate**	**Commercial Construction**	**Commercial Business**	**Home Equity**	**Consumer**	**Total**
Legacy Loans:								
	$*1,773,457*	$*13,832*	$*2,036,391*	$-	$*781,623*	$*13,041*	$-	$*4,618,344*

Individually evaluated for impairment								
Collectively evaluated for impairment	*49,497,566*	*9,656,550*	*92,136,832*	*1,655,899*	*19,033,550*	*13,724,080*	*2,443,559*	*188,148,036*
Ending balance	$*51,271,023*	$*9,670,382*	$*94,173,223*	$*1,655,899*	$*19,815,173*	$*13,737,121*	$*2,443,559*	$*192,766,380*
Acquired Loans:								
Individually evaluated for impairment	$*984,823*	$*284,602*	$*206,463*	$-	$-	$*7,924*	$*37,576*	$*1,521,388*
Collectively evaluated for impairment	*87,497,479*	*22,147,634*	*15,305,167*	*1,620,552*	*2,506,890*	*7,940,379*	*948,717*	*137,966,818*
Ending balance	$*88,482,302*	$*22,432,236*	$*15,511,630*	$*1,620,552*	$*2,506,890*	$*7,948,303*	$*986,293*	$*139,488,206*

22

Table of Contents

HAMILTON BANCORP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Continued)

Past due loans, segregated by age and class of loans, as of and for the *nine* months ended *December 31, 2017* and as of and for the year ended *March 31, 2017,* were as follows:

	December 31, 2017			March 31, 2017		
	Legacy	**Acquired**	**Total**	Legacy	Acquired	Total
Current	***$265,792,220***	***$113,966,922***	***$379,759,142***	*$207,328,184*	*$128,769,860*	*$336,098,044*
Accruing past due loans:						
30-59 days past due:						
Real estate loans:						
Residential	***27,517***	***248,711***	***276,228***	*69,618*	-	*69,618*
Investor	-	-	-	*320,971*	-	*320,971*
Commercial	-	***185,559***	***185,559***	-	-	-
Commercial construction	-	-	-	*113,603*	-	*113,603*
Commercial business	***297,986***	-	***297,986***	-	-	-
Home equity loans	-	***34,037***	***34,037***	-	-	-
Consumer	***248,662***	-	***248,662***	-	-	-
Total 30-59 days past due	***574,165***	***468,307***	***1,042,472***	*504,192*	-	*504,192*
60-89 days past due:						
Real estate loans:						
Residential	***35,319***	-	***35,319***	*74,631*	-	*74,631*
Investor	-	-	-	-	-	-
Commercial	-	-	-	-	-	-
Commercial construction	-	-	-	-	-	-
Commercial business	***342,813***	-	***342,813***	-	-	-
Home equity loans	-	-	-	-	-	-
Consumer	-	***28,800***	***28,800***	-	-	-
Total 60-89 days past due	***378,132***	***28,800***	***406,932***	*74,631*	-	*74,631*
90 or more days past due:						
Real estate loans:						
Residential	***287,310***	***153,856***	***441,166***	-	-	-
Investor	-	-	-	-	*21,030*	*21,030*
Commercial	-	-	-	-	-	-

Commercial construction	**-**	**-**	**-**	-	-	-
Commercial business	**-**	**-**	**-**	-	-	-
Home equity loans	**-**	**-**	**-**	-	-	-
Consumer	**-**	**-**	**-**	-	-	-
Total 90 or more days past due	***287,310***	***153,856***	***441,166***	-	*21,030*	*21,030*
Total accruing past due loans	***1,239,607***	***650,963***	***1,890,570***	*578,823*	*21,030*	*599,853*
Non-accruing loans:						
Real estate loans:						
Residential	***424,124***	***472,374***	***896,498***	*426,354*	*248,663*	*675,017*
Investor	***121,514***	***425,640***	***547,154***	*13,976*	*57,131*	*71,107*
Commercial	***4,500,043***	**-**	***4,500,043***	*1,546,812*	-	*1,546,812*
Commercial construction	**-**	**-**	**-**	-	-	-
Commercial business	***233,562***	**-**	***233,562***	-	-	-
Home equity loans	***13,708***	**-**	***13,708***	*3,397*	-	*3,397*
Consumer	**-**	**-**	**-**	-	*5,602*	*5,602*
Non-accruing loans:	***5,292,951***	***898,014***	***6,190,965***	*1,990,539*	*311,396*	*2,301,935*
Total Loans	**$*272,324,778***	**$*115,515,899***	**$*387,840,677***	$*209,897,546*	$*129,102,286*	$*338,999,832*
Nonaccrual interest not accrued:						
Real estate loans:						
Residential	**$*6,410***	**$*42,723***	**$*49,133***	$*6,460*	$*35,177*	$*41,637*
Investor	***9,400***	***14,095***	***23,495***	*6,982*	*23,293*	*30,275*
Commercial	**-**	**-**	**-**	*109,818*	-	*109,818*
Commercial construction	**-**	**-**	**-**	-	-	-
Commercial business	**-**	**-**	**-**	-	-	-
Home equity loans	***47***	**-**	***47***	*66*	-	*66*
Consumer	**-**	**-**	**-**	-	*317*	*317*
Total nonaccrual interest not accrued	**$*15,857***	**$*56,818***	**$*72,675***	$*123,326*	$*58,787*	$*182,113*

Table of Contents

HAMILTON BANCORP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Continued)

Impaired Loans as of and for the *three* and *nine* months ended *December 31, 2017* and *2016,* and the year ended *March 31, 2017,* was as follows:

Impaired Loans at December 31, 2017	**Three months ended December 31, 2017**		**Nine months ended December 31, 2017**
Unpaid Contractual	Average	Interest	Averag