

FOR IMMEDIATE RELEASE

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**Hamilton Bancorp, Inc. Reports Increased Earnings and 12 Percent Revenue Growth
For the First Quarter of Fiscal 2019**

TOWSON, Md. (July 31, 2018)—Hamilton Bancorp, Inc. (the “Company”) (NASDAQ: HBK), the parent company of Hamilton Bank (the “Bank”), today announced its operating results for the three-month period ended June 30, 2018, with the following highlights:

Quarterly Highlights – Quarter Ended June 30, 2018 vs. June 30, 2017

- Net income increased \$487 thousand to \$879 thousand, or \$0.27 per common share, compared to net income of \$392 thousand, or \$0.12 per common share. For the quarter ended June 30, 2018, there was no income tax expense as the reversal of a portion of the valuation allowance on the Company’s net deferred tax assets, originally recorded in the fourth quarter of the prior fiscal year, was recorded during this period to carry the net deferred tax asset at its estimated realizable value.
- Net interest income increased to \$3.8 million, up \$215 thousand, or 6.0 percent, from \$3.6 million. This improvement was driven by a \$554 thousand, or 12.6 percent, increase in interest revenue, partially offset by a \$339 thousand increase in interest expense.
- Net interest margin remained relatively unchanged, increasing 2 basis points to 3.10 percent from 3.08 percent.
- Efficiency ratio (as defined in the attached table) improved by nearly 6 percent decreasing from 81.7 percent to 77.1 percent. The improvement in the efficiency ratio was driven by the increase in revenue as noninterest expenses remained relatively flat quarter-over-quarter at \$3.2 million.
- The provision for loan losses was \$60 thousand for the quarter ended June 30, 2018, including \$45 thousand in net charge-offs compared to a provision for loan losses of \$160 thousand and \$3 thousand in net recoveries for the same period a year ago. The larger provision in the prior year was related to growth in the loan portfolio during that quarter.
- Book value per common share decreased to \$16.08, down 9.5 percent, from \$17.76. The decline is attributable to the decrease in equity because of the establishment of a full valuation on the Company’s net deferred tax assets at the end of fiscal 2018.

Quarterly Highlights – June 30, 2018 vs. March 31, 2018

- Total assets remained relatively unchanged, declining from \$525.5 million at March 31, 2018 to \$525.3 million at June 30, 2018, a decrease of \$259 thousand.

- Gross loans decreased \$9.5 million, or 2.4 percent, from \$389.2 million to \$379.8 million. The decrease is due to principal paydowns and pay-offs within the loan portfolio.
- Cash and cash equivalents increased \$12.7 million, or 54.3 percent, to \$36.1 million at June 30, 2018, compared to \$23.4 million at March 31, 2018. The increase is related primarily to the decline in the loan portfolio previously discussed and a \$2.8 million decline in the investment portfolio related to normal principal paydowns on mortgage-backed securities.
- Deposits during the quarter ended June 30, 2018 decreased \$669 thousand to \$404.5 million, while borrowings decreased \$1.1 million to \$59.6 million. The decline in deposits was related to higher costing time deposits which declined by \$7.0 million, partially offset by a \$6.5 million increase in lower costing core deposits. Core deposits at June 30, 2018 made up 40.6 percent of total deposits compared to 38.9 and 40.0 percent at March 31, 2018 and June 30, 2017, respectively.
- Annualized net charge-offs to average loans improved to 0.05 percent compared to 0.26 percent at March 31, 2018, while the allowance for loan losses as a percentage of gross loans increased slightly from 0.73 percent to 0.75 percent.
- Nonperforming loans to gross loans increased to 2.68 percent at June 30, 2018 from 1.84 percent. The increase is related to one commercial real estate relationship with a recorded value of \$3.1 million that was placed on non-accrual during the current quarter. The borrower continues to make timely payments; however, their financial cash flow does not support the debt payment and as such, we have placed the loan on non-accrual. All payments received will be applied to principal accordingly.

“I am very pleased with our results for the first quarter of fiscal 2019,” Said Robert DeAlmeida, President and CEO. “Our net income was strong while our net interest margin improved all while we continue to control expenses. We are closely monitoring interest expense and will continue to focus on transforming the Bank’s balance sheet from higher cost time deposits to lower cost core-deposits.”

Balance Sheet

Total assets remained relatively unchanged, declining \$259 thousand during the first quarter to \$525.3 million at June 30, 2018, compared to \$525.5 million at March 31, 2018. The decline is primarily attributable to a \$9.5 million reduction in gross loans and a \$2.8 million decrease in the investment portfolio, partially offset by an \$12.7 million increase in cash and cash equivalents.

Cash and cash equivalents at June 30, 2018 totaled \$36.1 million compared to \$23.4 million at March 31, 2018, an increase of 54.3 percent. The growth is a result of proceeds received from principal paydowns and/or pay-offs within the loan portfolio and a declining investment portfolio. The investment portfolio decreased \$2.8 million over the quarter from \$75.4 million to \$72.6 million at June 30, 2018 due to normal principal payments associated with the mortgage-backed security portfolio. Excluding funds needed for liquidity and operational needs, management intends to utilize any excess cash for future loan growth and possible repayment of maturing advances.

Gross loans decreased \$9.5 million, or 2.4 percent, to \$379.8 million at June 30, 2018 from \$389.2 million at March 31, 2018. The decline was largely due to principal paydowns and pay-offs within the loan portfolio. Over the three months ended June 30, 2018, we continued to see organic growth within our commercial real estate loan portfolio. We organically originated \$3.7 million in commercial real estate loans and transferred or reclassified nearly \$2.0 million more from commercial construction loans over this period. This resulted in an overall increase, after loan pay-offs and normal principal payments, of nearly \$1.0 million within this loan segment. The largest decrease within the loan portfolio for the quarter ended June 30, 2018 was in one-to four-family residential mortgage loans, which declined \$3.2 million. At the beginning of the fiscal year, we began to once again sell newly originated residential loans, that qualify, into the secondary market versus putting them in the portfolio. With respect to our residential construction loans, we originated \$2.2 million in new loan commitments during the same quarter. At June 30, 2018, we have \$5.6 million in residential construction loans outstanding and unfunded commitments or draws of \$3.2 million.

Total deposits (excluding premiums on acquired deposits) decreased \$588 thousand during the quarter ended June 30, 2018 to \$404.1 million compared to \$404.7 million at March 31, 2018. The Company continues to focus on generating lower cost, core deposits (which includes all deposits other than certificates of deposit) and maintaining maturing certificates of deposit to support continued loan growth. Core deposits at June 30, 2018 were \$164.2 million compared to \$157.7 million at March 31, 2018, an increase of \$6.5

million, or 4.1 percent. Core deposits represent 40.6 percent of total deposits at June 30, 2018 compared to 38.9 percent of deposits at March 31, 2018.

Credit Quality

Asset quality remains a core management objective. Non-performing loans increased roughly \$3.0 million in the first quarter of fiscal 2019 to \$10.2 million at June 30, 2018 from \$7.2 million at March 31, 2018. As a result, the percentage of nonperforming loans to gross loans increased from 1.84 percent to 2.68 percent. The increase in non-performing loans is related to one commercial real estate relationship with a recorded value of \$3.1 million that was placed on nonaccrual towards the end of the first quarter. The borrower continues to make timely payments under the original terms of the loan and has never been delinquent; however, review of the borrower's financial information indicates they do not have sufficient cash flow to service the debt. Because of the inability to show sufficient cash flow, we placed the loan on nonaccrual. Any payments received going forward will be applied entirely to principal until such time that sufficient cash flow can be substantiated. To date there is no impairment associated with this relationship based upon the most recently obtained appraised value.

As of June 30, 2018, there are three commercial loan relationships totaling \$7.5 million that are a part of the \$10.2 million in non-performing loans, including the one relationship previously discussed. All three of these relationships have been recorded at their net realizable fair value based upon recent appraisals, with only one of the three relationships incurring any charge-offs life-to-date. No additional charge-offs are anticipated at this time; however, property values and circumstances may change that can result in additional charge-offs at a later date. We continue to work with and monitor these lending relationships in order to obtain the best outcome for the Bank. In July 2018, one of the three commercial loan relationships, with a recorded value of \$3.3 million, was resolved and paid-off with no loss to the Bank. Proceeds from the pay-off included payment of principal, past due interest and all legal and other expenses incurred.

Despite the increase in nonperforming loans, annualized net charge-offs to average loans remained low at 0.05 percent for the current quarter ended June 30, 2018 compared to 0.26 percent and zero percent for fiscal 2018 and the same quarter a year ago, respectively. The Company experienced net charge-offs totaling \$45 thousand over the first quarter of fiscal 2019 comprised of \$47 thousand in charge-offs and \$2 thousand in recoveries.

Income Statement

Net income for the quarter ended June 30, 2018 was \$879 thousand, or \$0.27 per common share, compared to net income of \$392 thousand, or \$0.12 per common share for the quarter ended June 30, 2017; an increase of \$487 thousand quarter-over-quarter. The increase in net income was driven by an increase in net interest income associated with growth in loans, lower loan loss provisions, and no tax expense due to the reversal of a portion of the valuation allowance on our net deferred tax assets established in the fourth quarter of the prior fiscal year.

Net interest income for the quarter ended June 30, 2018 was \$3.8 million, up \$215 thousand or 6.0 percent compared to \$3.6 million for the quarter ended June 30, 2017, reflecting the growth in our loan portfolio from organic growth and loan purchases over the past year. The increase in net interest income for these comparable periods reflected a \$554 thousand, or 12.6 percent, increase in interest revenue as average loans grew 12.8 percent, or \$43.2 million, and average investments declined \$22.1 million. Over the past year, we were able to move lower interest earning investments into higher interest-earning loans. In addition, we were able to generate more interest revenue from our interest-earning deposits with banks due to rising interest rates and a \$3.3 million increase in average deposits. Partially offsetting the increase in interest revenue was an increase in interest expense of \$339 thousand, or 42.6 percent, over that same period. Overall, average interest-bearing liabilities increased \$19.6 million over this same period. The increase in average interest-bearing liabilities was due to a \$23.6 million increase in higher costing average borrowings, partially offset by a \$4.0 million decrease in lower costing average deposits. The increase in average borrowings was used to help fund the growth in the loan portfolio over the past twelve months. Interest expense associated with deposits increased \$214 thousand quarter-over-quarter despite a decrease in interest-bearing deposits due to rising interest rates and the re-pricing of the deposit portfolio. The average cost on interest bearing deposits increased 24 basis points from 0.69 percent at June 30, 2017 to 0.93 percent at June 30, 2018. The net

interest margin for the three months ended June 30, 2018 increased 2 basis points to 3.10 percent, compared to 3.08% for the three months ended June 30, 2017.

Non-interest revenue for the quarter ended June 30, 2018 increased \$25 thousand, or 9.4 percent, to \$291 thousand compared to \$266 thousand for the comparable period last year. Non-interest revenue is higher compared to a year ago due in part to \$10 thousand in revenue generated from the gain on sale of residential loans to the secondary market. In the last quarter of fiscal 2017 and into fiscal 2018, the Company purposely held in portfolio the majority of our residential loan originations to partially offset the increased run-off associated with this loan segment. Beginning in fiscal 2019, however, we again started to sell qualified residential loan originations into the secondary market as a means to generate noninterest revenue and diversify our income stream. In addition to these gains, the Company also experienced a \$22 thousand increase in other noninterest revenue that includes the collection of certain loan fees, merchant card services and other miscellaneous items. Meanwhile, revenue from services charges remained relatively unchanged quarter-over-quarter, while earnings on bank-owned life insurance (BOLI) declined \$9 thousand due to a reduction in the cash surrender value of the Company's outstanding BOLI related to the pay-out of death benefits in the fourth quarter of fiscal 2018.

Non-interest expense for the quarter ended June 30, 2018 was \$3.2 million, unchanged from the comparable quarter ended June 30, 2017. We have been able to manage a growing loan portfolio from an operational cost basis and continue to increase our interest revenue. This is reflected in the improvement of the Company's efficiency ratio which has improved from 81.7 percent for the three months ended June 30, 2017 to 77.1 percent for the three months ended June 30, 2018.

Salaries and benefit expense remains our highest operational cost for the three months ended June 30, 2018 and 2017. Salaries have increased slightly due to annual evaluations and respective salary increases, while employee benefits have increased because of higher costs associated with our 401K plan expense and employee stock ownership plan (ESOP). The 401K plan expense has increased due to more participants, while the increase in the ESOP is related to the increase in the Company's average stock price quarter-over-quarter. The Company has realized an increase of \$28 thousand in data processing costs for the comparable quarter associated with annual cost increases, along with the introduction of new technology that has made banking easier for our customers, including products such as mobile banking. FDIC insurance premiums have increased \$44 thousand to \$101 thousand for the three months ended June 30, 2018 compared to \$57 thousand for the three months ended June 30, 2017. This increase is attributable to both the increase in the size of the Bank over the comparable periods, as well as the increase in the FDIC insurance premium rates over this same period. Offsetting these increases has been a \$46 thousand reduction in legal expenses and an \$82 thousand reduction in other professional services. Legal expense has declined because of higher costs incurred in the prior year associated with our charter conversion and certain problem loans and foreclosures, while other professional services have declined because of costs incurred in the prior year associated with payments under non-compete agreements that were a part of the Fraternity Community Bancorp, Inc. acquisition in May 2016. The terms and the payments under the agreements were fully satisfied in April 2018. Management remains committed to reducing operational expenses and achieving higher efficiencies.

For the three months ended June 30, 2018, the Company did not report any income tax expense due to the reversal of a portion of the valuation allowance on our net deferred tax assets established during the fourth quarter of the prior fiscal year in the amount of \$5.8 million. In accordance with Accounting Standards Codification (ASC) 740, *Accounting for Income Taxes*, the Company assessed whether the deferred tax assets are more likely than not to be realized based on an evaluative process that considers all available positive and negative evidence. Based upon the Company being in a three-year cumulative loss position which creates negative evidence and because this evidence is considered significant, management concluded that there was more negative evidence than positive evidence and therefore, it is more likely than not that the Company will be unable to generate sufficient taxable income in the foreseeable future to fully utilize the net deferred tax assets. If, in the future, the Company generates taxable income on a sustained basis sufficient to support the deferred tax assets, the need for a deferred tax valuation allowance could change, resulting in the reversal of all or a portion of the deferred tax asset valuation at that time. The establishment of a valuation allowance on our deferred tax assets for financial reporting purposes does not affect how the net operating loss carryforwards may be utilized on our subsequent income tax returns. The valuation allowance on the Company's net deferred tax assets decreased \$220 thousand to \$5.6 million at June 30, 2018, from \$5.8 million at March 31, 2018 due to the \$879 thousand in net income generated over this period.

Capital

Shareholders' equity at June 30, 2018 was \$54.9 million compared to \$54.1 million at March 31, 2018, an increase of \$843 thousand. The increase is attributable to the \$879 thousand in net income for the three months ended June 30, 2018 and the increase in additional paid in capital relating to the vesting of equity awards. The increase in equity was partially offset by the \$162 thousand increase in unrealized losses associated with the investment portfolio. Average shareholders' equity to average assets was 10.4 percent for the quarter ended June 30, 2018. This is down from 11.2 percent a year ago due to an increase in average assets associated with growth within the loan portfolio from both organic loans and loan purchases. All the Bank's regulatory capital ratios continue to exceed levels required to be categorized as "well capitalized." Outstanding shares at June 30, 2018 were 3,416,414 compared to 3,407,613 at March 31, 2018.

Further Information

Management believes that non-GAAP financial measures, including tangible book value, provide additional useful information that allows readers to evaluate the ongoing performance of the Company without regard to transactional activities. Non-GAAP financial measures should not be considered as an alternative to any measure of performance or financial condition as promulgated under GAAP, and investors should consider the Company's performance and financial condition as reported under GAAP and all other relevant information when assessing the performance or financial condition of the Company. Non-GAAP financial measures have limitations as analytical tools, and investors should not consider them in isolation or as a substitute for analysis of the Company's results or financial condition as reported under GAAP.

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About Hamilton Bank

Founded in 1915, Hamilton Bank is a community bank with \$525.3 million in assets and \$54.9 million in regulatory capital. The bank has 72 full-time equivalent employees and operates seven branch locations across Greater Baltimore, serving the communities of Cockeysville, Pasadena, Rosedale, Towson, Ellicott City and Baltimore in Maryland. Whether online or on the corner, Hamilton Bank is a community bank that cares about its customers. www.Hamilton-Bank.com.

Member FDIC and Equal Housing Lender



This press release may contain statements relating to the future results of the Company (including certain projections and business trends) that are considered "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995). Forward-looking statements include statements regarding anticipated future events and can be identified by the fact that they do not relate strictly to historical or current facts. They often include words such as "believe," "expect," "anticipate," "estimate," and "intend" or future or conditional verbs such as "will," "would," "should," "could," or "may." Forward-looking statements, by their nature, are subject to risks and uncertainties. Certain factors that could cause actual results to differ materially from expected results include increased competitive pressures, changes in the interest rate environment, general economic conditions or conditions within the securities markets, legislative and regulatory changes that could adversely affect the business in which Hamilton Bancorp, Inc. and Hamilton Bank are engaged, and other factors that may be described in the Company's annual report on Form 10-K and quarterly reports on Form 10-Q as filed with the Securities and Exchange Commission. The forward-looking statements are made as of the date of this release, and, except as may be required by applicable law or regulation, the Company assumes no obligation to update the forward-looking statements or to update the reasons why actual results could differ from those projected in the forward-looking statements.

HAMILTON BANCORP, INC.

(dollars in thousands, except share and per share data)

Statement of Operation Data:

	Three months ended June 30,	
	2018	2017
	(Unaudited)	(Unaudited)
Interest revenue	\$ 4,942	\$ 4,388
Interest expense	1,134	795
Net interest income	3,808	3,593
Provision for loan losses	60	160
Net interest income after provision for loan loss	3,748	3,433
Noninterest revenue	291	266
Noninterest expenses	3,160	3,153
Income before income taxes	879	546
Income tax expense	-	154
Net income	\$ 879	\$ 392

Per Share Data and Shares Outstanding:

Net income per common share, basic and diluted	\$ 0.27	\$ 0.12
Book value per common share at period end	\$ 16.08	\$ 17.76
Tangible book value per common share at period end (6)	\$ 13.40	\$ 15.04
Average common shares outstanding (1)	3,209,046	3,188,895
Shares outstanding at period end	3,416,414	3,411,075

Selected Performance Ratios:

Return on average assets	0.67%	0.31%
Return on average equity	6.42%	2.74%
Net interest margin (2)	3.10%	3.08%
Efficiency ratio (3)	77.09%	81.71%
Average assets	\$ 526,295	\$ 510,918
Average shareholders' equity	\$ 54,786	\$ 57,148

Financial Condition Data:

	June 30, 2018	March 31, 2018	June 30, 2017
	(Unaudited)	(Audited)	(Unaudited)
Total assets	\$ 525,274	\$ 525,533	\$ 515,901
Cash and cash equivalents	36,059	23,368	20,226
Investment securities, available for sale	72,639	75,404	98,614
Loans receivable - gross (excluding loans held for sale)	379,756	389,221	353,732
Allowance for loan losses	(2,837)	(2,822)	(2,358)
Bank-owned life insurance	17,569	17,456	18,376
Other assets	22,088	22,906	27,311
Total deposits	404,474	405,143	412,302
Borrowings	59,599	60,672	35,975
Other liabilities	6,282	5,642	7,036
Total shareholders' equity	54,919	54,076	60,588
Tangible shareholders equity (Non-GAAP) (6):			
Total shareholders' equity	\$ 54,919	\$ 54,076	\$ 60,588
Goodwill and other intangible assets, net	(9,145)	(9,177)	(9,271)
Tangible shareholders' equity	\$ 45,774	\$ 44,899	\$ 51,317

Asset Quality Ratios:

Nonperforming loans to gross loans (4)	2.68%	1.84%	0.72%
Allowance for loan losses to gross loans	0.75%	0.73%	0.67%
Allowance for loan losses to nonperforming loans	27.87%	39.36%	92.36%
Nonperforming assets to total assets (5)	2.03%	1.45%	0.60%
Net charge-offs (annualized) to average loans	0.05%	0.26%	0.00%

Capital Ratios: (Bank Only)

Leverage ratio	7.82%	7.64%	8.25%
Common equity tier I risk-based capital ratio	11.04%	10.61%	11.97%
Tier I risk-based capital ratio	11.04%	10.61%	11.97%
Total risk-based capital ratio	11.83%	11.39%	12.68%

(1) - Average common shares outstanding excludes shares unallocated under ESOP.

(2) - Net interest margin represents net interest income divided by average total interest-earning assets.

(3) - Efficiency ratio represents noninterest expense divided by operating revenue, consisting of net interest income plus noninterest revenue.

(4) - Nonperforming loans include both nonaccruing and accruing loans delinquent more than 90 days.

(5) - Nonperforming assets include nonperforming loans and foreclosed real estate.

(6) - The Company's management believes that the presentation of tangible book value per share provides useful information for evaluating the Company's financial condition and trends due to acquisition activity. These disclosures should not be viewed as a substitute for book value per share determined in accordance with GAAP.