HOME BANCORP, INC.
Form 10-K
March 13, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

x **Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the fiscal year ended: December 31, 2014

or

¨ **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transition period from _________ to _________

Commission File Number: 001-34190

HOME BANCORP, INC.

(Exact name of Registrant as specified in its charter)

Louisiana	**71-1051785**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification Number)**
503 Kaliste Saloom Road, Lafayette, Louisiana	**70508**
(Address of Principal Executive Offices)	**(Zip Code)**

Registrant s telephone number, including area code: (337) 237-1960

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common Stock, $0.01 par value per share	**The Nasdaq Stock Market, LLC**

Securities registered pursuant to Section 12(g) of the Act: none

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ¨ NO x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES ¨ NO x

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 and (2) has been subject to such filing 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 Date File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES x NO ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant s knowledge in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

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	x
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). YES ¨ NO x

The aggregate market value of the 5,605,475 shares of the Registrant s common stock held by non-affiliates, based upon the closing price of $22.02 for the common stock on June 30, 2014, as reported by the Nasdaq Stock Market, was approximately $123.4 million. Shares of common stock held by the registrant s executive officers, directors and certain benefit plans have been excluded since such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

Number of shares of common stock outstanding as of March 6, 2015: 7,143,701

DOCUMENTS INCORPORATED BY REFERENCE

Set forth below are the documents incorporated by reference and the part of the Form 10-K into which the document is incorporated:

Portions of the definitive Proxy Statement for the 2015 Annual Meeting of Shareholders are incorporated by reference into Part III, Items 10-14 of this Form 10-K.

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HOME BANCORP, INC.

2014 ANNUAL REPORT ON FORM 10-K

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Forward-Looking Statements

This Annual Report on Form 10-K contains certain forward looking statements (as defined in the Securities Exchange Act of 1934 and the regulations hereunder). Forward looking statements are not historical facts but instead represent only the beliefs, expectations or opinions of Home Bancorp, Inc. and its management regarding future events, many of which, by their nature, are inherently uncertain. Forward looking statements may be identified by the use of such words as: believe , expect , anticipate , intend , plan , estimate , or words of similar meaning or future or conditional terms such as will , would , should , could , may , likely , probably , or possibly. Forward looking statements include, but are not limited to, financial projections and estimates and their underlying assumptions; statements regarding plans, objectives and expectations with respect to future operations, products and services; and statements regarding future performance. Such statements are subject to certain risks, uncertainties and assumptions, many of which are difficult to predict and generally are beyond the control of Home Bancorp, Inc. and its management, that could cause actual results to differ materially from those expressed in, or implied or projected by, forward looking statements. The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward looking statements: (1) economic and competitive conditions which could affect the volume of loan originations, deposit flows and real estate values; (2) the levels of noninterest income and expense and the amount of loan losses; (3) competitive pressure among depository institutions increasing significantly; (4) the low interest rate environment causing reduced interest margins; (5) general economic conditions, either nationally or in the markets in which Home Bancorp, Inc. is or will be doing business, being less favorable than expected;(6) political and social unrest, including acts of war or terrorism; (7) we may not fully realize all the benefits we anticipated in connection with our acquisitions of other institutions or our assumptions made in connection therewith may prove to be inaccurate; or (8) legislation or changes in regulatory requirements adversely affecting the business of Home Bancorp, Inc. Home Bancorp, Inc. undertakes no obligation to update these forward looking statements to reflect events or circumstances that occur after the date on which such statements were made.

As used in this report, unless the context otherwise requires, the terms we, our, us, or the Company refer to Home Bancorp, Inc., a Louisiana corporation, and the term Bank refers to Home Bank, National Association, a national bank and wholly owned subsidiary of the Company (for periods prior to March 2, 2015, the term Bank refers to the predecessor federal savings bank, Home Bank). In addition, unless the context otherwise requires, references to the operations of the Company include the operations of the Bank.

PART I

Item 1. Business.

General. Home Bancorp, Inc. (the Company) is a Louisiana corporation that became the holding company for Home Bank (the Bank) in October 2008 upon the Bank s mutual to stock conversion. The Bank, which is headquartered in Lafayette, Louisiana, and is a wholly owned subsidiary of the Company, currently conducts business through 27 banking offices in the Greater Lafayette, Baton Rouge, Greater New Orleans and Northshore (of Lake Ponchartrain) regions of south Louisiana and Natchez and Vicksburg regions of west Mississippi.

As of March 2, 2015, the Bank converted from a federal savings bank to a national bank with the title Home Bank, National Association. As a result of the Bank s conversion to a national bank, the Company is now subject to regulation as a bank holding company by the Board of Governors of the Federal Reserve System (the FRB or the Federal Reserve). Prior to the Bank s charter conversion, the Company was regulated by the FRB as a savings and loan holding company.

The Bank is primarily engaged in attracting deposits from the general public and using those funds to invest in loans and securities. Our principal sources of funds are customer deposits, repayments of loans, repayments of investments and funds borrowed from outside sources such as the Federal Home Loan Bank (FHLB) of Dallas. These funds are primarily used for the origination of loans, including one-to-four-family first mortgage loans, home equity loans and lines, commercial real estate loans, construction and land loans, multi-family residential loans, commercial and industrial loans and consumer loans. The Bank derives its income principally from interest earned on loans and investment securities and, to a lesser extent, from fees received in connection with the origination of loans, service charges on deposit accounts and for other services. The Bank s primary expenses are interest expense on deposits and borrowings and general operating expenses.

We are an active originator of residential home mortgage loans in our market areas. Historically, the Bank was a traditional thrift institution with an emphasis on fixed-rate long-term single-family residential first mortgage loans. Over the course of the last decade plus, we have shifted our emphasis in the loan products we offer and increased our efforts to originate commercial real estate loans and commercial and industrial loans. Commercial real estate loans and commercial and industrial loans are deemed attractive due to their generally higher yields and shorter anticipated lives compared to single-family residential mortgage loans. In addition, the Bank views commercial real estate and commercial and industrial loans as attractive lending products because the Bank s commercial borrowers typically maintain deposit accounts at the Bank, increasing the Bank s core deposits.

The Company s headquarters office is located at 503 Kaliste Saloom Road, Lafayette, Louisiana, and our telephone number is (337) 237-1960. We maintain a website at www.home24bank.com, and we provide our customers with online banking services. Information on our website should not be considered a part of this Annual Report on Form 10-K.

Market Area and Competition

The Bank has four primary market areas across south Louisiana: Greater Lafayette, Baton Rouge, Greater New Orleans and the Northshore (of Lake Ponchartrain) and two primary market areas in west Mississippi: Natchez and Vicksburg. In 2007, the Company expanded its operations into Baton Rouge, Louisiana, and currently operates three banking offices in Baton Rouge. In 2010, the Company expanded into the Northshore (of Lake Ponchartrain) through a Federal Deposit Insurance Corporation (FDIC) assisted transaction of the former Statewide Bank (Statewide). The Bank currently operates six banking offices in the Northshore region. In 2011, the Company expanded into the Greater New Orleans area through its acquisition of GS Financial Corporation (GSFC) and its subsidiary, Guaranty Savings Bank (Guaranty). The Bank currently operates four banking offices in the Greater New Orleans area. In February 2014, the Company expanded into Natchez and Vicksburg, Mississippi through its acquisition of Britton & Koontz and its subsidiary, Britton & Koontz Bank. The Bank currently operates three banking offices in Natchez and two banking offices in Vicksburg. For additional information on our acquisition activity, see Part II, Item 7 in this Annual Report on Form 10-K, Management s Discussion and Analysis of Financial Condition and Results of Operations Acquisition Activity.

We face significant competition in originating loans and attracting deposits. This competition stems primarily from commercial banks, savings banks and savings associations, credit unions and mortgage-banking companies. Many of the financial service providers operating in our market areas are significantly larger and have greater financial resources than us. We face additional competition for deposits from short-term money market funds and other corporate and government securities funds, mutual funds and from other non-depository financial institutions such as brokerage firms and insurance companies.

Supervision and Regulation

Set forth below is a brief description of certain laws relating to the regulation of Home Bancorp, Inc. and Home Bank. This description does not purport to be complete and is qualified in its entirety by reference to applicable laws and regulations.

General. Home Bank, N.A. is subject to federal regulation and oversight by the Office of the Comptroller of the Currency (OCC). The Bank is also subject to regulation and examination by the FDIC, which insures the deposits of the Bank to the maximum extent permitted by law, and requirements established by the Federal Reserve.

Federal law provides the federal banking regulators with substantial enforcement powers. The OCC s enforcement authority includes, among other things, the ability to assess civil money penalties, to issue cease and desist or removal orders and to initiate injunctive actions. In general, these enforcement actions may be initiated for violations of laws and regulations and unsafe or unsound practices. Other actions or inactions may provide the basis for enforcement action, including misleading or untimely reports filed with the OCC. The FRB has comparable enforcement authority over the Company. Any change in such regulations could have a material adverse impact on the Company and the Bank.

The Dodd-Frank Act

On July 21, 2010, the President signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act). This act imposes additional restrictions and an expanded framework of regulatory oversight for financial institutions, including depository institutions. Many of the regulations implementing these changes have not been promulgated, so we cannot determine the full impact on our business and operations at this time.

The following aspects of the Dodd-Frank Act are related to the operations of the Bank:

- A new independent Consumer Financial Protection Bureau (CFPB) was established within the FRB, empowered to exercise broad regulatory, supervisory and enforcement authority with respect to both new and existing consumer financial protection laws. However, smaller financial institutions, like the Bank, continue to be subject to the supervision and enforcement of their primary federal banking regulator with respect to federal consumer financial protection laws.

- Tier 1 capital treatment for hybrid capital items like trust preferred securities was eliminated subject to various grandfathering and transition rules.

- The prohibition on payment of interest on demand deposits was repealed.

- Deposit insurance was permanently increased to $250,000.

- The deposit insurance assessment base calculation now equals the depository institution s total assets minus the sum of its average tangible equity during the assessment period.

- The minimum reserve ratio of the Deposit Insurance Fund increased to 1.35% of estimated annual insured deposits or assessment base; however, the FDIC is directed to offset the effect of the increased reserve ratio for insured depository institutions with total consolidated assets of less than $10 billion.

The following aspects of the Dodd-Frank Act are related to the operations of the Company:

- The federal banking agencies were required to promulgate new rules on regulatory capital for both depository institutions and their holding companies.

- The Federal Deposit Insurance Act was amended to direct federal regulators to require depository institution holding companies to serve as a source of strength for their depository institution subsidiaries.

- Public companies are now required to provide their shareholders with a non-binding vote: (i) at least once every three years on the compensation paid to executive officers, and (ii) at least once every six years on whether they should have a say on pay vote every one, two or three years.

- A separate, non-binding shareholder vote is now required regarding golden parachutes for named executive officers when a shareholder vote takes place on mergers, acquisitions, dispositions or other transactions that would trigger the parachute

payments.

Securities exchanges are required to prohibit brokers from using their own discretion to vote shares not beneficially owned by them for certain significant matters, which include votes on the election of directors, executive compensation matters, and any other matter determined to be significant.

Stock exchanges, which include the Nasdaq, are prohibited from listing the securities of any issuer that does not have a policy providing for (i) disclosure of its policy on incentive compensation payable on the basis of financial information reportable under the securities laws, and (ii) the recovery from current or former executive officers, following an accounting restatement triggered by material noncompliance with securities law reporting requirements, of any incentive compensation paid erroneously during the three-year period preceding the date on which the restatement was required that exceeds the amount that would have been paid on the basis of the restated financial information.

Disclosure in annual proxy materials is required concerning the relationship between the executive compensation paid and the financial performance of the issuer.

Item 402 of Regulation S-K will be amended to require companies to disclose the ratio of the Chief Executive Officer s annual total compensation to the median annual total compensation of all other employees.

Regulations were recently adopted by the federal banking agencies to implement the provisions of the Dodd Frank Act commonly referred to as the Volcker Rule. The regulations contain prohibitions and restrictions on the ability of financial institution holding companies and their affiliates to engage in proprietary trading and to hold certain interests in, or to have certain relationships with, various types of investment funds, including hedge funds and private equity funds. The regulations are being phased in over a period ending on July 21, 2015. The Company is currently reviewing its investment portfolio to ensure compliance as the various provisions of the Volcker Rule regulations become effective.

Regulation of Home Bancorp, Inc.

The Company was a savings and loan holding company until March 2, 2015, and it is now a bank holding company, subject to regulation, supervision and examination by the Federal Reserve. The Federal Reserve has enforcement authority with respect to the Company similar to that of the OCC over the Bank. Applicable federal law and regulations limit the activities of the Company and require the approval of the Federal Reserve for any acquisition of a subsidiary, including another financial institution or holding company thereof, or a merger or acquisition of the Company. The Company must serve as a source of strength for the Bank, maintaining the ability to provide financial assistance if the Bank suffers financial distress. These and other Federal Reserve policies may restrict the Company s ability to pay dividends. In addition, dividends from the Company may depend, in part, upon its receipt of dividends from the Bank. As noted below, beginning in 2016, if the Company does not have the required capital conservation buffer or otherwise meet its new capital requirements, its ability to pay dividends to its stockholders will be limited.

A bank holding company is required to give the Federal Reserve prior written notice of any purchase or redemption of its outstanding equity securities if the gross consideration for the purchase or redemption, when combined with the net consideration paid for all such purchases or redemption during the preceding 12 months, is equal to 10% or more of the company s consolidated net worth. The Federal Reserve may disapprove such a purchase or redemption if it determines that the proposal would constitute an unsafe or unsound practice or would violate any law, regulation, Federal Reserve order, or any condition imposed by, or written agreement with the Federal Reserve. This notification requirement does not apply to any company that meets the well-capitalized standard for bank holding companies, is well-managed, and is not subject to any unresolved supervisory issues.

Permissible Activities. The business activities of the Company are generally limited to those activities permissible for bank holding companies under Section 4(c)(8) of the Bank Holding Company Act and certain additional activities authorized by the Federal Reserve regulations. The Bank Holding Company Act generally prohibits a bank holding company from acquiring direct or indirect ownership or control of more than 5% of the voting shares of any company which is not a bank or bank holding company. A bank holding company must obtain Federal Reserve Board approval before acquiring directly or indirectly, ownership or control of any voting shares of another bank or bank holding company if, after such acquisition, it would own or control more than 5% of such shares (unless it already owns or controls the majority of such shares).

Capital Requirements. Prior to January 1, 2015, there were no Federal Reserve regulations establishing minimum regulatory capital requirements for savings and loan holding companies. On January 1, 2015, new capital requirements generally applicable to both bank holding companies and savings and loan holding companies became effective. The new regulatory capital requirements applicable to the Company are the same as the new capital requirements for the Bank. For a description of these capital requirements, see Regulation of Home Bank - New Capital Rules.

Federal Securities Laws. We have registered our common stock with the Securities and Exchange Commission (SEC) under Section 12(b) of the Securities Exchange Act of 1934. Accordingly, the Company is subject to the proxy and tender offer rules, insider trading reporting requirements and restrictions and certain other requirements under the Securities Exchange Act of 1934.

The Sarbanes-Oxley Act. As a public company, the Company is subject to the Sarbanes-Oxley Act of 2002 which addresses, among other issues, corporate governance, auditing and accounting, executive compensation, and enhanced and timely disclosure of corporate information. As directed by the Sarbanes-Oxley Act, our principal executive officer and principal financial officer are required to certify that our quarterly and annual

reports do not contain any untrue statement of a material fact. The rules adopted by the SEC under the Sarbanes-Oxley Act have several requirements, including having these officers certify that: they are responsible for establishing, maintaining and regularly evaluating the effectiveness of our internal control over financial reporting; they have made certain disclosures to our independent auditors and the Audit Committee of the Board of Directors about our internal control over financial reporting; and they have included information in our quarterly and annual reports about their evaluation and whether there have been changes in our internal control over financial reporting or in other factors that could materially affect internal control over financial reporting.

Regulation of Home Bank, N.A.

General. The Bank is subject to regulation and oversight by the OCC extending to all aspects of its operations. As part of this authority, Home Bank is required to file periodic reports with the OCC and is subject to periodic examinations by the OCC and the FDIC. The investment and lending authorities of national banks are prescribed by federal laws and regulations, and such institutions are prohibited from engaging in any activities not permitted by such laws and regulations. Such regulation and supervision is primarily intended for the protection of depositors and the Deposit Insurance Fund.

As a federal savings bank, Home Bank was subject to a 35% of total assets limit on consumer loans, commercial paper and corporate debt securities, a 20% limit on commercial loans, a 10% limit on certain leases, and a 400% of total capital limit on non-residential real property loans. Because Home Bank is now a national bank, these limitations no longer apply to it.

The OCC s enforcement authority over national banks includes, among other things, the ability to assess civil money penalties, to issue cease and desist or removal orders and to initiate injunctive actions. In general, these enforcement actions may be initiated for violations of laws and regulations and unsafe or unsound practices. Other actions or inactions may provide the basis for enforcement action, including misleading or untimely reports filed with the OCC.

Insurance of Accounts. The deposits of Home Bank are insured to the maximum extent permitted by the Deposit Insurance Fund and are backed by the full faith and credit of the U.S. government. The Dodd-Frank Act permanently increased deposit insurance on most accounts to $250,000. As insurer, the FDIC is authorized to conduct examinations of, and to require reporting by, insured institutions. It also may prohibit any insured institution from engaging in any activity determined by regulation or order to pose a serious threat to the FDIC. The FDIC also has the authority to initiate enforcement actions against insured institutions.

The FDIC s risk-based premium system provides for quarterly assessments. Each insured institution is placed in one of four risk categories depending on supervisory and capital considerations. Within its risk category, an institution is assigned to an initial base assessment rate which is then adjusted to determine its final assessment rate based on its brokered deposits, secured liabilities and unsecured debt. Following the Dodd-Frank Act, the FDIC amended its deposit insurance regulations (1) to change the assessment base for insurance from domestic deposits to average assets minus average tangible equity and (2) to lower overall assessment rates. The revised assessment rates are between 2.5 to 9 basis points for banks in the lowest risk category and between 30 to 45 basis points for banks in the highest risk category.

In addition, all institutions with deposits insured by the FDIC are required to pay assessments to fund interest payments on bonds issued by the Financing Corporation, a mixed-ownership government corporation established to recapitalize the predecessor to the Deposit Insurance Fund. The annual assessment rate set for the fourth quarter of 2014 was 0.00155% of insured deposits and is adjusted quarterly. These assessments will continue until the Financing Corporation bonds mature in 2019.

The FDIC may terminate the deposit insurance of any insured depository institution if it determines after a hearing that the institution has engaged or is engaging in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, order or any condition imposed by an agreement with the FDIC. It also may suspend deposit insurance temporarily during the hearing process for the permanent termination of insurance, if the institution has no tangible capital. If insurance of accounts is terminated, the accounts at the institution at the time of the termination, less subsequent withdrawals, shall continue to be insured for a period of six months to two years, as determined by the FDIC. Management is aware of no existing circumstances which would result in termination of Home Bank s deposit insurance.

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Regulatory Capital Requirements. National banks are required to maintain minimum levels of regulatory capital and the OCC has established capital standards consisting of a leverage capital requirement and a risk-based capital requirement. The OCC also is authorized to impose capital requirements in excess of these standards on individual institutions on a case-by-case basis.

OCC capital standards require national banks to satisfy the following capital requirements:

- leverage capital requirement core capital equal to at least 3.0% of adjusted total assets; an additional cushion of at least 100 basis points of core capital for all but the most highly rated institutions effectively increasing their minimum Tier 1 leverage ratio to 4.0% or more; and

- risk-based capital requirement total capital (a combination of core and supplementary capital) equal to at least 8.0% of risk-weighted assets.

The term leverage ratio means the ratio of Tier 1 capital to adjusted total assets. The term Tier 1 capital ratio means the ratio of Tier 1 capital to risk-weighted assets. The term total capital ratio means the ratio of total capital to risk-weighted assets. The term Tier 1 capital generally consists of common shareholders equity and retained earnings and certain noncumulative perpetual preferred stock and related earnings, excluding most intangible assets. Total capital consists of the sum of an institution s Tier 1 capital and the amount of its Tier 2 capital up to the amount of its Tier 1 capital. Tier 2 capital consist generally of certain cumulative and other perpetual preferred stock, certain subordinated debt and other maturing capital instruments, the amount of the institution s allowance for loan and lease losses up to 1.25% of risk-weighted assets and certain unrealized gains on equity securities.

In determining compliance with the risk-based capital requirement, an institution is allowed to include both core capital and supplementary capital in its total capital, provided that the amount of supplementary capital included does not exceed the institution s core capital. Supplementary capital generally consists of general allowances for loan losses up to a maximum of 1.25% of risk-weighted assets, together with certain other items. In determining the required amount of risk-based capital, total assets, including certain off-balance sheet items, are multiplied by a risk weight based on the risks inherent in the type of assets. The risk weights range from 0% for cash and securities issued by the U.S. Government or unconditionally backed by the full faith and credit of the U.S. Government to 100% for loans (other than qualifying residential loans weighted at 80%) and repossessed assets.

Institutions must value securities available for sale at amortized cost for regulatory capital purposes. This means that in computing regulatory capital, institutions should add back any unrealized losses and deduct any unrealized gains, net of income taxes, on debt securities reported as a separate component of capital as defined by generally accepted accounting principles in the United States (GAAP).

As of December 31, 2014, Home Bank exceeded all of its regulatory capital requirements, with total risk-based, tier 1 risk-based capital and leverage capital ratios of 17.85%, 16.94% and 11.96%, respectively.

Any institution that fails any of the capital requirements is subject to possible enforcement actions by the OCC or the FDIC. Such actions could include a capital directive, a cease and desist order, civil money penalties, the establishment of restrictions on the institution s operations, termination of federal deposit insurance and the appointment of a conservator or receiver. The OCC s capital regulation provides that such actions, through enforcement proceedings or otherwise, could require one or more of a variety of corrective actions.

Prompt Corrective Action. The following table shows the amount of capital associated with the different capital categories set forth in the prompt corrective action regulations.

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Capital Category	Total Risk-based Capital	Tier 1 Risk-based Capital	Tier 1 Leverage Capital
Well capitalized	10% or more	6% or more	5% or more
Adequately capitalized	8% or more	4% or more	4% or more
Undercapitalized	Less than 8%	Less than 4%	Less than 4%
Significantly undercapitalized	Less than 6%	Less than 3%	Less than 3%

In addition, an institution is critically undercapitalized if it has a ratio of tangible equity to total assets that is equal to or less than 2.0%. Under specified circumstances, a federal banking agency may reclassify a well capitalized institution as adequately capitalized and may require an adequately capitalized institution or an undercapitalized institution to comply with supervisory actions as if it were in the next lower category (except that the FDIC may not reclassify a significantly undercapitalized institution as critically undercapitalized).

An institution generally must file a written capital restoration plan which meets specified requirements within 45 days of the date that the institution receives notice or is deemed to have notice that it is undercapitalized, significantly undercapitalized or critically undercapitalized. A federal banking agency must provide the institution with written notice of approval or disapproval within 60 days after receiving a capital restoration plan, subject to extensions by the agency. An institution which is required to submit a capital restoration plan must concurrently submit a performance guaranty by each company that controls the institution. In addition, undercapitalized institutions are subject to various regulatory restrictions, and the appropriate federal banking agency also may take any number of discretionary supervisory actions.

As of December 31, 2014, Home Bank was deemed a well capitalized institution for purposes of the above regulations and as such is not subject to the above mentioned restrictions.

New Capital Rules. The Group of Governors and Heads of Supervision, the oversight body of the Basel Committee on Banking Supervision, adopted Basel III in September 2010, which constitutes a strengthened set of capital requirements for banking organizations in the United States and around the world. In July of 2013 the respective U.S. federal banking agencies issued final rules implementing Basel III and the Dodd-Frank Act capital requirements to be fully-phased in on a global basis on January 1, 2019. The new regulations establish a new tangible common equity capital requirement, increase the minimum requirement for the current Tier 1 risk-weighted asset (RWA) ratio, phase out certain kinds of intangibles treated as capital and certain types of instruments and change the risk weightings of certain assets used to determine required capital ratios. The new common equity Tier 1 capital component requires capital of the highest quality predominantly composed of retained earnings and common stock instruments. For community banks such as the Bank, a common equity Tier 1 capital ratio of 4.5% became effective on January 1, 2015. The new capital rules also increased the current minimum Tier 1 capital ratio from 4.0% to 6.0% beginning on January 1, 2015. In addition, institutions that seek the freedom to make capital distributions and pay discretionary bonuses to executive officers without restriction must also maintain greater than 2.5% in common equity attributable to a capital conservation buffer to be phased in from January 1, 2016 until January 1, 2019. The new rules also increase the risk weights for several categories of assets, including an increase from 100% to 150% for certain acquisition, development and construction loans and more than 90-day past due exposures. The new capital rules maintain the general structure of the prompt corrective action rules, but incorporate the new common equity Tier 1 capital requirement and the increased Tier 1 RWA requirement into the prompt corrective action framework.

Limitations on Dividends. OCC regulations impose various restrictions on the ability of Home Bank to pay dividends. Home Bank generally may pay dividends during any calendar year in an amount up to 100% of net income for the year-to-date plus retained net income for the two preceding years, so long as it is well-capitalized after the distribution. If Home Bank proposes to pay a dividend when it does not meet its capital requirements or that will exceed these limitations, it must obtain the OCC s prior approval. The OCC may object to a proposed dividend based on safety and soundness concerns. No insured depository institution may pay a dividend if, after paying the dividend, the institution would be undercapitalized. In addition, as noted above, beginning in 2016, if Home Bank does not have the required capital conservation buffer, its ability to pay dividends to the Company will be limited.

Qualified Thrift Lender Test. Like all savings institutions, prior to Home Bank s conversion to a national bank, it was required to meet a qualified thrift lender (QTL) test to avoid certain restrictions on its operations.

The QTL test requires that an institution subject to its provisions hold a certain percentage of housing and consumer-related assets in its portfolio. As a national bank, Home Bank is no longer required to comply with the QTL test.

As of December 31, 2014, Home Bank met the requirements to be deemed a QTL.

Limitations on Transactions with Affiliates. Transactions between a national bank and any affiliate are governed by Sections 23A and 23B of the Federal Reserve Act. An affiliate of a national bank includes any company or entity which controls the national bank or that is controlled by a company that controls the national bank. In a holding company context, the holding company of a national bank (such as the Company) and any companies which are controlled by such holding company are affiliates of the national bank. Generally, Section 23A limits the extent to which the national bank or its subsidiaries may engage in covered transactions with any one affiliate to an amount equal to 10% of such bank s capital stock and surplus, and contain an aggregate limit on all such transactions with all affiliates to an amount equal to 20% of such capital stock and surplus. Section 23B applies to covered transactions as well as certain other transactions and requires that all transactions be on terms substantially the same, or at least as favorable, to the national bank as those provided to a non-affiliate. The term covered transaction includes the making of loans to, purchase of assets from and issuance of a guarantee to an affiliate and similar transactions. Section 23B transactions also include the provision of services and the sale of assets by a national bank to an affiliate.

In addition, Sections 22(g) and (h) of the Federal Reserve Act, place restrictions on loans to executive officers, directors and principal shareholders of a national bank and its affiliates. Under Section 22(h), loans to a director, an executive officer and to a greater than 10% shareholder of a national bank, and certain affiliated interests of either, may not exceed, together with all other outstanding loans to such person and affiliated interests, a national bank s loans to one borrower limit (generally equal to 15% of the bank s unimpaired capital and surplus). Section 22(h) also requires that loans to directors, executive officers and principal shareholders be made on terms substantially the same as offered in comparable transactions to other persons unless the loans are made pursuant to a benefit or compensation program that (i) is widely available to employees of the bank and (ii) does not give preference to any director, executive officer or principal shareholder, or certain affiliated interests of either, over other employees of the national bank. Section 22(h) also requires prior board approval for certain loans. In addition, the aggregate amount of extensions of credit by a national bank to all insiders cannot exceed the bank s unimpaired capital and surplus. Furthermore, Section 22(g) places additional restrictions on loans to executive officers. Home Bank currently is subject to Sections 22(g) and (h) of the Federal Reserve Act, and as of December 31, 2014 was in compliance with the above restrictions.

Anti-money Laundering. All financial institutions, including national banks, are subject to federal laws that are designed to prevent the use of the U.S. financial system to fund terrorist activities. Financial institutions operating in the United States must develop anti-money laundering compliance programs, due diligence policies and controls to ensure the detection and reporting of money laundering. Such compliance programs are intended to supplement compliance requirements, also applicable to financial institutions, under the Bank Secrecy Act and the Office of Foreign Assets Control Regulations. Home Bank has established policies and procedures to ensure compliance with these provisions.

Federal Home Loan Bank System. Home Bank is a member of the FHLB of Dallas, which is one of 12 regional FHLBs that administer the home financing credit function of various financial institutions. Each FHLB serves as a reserve or central bank for its members within its assigned region. It is funded primarily from proceeds derived from the sale of consolidated obligations of the FHLB System. It makes loans to members (i.e., advances) in accordance with policies and procedures established by the board of directors of the FHLB. As of December 31, 2014, Home Bank had $47.5 million of FHLB advances and $423.2 million available on its line of credit with the FHLB.

As a member, Home Bank is required to purchase and maintain stock in the FHLB of Dallas in an amount equal to at least 1.0% of its aggregate unpaid residential mortgage loans or similar obligations at the beginning of each year. As of December 31, 2014, Home Bank had $2.5 million in FHLB stock, which was in compliance with this requirement.

The FHLBs are required to provide funds for the resolution of troubled savings institutions and to contribute to affordable housing programs through direct loans or interest subsidies on advances targeted for community investment and low- and moderate-income housing projects. These contributions have adversely affected the level of FHLB dividends paid in the past and could do so in the future. These contributions also could have an adverse effect on the value of FHLB stock in the future.

Federal Reserve System. The FRB requires all depository institutions to maintain reserves against their transaction accounts and non-personal time deposits. The required reserves must be maintained in the form of vault cash or an account at the FRB. As of December 31, 2014, Home Bank had met its reserve requirement.

Privacy. Financial institutions are required to disclose their policies for collecting and protecting confidential information. Customers generally may prevent financial institutions from sharing personal financial information with nonaffiliated third parties except for third parties that market the institutions own products and services.

Additionally, financial institutions generally may not disclose consumer account numbers to any nonaffiliated third party for use in telemarketing, direct mail marketing or other marketing through electronic mail to consumers. The Bank has established policies and procedures designed to safeguard its customers personal financial information and to ensure compliance with applicable privacy laws.

Federal Taxation

General. Home Bancorp, Inc. and Home Bank are subject to federal income taxation in the same general manner as other corporations with some exceptions listed below. The following discussion of federal, state and local income taxation is only intended to summarize certain pertinent income tax matters and is not a comprehensive description of the applicable tax rules. The Company s federal and state income tax returns for taxable years through December 31, 2009 have been closed for purposes of examination by the Internal Revenue Service.

The Company will file a consolidated federal income tax return with the Bank. Accordingly, it is anticipated that any cash distributions made by Home Bancorp to its shareholders would be treated as cash dividends and not as a non-taxable return of capital to shareholders for federal and state tax purposes.

Method of Accounting. For federal income tax purposes, we report income and expenses on the accrual method of accounting and file our federal income tax return on a fiscal year basis.

Bad Debt Reserves. The Small Business Job Protection Act of 1996 eliminated the use of the reserve method of accounting for bad debt reserves by savings institutions, effective for taxable years beginning after 1995. Prior to that time, Home Bank was permitted to establish a reserve for bad debts and to make additions to the reserve. These additions could, within specified formula limits, be deducted in arriving at taxable income. As a result of the Small Business Job Protection Act of 1996, savings associations must use the specific charge-off method in computing their bad debt deduction beginning with their 1996 federal tax return. In addition, federal legislation required the recapture over a six year period of the excess of tax bad debt reserves as of December 31, 1995 over those established as of December 31, 1987.

Taxable Distributions and Recapture. Prior to the Small Business Job Protection Act of 1996, bad debt reserves created prior to January 1, 1988 were subject to recapture into taxable income if Home Bank failed to meet certain thrift asset and definitional tests. Federal legislation eliminated these savings association related recapture rules. However, under current law, pre-1988 reserves remain subject to recapture should Home Bank make certain non-dividend distributions or cease to maintain a bank charter.

As of December 31, 2014, the total federal pre-1988 reserve was approximately $1.2 million. The reserve reflects the cumulative effect of federal tax deductions by Home Bank for which no federal income tax provisions have been made.

Alternative Minimum Tax. The Internal Revenue Code imposes an alternative minimum tax at a rate of 20% on a base of regular taxable income plus certain tax preferences. The alternative minimum tax is payable to the extent that the tax computed on such alternative minimum taxable income is in excess of the regular income tax. Net operating losses, of which the Company has none, can offset no more than 90% of alternative minimum taxable income. Certain payments of alternative minimum tax may be used as credits against regular tax liabilities in future years. The Company has not been subject to the alternative minimum tax or any such amounts available as credits for carryover.

Net Operating Loss Carryovers. For net operating losses in tax years beginning before August 6, 1997, the Company may carry back net operating losses to the three years preceding the loss year and then forward to fifteen years following the loss years. For net operating losses in years beginning after August 5, 1997, net operating losses can be carried back to the two years preceding the loss year and forward to the 20 years following the loss year. As of December 31, 2014, the Company acquired $4.6 in net operating loss carry forwards for federal income tax purposes in the acquisition of Britton & Koontz Capital Corp. (Britton & Koontz).

Corporate Dividends-Received Deduction. The Company may exclude from its income 100% of dividends received from the Bank as a member of the same affiliated group of corporations. The corporate dividends received deduction is 80% in the case of dividends received from corporations which a corporate recipient owns less than 80%, but at least 20% of the distribution corporation. Corporations which own less than 20% of the stock of a corporation distributing a dividend may deduct only 70% of dividends received.

Item 1A. Risk Factors.

In analyzing whether to make or to continue an investment in our securities, investors should consider, among other factors, the following risk factors.

Risks Related to Our Business

There are increased risks involved with commercial real estate, including multi-family residential, commercial and industrial and construction and land lending activities.

Our lending activities include loans secured by commercial real estate and commercial and industrial loans. Our multi-family residential, commercial real estate and commercial and industrial loans increased by 378.8%, 134.0% and 115.8%, respectively, from December 31, 2010 through December 31, 2014. Multi-family residential lending, commercial real estate lending and commercial and industrial lending generally are considered to involve a higher degree of risk than single-family residential lending due to a variety of factors. As a result of the larger loan balances typically involved in these loans, an adverse development with respect to one loan or one credit relationship can expose us to greater risk of loss compared to an adverse development with respect to a one- to four-family residential mortgage loan. As of December 31, 2014, the largest outstanding balances of our commercial real estate loans and commercial and industrial loans were $12.7 million and $3.0 million, respectively. If a large loan were to become non-performing, as we experienced in the last three years, it can have a significant impact on our results of operations. Because we intend to continue our growth in commercial real estate and commercial and industrial loans, our credit risk exposure may increase and we may need to make additional provisions to our allowance for loan losses, which could adversely affect our future results of operations.

In addition to commercial real estate and commercial and industrial loans, Home Bank, N.A. holds a significant portfolio of construction and land loans. As of December 31, 2014, the Bank s construction and land loans amounted to $89.2 million, or 9.8% of our loan portfolio. Construction and land loans generally have a higher risk of loss than single-family residential mortgage loans due primarily to the critical nature of the initial estimates of a property s value upon completion of construction compared to the estimated costs, including interest, of construction as well as other assumptions. If the estimates upon which construction loans are made prove to be inaccurate, we may be confronted with projects that, upon completion, have values which are below the loan amounts. If the Bank is forced to liquidate the collateral associated with such loans at values less than the remaining loan balance, it could have a significant impact on our results of operations.

Our allowance for loan losses may not be adequate to cover probable losses.

We have established an allowance for loan losses based upon various assumptions and judgments about the collectability of our loan portfolio which we believe is adequate to offset probable losses on our existing loans. While we are not aware of any specific factors indicating a deficiency in the amount of our allowance for loan losses, in light of the current economic environment, one of the most pressing issues faced by financial institutions is the adequacy of their allowance for loan losses. Federal bank regulators have increased their scrutiny of the level of the allowance for losses maintained by regulated institutions. In the event that we have to increase our allowance for loan losses beyond current levels, it would have an adverse effect on our results in future periods. As of December 31, 2014, our allowance for loan losses amounted to $7.8 million, or 0.9% of total loans.

Our decisions regarding the fair value of assets acquired could be inaccurate, which could materially and adversely affect our business, financial condition, results of operations and future prospects.

Management makes various assumptions and judgments about the collectability of acquired loan portfolios, including the creditworthiness of borrowers and the value of the real estate and other assets serving as collateral for the repayment of secured loans. If our assumptions are incorrect, increased loss reserves may be needed to respond to different economic conditions or adverse developments in the acquired loan portfolio. Any increase in future loan losses would have a negative effect on our operating results.

Our ability to obtain reimbursements on loans (Covered Loans) and repossessed assets (collectively Covered Assets) covered under loss sharing agreements with the FDIC depends on our compliance with the terms of the loss sharing agreements.

Management must certify to the FDIC on a quarterly basis our compliance with the terms of the FDIC loss sharing agreements as a prerequisite to obtaining reimbursements from the FDIC for realized losses on Covered Assets. The required terms of the agreements are extensive and failure to comply with any of the guidelines could result in a specific asset or group of assets permanently losing their loss sharing coverage. Additionally, management may decide to forgo loss sharing coverage on certain assets to allow greater flexibility over the management of certain assets. As of December 31, 2014, $20.2 million, or 1.7%, of the Company s assets were covered by FDIC loss sharing agreements. At such date, the loss sharing agreement with respect to $14.6 million of covered commercial assets will expire in March 2015 (five years from the date of the acquisition), with the remaining loss sharing agreement on $5.6 million of covered residential assets expiring in March 2020 (10 years from the date of the acquisition).

We are subject to periodic examinations by the FDIC with respect to our compliance with the provisions of the FDIC loss sharing agreements. The required terms of the agreements are extensive and failure to comply with any of the provisions could result in a specific asset or group of assets losing their loss sharing coverage. No assurances can be given that we will manage the Covered Assets in such a way as to always maintain loss sharing coverage on all such assets.

Future adjustments to the carrying value of our FDIC loss sharing receivable (FDIC Asset) could adversely affect our future results of operations.

In connection with our March 2010 acquisition from the FDIC of certain assets and liabilities of Statewide, we recorded an FDIC Asset, representing the portion of estimated losses covered by two loss sharing agreements between the Bank and the FDIC. The initial amount of the FDIC Asset was $34.4 million. The carrying value of the FDIC Asset is reviewed and adjusted quarterly based upon, among other factors, our estimates of the amount and timing of anticipated cash flows received from the loss share agreements. As of December 31, 2014, the Company had an FDIC Asset totaling $4.6 million. The Company s remaining FDIC Asset consists of two primary components: Schedule A (single family residential mortgage and home equity loans) and Schedule B (all other Covered Loans). The FDIC Asset related to Schedule A loans totaled $3.3 million at December 31, 2014. Schedule A loss share protection will expire in March 2020. The FDIC Asset related to Schedule B loans totaled $1.3 million at December 31, 2014. Schedule B loss share protection will expire in March 2015. In the event that we revise our cash flow estimations on the FDIC Asset, we could be required to record additional asset amortization expense, which will reduce income for that period.

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Other than temporary declines in the value of our investment securities may require us to take additional charges to earnings.

We evaluate our securities portfolio for other-than-temporary impairment (OTTI) throughout the year. Each investment with a fair value less than book value is reviewed quarterly. An impairment charge is recorded against individual securities if management s review concludes that the decline in value is other than temporary. As of December 31, 2014, our investment securities portfolio included 13 non-agency mortgage-backed securities with an aggregate amortized cost and fair value of $7.8 million and a net unrealized gain of $7,000. Delinquencies and defaults in the mortgage loans underlying these securities may adversely affect the cash flows received by us and may result in a conclusion in future periods that the securities are other-than-temporarily impaired. Such a conclusion of OTTI would require us to take additional charges to earnings to write down the value of these securities.

We may not succeed in our plan to grow, which could reduce future profitability.

Over the past several years, we have grown our branch system by opening additional offices and through acquisitions of other financial institutions. Typically, it takes several years for a new banking office to become profitable, and this could adversely affect our earnings in future periods. There also is a risk that, as we geographically expand our lending area, we may not be as successful in assessing the credit risks which are inherent in different markets.

Our ability to successfully acquire other institutions depends on our ability to identify, acquire and integrate such institutions into our franchise. Our experience in mergers and acquisitions consists of an acquisition in 2006 of a building and loan association located in Crowley, Louisiana, an FDIC-assisted acquisition in 2010 of a bank with branches located in the Northshore (of Lake Ponchartrain) region of Louisiana, an acquisition in 2011 of a savings bank with branches located in Greater New Orleans and an acquisition in February 2014 of a national bank headquartered in Natchez, Mississippi with branches located in Natchez and Vicksburg, Mississippi and Baton Rouge, Louisiana. If we were to acquire another institution in the future, our results of operations could be adversely affected if our analysis of the acquisition of such institution was not complete and correct or our integration efforts were not successful. Currently, we have no agreements or understandings with anyone regarding a future acquisition.

Our business is geographically concentrated in south Louisiana and west Mississippi, which makes us vulnerable to downturns in the local economy. The downturns in the local economy could adversely affect the Company s financial condition and results of operations.

Most of our loans are to individuals and businesses located in south Louisiana and west Mississippi. Regional economic conditions affect the demand for our products and services as well as the ability of our customers to repay loans. While economic conditions in most of our market areas have been stronger than many areas of the United States in recent years, the concentration of our business operations makes us vulnerable to economic downturns in the market areas in which we operate. Declines in local real estate values could adversely affect the value of property used as collateral for the loans we make. Historically, the oil and gas industry has constituted a significant component of the economy in south Louisiana. The oil and gas industry remains an important factor in the local economy in most of the markets that we operate in and downturns in the oil and gas industry could adversely affect our operations.

Since mid-2014, oil prices have declined considerably, which could adversely affect our operations and the State of Louisiana budget for 2015 and future periods. Although the Company attempts to mitigate risk by diversifying its borrower base, approximately 3% of the Company s portfolio is comprised of loans to borrowers in the energy industry. A severe and prolonged decline in oil prices could have an adverse effect on our customers resulting in increased levels of nonperforming loans, provisions for loan losses and expense associated with loan collection efforts.

A natural disaster, especially one affecting our market areas, could adversely affect the Company s financial condition and results of operations.

Since a considerable portion of our business is conducted in south Louisiana, most of our credit exposure is in that area. Historically, south Louisiana has been vulnerable to natural disasters, including hurricanes, floods and tornadoes. Natural disasters could harm our operations directly through interference with communications, which would prevent us from gathering deposits, originating loans and processing and controlling our flow of business, as well as through the destruction of facilities and our operational, financial and management information systems. A natural disaster or recurring power outages may also impair the value of our loan portfolio, as uninsured or underinsured losses, including losses from business disruption, may reduce our borrowers ability to repay their loans. Disasters may also reduce the value of the real estate securing our loans, impairing our ability to recover on defaulted loans through foreclosure and making it more likely that we would suffer losses on defaulted loans. Although we have implemented several back-up systems and protections (and maintain business interruption insurance), these measures may not protect us fully from the effects of a natural disaster. The occurrence of natural disasters in our market areas could have a material adverse effect on our business, prospects, financial condition and results of operations.

Changes in interest rates could have a material adverse effect on our operations.

The operations of financial institutions are dependent to a large extent on net interest income, which is the difference between the interest income earned on interest-earning assets, such as loans and investment securities, and the interest expense paid on interest-bearing liabilities, such as deposits and borrowings. Changes in the general level of interest rates can affect our net interest income by affecting the difference between the weighted average yield earned on our interest-earning assets and the weighted average rate paid on our interest-bearing liabilities, or interest rate spread, and the average life of our interest-earning assets and interest-bearing liabilities. If general market rates of interest increase, our interest expense on deposits and borrowings would likely increase which could adversely affect our interest rate spread and net interest income. Changes in interest rates also can affect our ability to originate loans; the value of our interest-earning assets and our ability to realize gains from the sale of such assets; our ability to obtain and retain deposits in competition with other available investment alternatives; and the ability of our borrowers to repay adjustable or variable rate loans. Interest rates are highly sensitive to many factors, including governmental monetary policies, domestic and international economic and political conditions and other factors beyond our control.

We face strong competition which adversely affects our profitability.

We are subject to vigorous competition in all aspects and areas of our business from banks and other financial institutions, including banks, savings and loan associations, finance companies, credit unions and other providers of financial services, such as money market mutual funds, brokerage firms, consumer finance companies and insurance companies. We are significantly smaller than the larger depository institutions operating in our market areas. The financial resources of these larger competitors may permit them to pay higher interest rates on their deposits and to be more aggressive in new loan originations. We also compete with non-financial institutions, including retail stores that maintain their own credit programs and governmental agencies that make available low cost or guaranteed loans to certain borrowers. Some of our competitors are larger financial institutions with substantially greater resources, more advanced technological capabilities, lending limits, larger branch systems and a wider array of commercial banking services. Vigorous competition from both bank and non-bank organizations is expected to continue.

We operate in a highly regulated environment, and we may be adversely affected by changes in laws and regulations.

We are subject to extensive regulation, supervision and examination by the FRB, the OCC and the FDIC. Such regulation and supervision governs the activities in which an institution and its holding company may engage and are intended primarily for the protection of the insurance fund and the depositors and borrowers of the Bank rather than for holders of our common stock. Regulatory authorities have extensive discretion in their supervisory and enforcement activities, including the imposition of restrictions on our operations, the classification of our assets and determination of the level of our allowance for loan losses. Any change in such regulation and oversight, whether in the form of regulatory policy, regulations, legislation or supervisory action, may have a material impact on our operations.

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Historically low interest rates are expected to adversely affect our net interest income and profitability.

During the past several years, it has been the policy of the FRB to maintain interest rates at historically low levels through its targeted federal funds rate and the purchase of mortgage-backed securities. As a result, market rates on the loans we have originated and the yields on securities we have purchased have been at historically lower levels. As a general matter, our interest-bearing liabilities reprice or mature more quickly than our interest-earning assets, which has been a contributing factor to increases in net interest income in the short term. Our ability to further lower our interest expense is limited as these interest rate levels already are at very low levels, while the average yield on our interest-earning assets are expected to continue to decrease. The FRB has indicated its intention to maintain low interest rates in the future. Accordingly, our net interest income (the difference between interest income earned on assets and interest expense paid on liabilities) is likely to decrease, which is expected to have an adverse effect on our profitability.

Government responses to economic conditions may adversely affect our operations, financial condition and earnings.

The Dodd-Frank Act has changed the bank regulatory framework, created an independent consumer protection bureau that has assumed the consumer protection responsibilities of the various federal banking agencies, and established more stringent capital as standards for banks and bank holding companies. Bank regulatory agencies also have been responding aggressively to concerns and adverse trends identified in examinations. Ongoing uncertainty and adverse developments in the financial services industry and the domestic and international credit markets, and the effect of the Dodd-Frank Act and regulatory actions, may adversely affect our operations by restricting our business activities, including our ability to originate or sell loans, modify loan terms or foreclose on property securing loans. These risks could affect the performance and value of our loan and investment securities portfolios, which also would negatively affect our financial performance.

Our goodwill may be determined to be impaired at a future date depending on the results of periodic impairment tests.

We test goodwill for impairment annually, or more frequently if necessary. According to applicable accounting requirements, acceptable valuation methods include present-value measurements based on multiples of earnings or revenues, or similar performance measures. If the quoted market price of our common stock were to decline significantly, or if it was determined that the carrying amount of our goodwill exceeded its implied fair value, we would be required to write down the asset recorded for goodwill. This, in turn, would result in a charge to earnings and, thus, a reduction in shareholders equity. See Notes 2 and 8 to the Consolidated Financial Statements for additional information concerning our goodwill and the required impairment test.

A failure in our operational systems or infrastructure, or those of third parties, could impair our liquidity, disrupt our businesses, result in the unauthorized disclosure of confidential information, damage our reputation and cause financial losses.

Our ability to adequately conduct and grow our business is dependent on our ability to create and maintain an appropriate operational and organizational control infrastructure. Operational risk can arise in numerous ways including employee fraud, customer fraud, and control lapses in bank operations and information technology. Our dependence on our employees and automated systems, including the automated systems used by acquired entities and third parties, to record and process transactions may further increase the risk that technical failures or tampering of those systems will result in losses that are difficult to detect. We are also subject to disruptions of our operating systems arising from events that are wholly or partially beyond our control. Failure to maintain an appropriate operational infrastructure can lead to loss of service to customers, legal actions, and noncompliance with various laws and regulations.

We continuously monitor our operational and technological capabilities and make modifications and improvements when we believe it will be cost effective to do so. In some instances, we may build and maintain these capabilities

ourselves. We also outsource some of these functions to third parties. These third parties may experience errors or disruptions that could adversely impact us and over which we may have limited control. We also face risk from the integration of new infrastructure platforms and/or new third party providers of such platforms into its existing businesses.

Changes in accounting policies or in accounting standards could materially affect how we report our financial condition and results of operations.

Our accounting policies are fundamental to the understanding of our financial condition and results of operations. The preparation of consolidated financial statements in conformity with GAAP requires management to make significant estimates and assumptions that affect the financial statements by affecting the value of our assets or liabilities and results of operations. Some of our accounting policies are critical because they require management to make difficult, subjective and complex judgments about matters that are inherently uncertain and because materially different amounts may be reported if different estimates or assumptions were used. If such estimates or assumptions underlying the financial statements are incorrect, we could experience material losses. From time to time, the Financial Accounting Standards Board (FASB) and the SEC change the financial accounting and reporting standards or the interpretation of such standards that govern the preparation of our external financial statements. These changes are beyond our control, can be difficult to predict and could materially impact how we report our financial condition and results of operations. Additionally, it is possible, if unlikely, we could be required to apply a new or revised standard retrospectively, resulting in the restatement of prior period financial statements in material amounts.

We may be subject to losses due to fraudulent and negligent conduct of our loan customers, third party service providers and employees.

When we make loans to individuals or entities, we rely upon information supplied by borrowers and other third parties, including information contained in the applicant s loan application, property appraisal reports, title information and the borrower s net worth, liquidity and cash flow information. While we attempt to verify information provided through available sources, we cannot be certain all such information is correct or complete. Our reliance on incorrect or incomplete information could have a material adverse effect on our financial condition or results of operations.

System failure or cybersecurity breaches of our network security could subject us to increased operating costs as well as litigation and other potential losses.

We rely heavily on communications and information systems to conduct our business. The computer systems and network infrastructure we use could be vulnerable to unforeseen hardware and cybersecurity issues. Our operations are dependent upon our ability to protect our computer equipment against damage from fire, power loss, telecommunications failure or a similar catastrophic event. Any damage or failure that causes an interruption in our operations could have an adverse effect on our financial condition and results of operations. In addition, our operations are dependent upon our ability to protect the computer systems and network infrastructure we use, including our Internet banking activities, against damage from physical break-ins, cybersecurity breaches and other disruptive problems caused by the Internet or users. Such problems could jeopardize the security of our customers personal information and other information stored in and transmitted through our computer systems and network infrastructure, which may result in significant liability to us, subject us to additional regulatory scrutiny, damage our reputation, result in a loss of customers, or inhibit current and potential customers from our Internet banking services, any of all of which could have a material adverse effect on our results of operations and financial condition. Although we have security measures designed to mitigate the possibility of break-ins, breaches and other disruptive problems, including firewalls and penetration testing, there can be no assurance that such security measures will be effective in preventing such problems.

Item 1B. Unresolved Staff Comments.
Not applicable.

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Item 2. Properties.

We currently conduct business from nine banking offices in Greater Lafayette, three banking offices in Baton Rouge, four banking offices in Greater New Orleans, six banking offices in the Northshore (of Lake Ponchartrain) region of Louisiana, three offices in Natchez, Mississippi and two offices in Vicksburg, Mississippi. The Bank owns 26 of its 27 banking offices. The Bank leases the land for one banking office in Covington, Louisiana and leases one banking office in Greater New Orleans.

Item 3. Legal Proceedings.

From time-to-time the Bank is named as a defendant in various legal actions arising from the normal course of business in which damages of various amounts may be claimed. While the amount, if any, of ultimate liability with respect to any such matters cannot be currently determined, management believes, after consulting with legal counsel, that any such liability will not have a material adverse effect on the Company s consolidated financial position, results of operations, or cash flows.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for the Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

(a) Home Bancorp, Inc. s common stock is listed on the Nasdaq Global Select Market under the symbol HBCP . The common stock commenced trading on the Nasdaq Stock Market on October 3, 2008. As of the close of business on December 31, 2014, there were 7,123,442 shares of common stock outstanding, held by approximately 797 shareholders of record, not including the number of persons or entities whose stock is held in nominee or street name through various brokerage firms and banks.

The following table sets forth the high and low prices of the Company s common stock as reported by the Nasdaq Stock Market and cash dividends declared per share for the periods indicated.

For The Quarter Ended	High	Low	Cash Dividends Declared
March 31, 2013	$ 19.45	$ 17.76	$
June 30, 2013	$ 18.92	$ 16.90	$
September 30, 2013	$ 18.73	$ 16.86	$
December 31, 2013	$ 19.26	$ 17.27	$
March 31, 2014	$ 23.60	$ 18.60	$
June 30, 2014	$ 22.18	$ 19.79	$
September 30, 2014	$ 22.93	$ 21.33	$
December 31, 2014	$ 23.23	$ 21.78	$ 0.07

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The following graph demonstrates comparison of the cumulative total returns for the common stock of Home Bancorp, Inc., the NASDAQ Composite Index and the SNL Securities Bank and Thrift Index for the periods indicated. The graph assumes that an investor originally purchased shares on December 31, 2008, the first day that our shares were traded. The graph below represents $100 invested in our common stock at its closing price on December 31, 2008.

	Period Ending						
Index	**12/31/08**	**12/31/09**	**12/31/10**	**12/31/11**	**12/31/12**	**12/31/13**	**12/31/14**
Home Bancorp, Inc.	100.00	125.03	141.74	158.97	187.18	193.33	236.00
NASDAQ Composite	100.00	143.89	168.22	165.19	191.47	264.84	300.31
SNL Bank and Thrift	100.00	98.66	110.14	85.64	115.00	157.46	175.78

The stock price information shown above is not necessarily indicative of future price performance. Information used was obtained from SNL Financial LC, Charlottesville, Virginia. The Company assumes no responsibility for any errors or omissions in such information.

The Company did not sell any of its equity securities during 2014 that were not registered under the Securities Act of 1933.

For information regarding the Company s equity compensation plans, see Item 12.

(b) Not applicable.

(c) On June 7, 2013, the Company s Board of Directors approved a share repurchase program authorizing management to repurchase up to 370,000 shares, or approximately 5%, of its common stock outstanding through open market or privately negotiated transactions. The Company s purchases of its common stock made during the fourth quarter of 2014 under the plan are set forth in the following table.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Plan or Programs
October 1 - October 31, 2014		$		144,575
November 1 - November 30, 2014	448	22.83	448	144,127
December 1 - December 31, 2014	2,626	23.03	2,626	141,501
Total	3,074	$ 23.00	3,074	141,501

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Item 6. Selected Financial Data.

Set forth below is selected summary historical financial and other data of the Company. When you read this summary historical financial data, it is important that you also read the historical financial statements and related notes contained in Item 8 of this Form 10-K, as well as Management s Discussion and Analysis of Financial Condition and Results of Operations.

(dollars in thousands)	As of December 31, 2014	2013	2012	2011	2010
Selected Financial Condition Data:					
Total assets	$ 1,221,415	$ 984,241	$ 962,926	$ 963,789	$ 700,423
Cash and cash equivalents	29,078	32,639	39,539	31,769	36,971
Interest-bearing deposits in banks	5,526	2,940	3,529	5,583	7,867
Investment securities:					
Available for sale	174,801	149,632	157,256	155,260	111,962
Held to maturity	11,705	9,405	1,665	3,462	15,220
Loans receivable, net	901,208	700,538	667,809	661,267	435,992
Deposits	993,573	741,312	771,429	730,734	553,218
Federal Home Loan Bank advances	47,500	97,000	46,257	93,623	13,000
Securities sold under repurchase agreements	20,371				
Shareholders equity	154,144	141,910	141,574	134,285	131,530

(dollars in thousands, except per share data)	For the Years Ended December 31, 2014	2013	2012	2011	2010
Selected Operating Data:					
Interest income	$ 54,323	$ 43,721	$ 46,122	$ 38,435	$ 33,659
Interest expense	3,284	3,503	4,914	5,217	5,881
Net interest income	51,039	40,218	41,208	33,218	27,778
Provision for loan losses	2,364	3,653	2,411	1,460	865
Net interest income after provision for loan losses	48,675	36,565	38,797	31,758	26,913
Noninterest income	8,175	7,670	7,761	7,000	4,470
Noninterest expense	41,772	33,205	32,763	31,003	24,351
Income before income taxes	15,078	11,030	13,795	7,755	7,032
Income taxes	5,206	3,736	4,605	2,635	2,344
Net income	$ 9,872	$ 7,294	$ 9,190	$ 5,120	$ 4,688
Earnings per share - basic	$ 1.51	$ 1.11	$ 1.33	$ 0.72	$ 0.62
Earnings per share - diluted	$ 1.42	$ 1.06	$ 1.28	$ 0.71	$ 0.62
Cash dividends per share	$ 0.07	$ 0.00	$ 0.00	$ 0.00	$ 0.00

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	As of or For the Years Ended December 31,				
	2014	2013	2012	2011	2010
Selected Operating Ratios: [1]					
Average yield on interest-earnings assets (TE)	4.84%	5.06%	5.36%	5.37%	5.62%
Average rate on interest-bearing liabilities	0.39	0.54	0.72	0.90	1.29
Average interest rate spread (TE) [2]	4.45	4.52	4.64	4.47	4.33
Net interest margin (TE) [3]	4.54	4.65	4.79	4.64	4.64
Average interest-earning assets to average interest-bearing liabilities	133.91	132.63	126.81	124.18	131.52
Noninterest expense to average assets	3.38	3.45	3.38	3.77	3.55
Efficiency ratio [4]	70.54	69.34	66.91	77.09	75.51
Return on average assets	0.80	0.76	0.95	0.62	0.68
Return on average equity	6.65	5.14	6.60	3.88	3.56
Average equity to average assets	12.02	14.74	14.38	16.01	19.44
Asset Quality Ratios: [5] [6]					
Non-performing loans as a percent of total loans receivable	2.25%	2.87%	1.97%	1.82%	0.29%
Non-performing assets as a percent of total assets	1.96	2.20	1.76	1.55	0.19
Allowance for loan losses as a percent of non-performing loans as of end of period	38.79	35.16	43.01	45.92	371.2
Allowance for loan losses as a percent of net loans as of end of period	0.87	1.01	0.85	0.83	1.09
Capital Ratios: [5] [7]					
Tier 1 risk-based capital ratio	16.94%	20.84%	20.97%	20.34%	22.85%
Leverage capital ratio	11.96	14.17	13.67	12.53	15.46
Total risk-based capital ratio	17.85	21.88	21.83	21.13	23.65

(1) With the exception of end-of-period ratios, all ratios are based on average monthly balances during the respective periods.

(2) Average interest rate spread represents the difference between the average yield on interest-earning assets and the average rate paid on interest-bearing liabilities.

(3) Net interest margin represents net interest income as a percentage of average interest-earning assets. Taxable equivalent yields are calculated using a marginal tax rate of 35%.

(4) The efficiency ratio represents noninterest expense as a percentage of total revenues. Total revenues is the sum of net interest income and noninterest income.

(5) Asset quality and capital ratios are end of period ratios.

(6) Asset quality ratios exclude assets covered under FDIC loss sharing agreements. At December 31, 2014, Covered Loans and Assets totaled $18.6 million and $20.2 million, respectively, compared to $21.7 million and $24.9 million, respectively, of Covered Loans and Covered Assets at December 31, 2013, $45.8 million and $48.4 million, respectively, of Covered Loans and Covered Assets at December 31, 2012, $61.1 million and $67.1 million, respectively, of Covered Loans and Covered Assets at December 31, 2011 and $80.4 million and $86.1 million, respectively, of Covered Loans and Covered Assets at December 31, 2010. At December 31, 2014, 2013, 2012, 2011 and 2010, $3.3 million, $5.1 million, $9.6 million, $10.5 million and $16.0 million, respectively, of Covered Loans were contractually not performing. In addition, we had $1.6 million, $3.2 million, $2.7 million, $6.1 million and $5.7 million, respectively, in Covered Assets which were repossessed assets at December 31, 2014, 2013, 2012, 2011 and 2010, respectively, and which are excluded from the asset quality ratios above.

Nonperforming loans consist of nonaccruing loans and loans 90 days or more past due. Nonperforming assets consist of nonperforming loans and repossessed assets. It is our policy to cease accruing interest on all loans 90 days or more past due. Repossessed assets consist of assets acquired through foreclosure or acceptance of title in-lieu of foreclosure. For information on our asset quality ratios including Covered Assets, see page 28.

(7) Capital ratios are for Home Bank only.

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations.

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is an analysis and discussion of the financial condition and results of operations of Home Bancorp, Inc. (the Company), and its wholly owned subsidiary, Home Bank, N.A. (the Bank). This discussion and analysis should be read in conjunction with our Consolidated Financial Statements and related notes included herein in Part II, Item 8, Financial Statements and Supplementary Data and the description of our business included herein in Part 1, Item 1 Business .

EXECUTIVE OVERVIEW

Net income for 2014 totaled $9.9 million, an increase of 35.3% from the $7.3 million earned in 2013. Diluted earnings per share for 2014 were $1.42, an increase of 34.0% from the $1.06 earned in 2013. Key components of the Company s performance in 2014 are summarized below.

The Company s financial condition and income as of and for the period ended December 31, 2014 was impacted by the acquisition of Britton & Koontz Capital Corporation (Britton & Koontz), the holding company for Britton & Koontz Bank, N.A. (Britton & Koontz Bank) of Natchez, Mississippi, on February 14, 2014. As a result of the acquisition, five former Britton & Koontz Bank branches in west Mississippi were added to Home Bank s branch office network. Two former Britton & Koontz Bank locations in Baton Rouge were consolidated into existing Home Bank locations. Through the Britton & Koontz transaction, the Company acquired assets of $298.9 million, which included loans of $161.6 million, and $264.5 million in deposits and other liabilities. Shareholders of Britton and Koontz received $16.14 per share in cash, yielding an aggregate purchase price of $34.5 million. The Company incurred $2.3 million in pre-tax merger-related expenses during the year ended 2014. See Note 3 to the Unaudited Consolidated Financial Statements for additional information regarding the acquisition of Britton & Koontz.

Assets totaled $1.2 billion as of December 31, 2014, up $237.2 million, or 24.1%, from December 31, 2013. The increase was primarily the result of the Britton & Koontz acquisition.

Investment securities totaled $186.5 million as of December 31, 2014, an increase of $27.5 million, or 17.3%, from December 31, 2013. The increase was driven by $98.0 million in securities acquired from Britton & Koontz as of the date of acquisition. The Company subsequently sold $65.1 million of investments acquired from Britton & Koontz.

Loans as of December 31, 2014 were $909.0 million, an increase of $201.5 million, or 28.5%, from December 31, 2013. The increase in loans was primarily driven by $161.6 million in loans acquired from Britton & Koontz at the acquisition date. Growth in our originated loan portfolio during the year was primarily related to commercial real estate loans, one- to four-family first mortgage loans and commercial and industrial loans. These increases were partially offset by a decrease in our origination of new construction and land loans. As of December 31, 2014, Covered Loans totaled $18.6 million, a decrease of $3.1 million, or 14.3%, from December 31, 2013.

Net office properties and equipment as of December 31, 2014 were $38.0 million, an increase of $7.3 million, or 23.7%, from December 31, 2013. The Company began 2014 with 22 banking offices. The acquisition of five Britton & Koontz locations increased our total number of banking offices to 27.

Total customer deposits as of December 31, 2014 were $993.6 million, an increase of $252.3 million, or 34.0%, from December 31, 2013. The Britton & Koontz acquisition added $216.6 million in deposits at the acquisition date. The increase in deposits was driven primarily by the acquisition of Britton & Koontz and strong organic growth. In addition to the deposits assumed from Britton & Koontz, core deposits increased $72.1 million, or 13.1%, while certificate of deposits decreased $36.4 million, or 18.9%.

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Interest income increased $10.6 million, or 24.2%, in 2014 compared to 2013. The increase was primarily due to higher average volume of interest-earning assets as the result of the Britton & Koontz acquisition and organic loan growth.

Interest expense decreased $219,000, or 6.3%, in 2014 compared to 2013. The decrease was primarily due to lower rates paid on interest-bearing liabilities as the result of reduced market rates and an improved mix of interest-bearing liabilities.

The provision for loan losses totaled $2.4 million in 2014, 35.3% lower than the $3.7 million recorded in 2013. At December 31, 2014, the Company s ratio of allowance for loan losses to total loans was 0.85%, compared to 0.98% at December 31, 2013. The ratio of the allowance for loan losses to total originated loans was 1.04% at December 31, 2014 compared to 1.12% at December 31, 2013. Net charge-offs for 2014 were $1.5 million, or 0.17% of total loans, compared to $2.1 million, or 0.29%, in 2013.

Noninterest income increased $505,000, or 6.6%, in 2014 compared to 2013. The increase was primarily the result of higher service fees and charges (up $1.0 million) and bank card fees (up $447,000) due to the impact of the Britton & Koontz acquisition and increased customer transactions, which were partially offset by lower gains on sale of securities (down $426,000), gains on the sale of mortgage loans (down $341,000), and less accretion on the FDIC Asset (down $186,000).

Noninterest expense increased $8.6 million, or 25.8%, in 2014 compared to 2013. The increase was primarily the result of higher compensation and benefits, data processing and communications, and occupancy expenses related to the Britton & Koontz acquisition. The Company incurred $2.3 million in merger-related expenses during 2014.

ACQUISITION ACTIVITY

On February 14, 2014, the Company completed its acquisition of Britton & Koontz the former holding company of Britton & Koontz Bank of Natchez, Mississippi. Shareholders of Britton & Koontz received $16.14 per share is cash, yielding an aggregate purchase price of $34,515,000. As a result of the acquisition, five former Britton & Koontz branches in west Mississippi were added to the Bank s branch office network, net of two former Britton & Koontz banking offices that were closed or consolidated in March 2014. Assets acquired from Britton & Koontz totaled $298.9 million, which included loans of $161.6 million, investment securities of $98.0 million and cash of $15.3 million. The Bank also recorded a core deposit intangible asset of $3.0 million and goodwill of $43,000 relating to the acquisition, and assumed liabilities of $264.5 million, which included $216.6 million in deposits, $9.3 million in FHLB advances and $27.3 million in securities sold under repurchase agreements.

On July 15, 2011, the Company acquired GS Financial Corporation (GSFC), the former holding company of Guaranty of Metairie, Louisiana. Shareholders of GSFC received $21.00 per share in cash, yielding an aggregate purchase price of $26,417,000. As a result of the acquisition, the four former Guaranty branches in the Greater New Orleans area were added to the Bank s branch office network. Assets acquired from GSFC totaled $256.7 million, which included loans of $182.4 million, investment securities of $46.5 million and cash of $9.3 million. The Bank also recorded a core deposit intangible asset of $859,000 and goodwill of $296,000 relating to the acquisition of GSFC, and assumed liabilities of $230.6 million, which included $193.5 million in deposits and $34.7 million in FHLB advances.

On March 12, 2010, the Bank acquired certain assets and liabilities of the former Statewide Bank, a full-service community bank formerly headquartered in Covington, Louisiana, from the FDIC. As a result of the Statewide acquisition, the Bank s branch office network was expanded to include six branches in the Northshore (of Lake Pontchartrain) region of Louisiana. Assets acquired in the Statewide transaction totaled $188.0 million, which included loans of $110.4 million, investment securities of $24.8 million and cash of $11.6 million. In addition, the Bank recorded a FDIC Asset, representing the portion of estimated losses covered by loss sharing agreements between the Bank and the FDIC, of $34.4 million. The loss sharing agreements between the Bank and the FDIC afford us significant protection against future losses in the loan portfolio (Covered Loans) and repossessed assets (collectively referred to as Covered Assets) acquired in the Statewide transaction. The Bank also

recorded a core deposit intangible asset of $1.4 million and goodwill of $560,000 relating to the Statewide acquisition, and assumed liabilities of $223.9 million, which included $206.9 million in deposits and $16.8 million in FHLB advances.

CRITICAL ACCOUNTING POLICIES

The accounting and financial reporting policies of the Company conform to generally accepted accounting principles in the United States (GAAP) and to general practices within the banking industry. Accordingly, the financial statements require certain estimates, judgments and assumptions, which are believed to be reasonable, based upon the information available. These estimates and assumptions affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of income and expenses during the periods presented. The following accounting policies comprise those that management believes are the most critical to aid in fully understanding and evaluating our reported financial results. These policies require numerous estimates or economic assumptions that may prove inaccurate or may be subject to variations which may significantly affect our reported results and financial condition for the period or in future periods.

Allowance for Loan Losses. The allowance for loan losses on loans in our portfolio is maintained at an amount which management determines covers the reasonably estimable and probable losses on such portfolio. The allowance for loan losses is established through a provision for loan losses charged to expense. Loans are charged against the allowance for loan losses when management believes that the collectability of the principal is unlikely. Subsequent recoveries are added to the allowance. The allowance is an amount that represents the amount of probable and reasonably estimable known and inherent losses in the loan portfolio, based on evaluations of the collectability of loans. The evaluations take into consideration such factors as changes in the types and amount of loans in the loan portfolio, historical loss experience, adverse situations that may affect the borrower s ability to repay, estimated value of any underlying collateral, estimated losses relating to specifically identified loans and current economic conditions. This evaluation is inherently subjective as it requires material estimates including, among others, exposure to default, the amount and timing of expected future cash flows on loans, value of collateral, estimated losses on our commercial and residential loan portfolios as well as consideration of general loss experience. All of these estimates may be susceptible to significant change.

While management uses the best information available to make loan loss allowance evaluations, adjustments to the allowance may be necessary based on changes in economic and other conditions or changes in accounting guidance. The OCC, as an integral part of its examination processes, periodically reviews our allowance for loan losses. The OCC may require the recognition of adjustments to the allowance for loan losses based on their judgment of information available to them at the time of their examinations. To the extent that actual outcomes differ from management s estimates, additional provisions to the allowance for loan losses may be required that would adversely impact earnings in future periods. As part of the risk management program, an independent review is performed on the loan portfolio, which supplements management s assessment of the loan portfolio and the allowance for loan losses. The result of the independent review is reported directly to the Audit Committee of the Board of Directors.

Acquired Loans were recorded at fair value at the date of acquisition with no carryover of the allowance for loan losses. As of December 31, 2014, our allowance for loan losses included $418,000 allocated to Acquired Loans with credit quality which had deteriorated since the date of acquisition. Our accounting policy for Acquired Loans is described below.

Accounting for Loans. The following briefly describes the distinction between originated, non-covered acquired and covered loans and certain significant accounting policies relevant to each category.

Originated Loans

Loans originated for investment are reported at the principal balance outstanding net of unearned income. Interest on loans and accretion of unearned income are computed in a manner that approximates a level yield on recorded principal. Interest on loans is recorded as income as earned. The accrual of interest on an originated loan is discontinued when it is probable the borrower will not be able to meet payment obligations as they become due. The Company maintains an allowance for loan losses on originated loans that represents management s estimate of probable losses incurred in this portfolio category.

Non-covered Acquired Loans

Non-covered acquired loans are those collectively associated with our acquisitions of GSFC and Britton & Koontz. These loans were recorded at estimated fair value at the acquisition date with no carryover of the related allowance for loan losses. The non-covered acquired loans were segregated between those considered to be performing (acquired performing) and those with evidence of credit deterioration (acquired impaired), and then further segregated into loan pools designed to facilitate the estimation of expected cash flows. The fair value estimate for each pool of acquired performing and acquired impaired loans was based on the estimate of expected cash flows, both principal and interest, from that pool, discounted at prevailing market interest rates.

The difference between the fair value of an acquired performing loan pool and the contractual amounts due at the acquisition date (the fair value discount) is accreted into income over the estimated life of the pool. Management estimates an allowance for loan losses for acquired performing loans using a methodology similar to that used for originated loans. The allowance determined for each loan pool is compared to the remaining fair value discount for that pool. If the allowance amount calculated under the Company s methodology is greater than the Company s remaining discount, the additional amount called for is added to the reported allowance through a provision for loan losses. If the allowance amount calculated under the Company s methodology is less than the Company s recorded discount, no additional allowance or provision is recognized. Actual losses first reduce any remaining fair value discount for the loan pool. Once the discount is fully depleted, losses are applied against the allowance established for that pool. Acquired performing loans are placed on nonaccrual status and considered and reported as nonperforming or past due using the same criteria applied to the originated portfolio.

The excess of cash flows expected to be collected from an acquired impaired loan pool over the pool s estimated fair value at acquisition is referred to as the accretable yield and is recognized in interest income using an effective yield method over the remaining life of the pool. Each pool of acquired impaired loans is accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows.

Management recasts the estimate of cash flows expected to be collected on each acquired impaired loan pool periodically. If the present value of expected cash flows for a pool is less than its carrying value, an impairment is recognized by an increase in the allowance for loan losses and a charge to the provision for loan losses. If the present value of expected cash flows for a pool is greater than its carrying value, any previously established allowance for loan losses is reversed and any remaining difference increases the accretable yield which will be taken into interest income over the remaining life of the loan pool. Acquired impaired loans are generally not subject to individual evaluation for impairment and are not reported with impaired loans, even if they would otherwise qualify for such treatment**.**

Covered Loans and the Related Loss Share Receivable

The loans purchased in the Bank s 2010 acquisition of certain assets and liabilities of Statewide Bank are covered by loss share agreements between the FDIC and the Bank that afford the Bank significant loss protection. In connection with the transaction, Home Bank entered into loss sharing agreements with the FDIC which cover the acquired loan portfolio (Covered Loans) and repossessed assets (collectively referred to as Covered Assets). Under the terms of the loss sharing agreements, the FDIC will, subject to the terms and conditions of the agreements, absorb 80% of the first $41,000,000 of losses incurred on Covered Assets and 95% of losses on Covered Assets exceeding $41,000,000 during the periods specified in the loss sharing agreements (10 years for single-family residential Covered Assets and five years for all other Covered Assets). These covered loans are accounted for as acquired impaired loans as described above. The loss share receivable is measured separately from the related covered loans as it is not contractually embedded in the loans and is not transferable should the loans be sold. The fair value of the loss share receivable at acquisition was estimated by discounting projected cash flows related to the loss share agreements based on the expected reimbursements for losses using the applicable loss share percentages. The discounted amount is accreted into non-interest income over the remaining life of the covered loan pool or the life of the loss share agreement.

The loss share receivable is reviewed and updated prospectively as loss estimates related to covered loans change. Increases in expected reimbursements under the loss sharing agreements from a covered loan pool will lead to an increase in the loss share receivable. A decrease in expected reimbursements is reflected first as a reversal of any previously recorded increase in the loss share receivable on the covered loan pool with the remainder reflected as a reduction in the loss share receivable s accretion rate. Increases and decreases in the loss share receivable can result in reductions in or additions to the provision for loan losses, which serve to offset the impact on the provision from

impairment recognized on the underlying covered loan pool and reversals of previously recognized impairment. The impact on operations of a reduction in the loss share receivable s accretion rate is associated with an increase in the accretable yield on the underlying loan pool.

Income Taxes. We make estimates and judgments to calculate some of our tax liabilities and determine the recoverability of some of our deferred tax assets, which arise from temporary differences between the tax and financial statement recognition of revenues and expenses. We also estimate a valuation allowance for deferred tax assets if, based on the available evidence, it is more likely than not that some portion or all of the recorded deferred tax assets will not be realized in future periods. These estimates and judgments are inherently subjective. Historically, our estimates and judgments to calculate our deferred tax accounts have not required significant revision to our initial estimates.

In evaluating our ability to recover deferred tax assets, we consider all available positive and negative evidence, including our past operating results, recent cumulative losses and our forecast of future taxable income. In determining future taxable income, we make assumptions for the amount of taxable income, the reversal of temporary differences and the implementation of feasible and prudent tax planning strategies. These assumptions require us to make judgments about our future taxable income and are consistent with the plans and estimates we use to manage our business. Any reduction in estimated future taxable income may require us to record a valuation allowance against our deferred tax assets. An increase in the valuation allowance would result in additional income tax expense in the period and could have a significant impact on our future earnings.

Other-than-temporary Impairment of Investment Securities. Securities are evaluated periodically to determine whether a decline in their fair value is other-than-temporary. The term other-than-temporary is not intended to indicate a permanent decline in value. Rather, it means that the prospects for near term recovery of value are not necessarily favorable, or that there is a lack of evidence to support fair values equal to, or greater than, the carrying value of the investment. Management reviews criteria such as the magnitude and duration of the decline, the reasons for the decline and the performance and valuation of the underlying collateral, when applicable, to predict whether the loss in value is other-than-temporary and the intent and ability of the Company to retain the investment for a period of time sufficient to allow for any anticipated recovery in fair value. Once a decline in value is determined to be other-than-temporary, the carrying value of the security is reduced to its fair value and a corresponding charge to earnings is recognized for the decline in value determined to be credit related. The decline in value attributable to noncredit factors is recognized in other comprehensive income.

Stock-based Compensation. The Company accounts for its stock options in accordance with ASC Topic 718, *Compensation Stock Compensation*. ASC 718 requires companies to expense the fair value of employee stock options and other forms of stock-based compensation. Management utilizes the Black-Scholes option valuation model to estimate the fair value of stock options. The option valuation model requires the input of highly subjective assumptions, including expected stock price volatility and option life. These subjective input assumptions materially affect the fair value estimate.

FINANCIAL CONDITION

Loans, Loan Quality and Allowance for Loan Losses

Loans The types of loans originated by the Company are subject to federal and state laws and regulations. Interest rates charged on loans are affected principally by the demand for such loans and the supply of money available for lending purposes and the rates offered by our competitors. These factors are, in turn, affected by general and economic conditions, the monetary policy of the federal government, including the FRB, legislative tax policies and governmental budgetary matters.

The Company s lending activities are subject to underwriting standards and loan origination procedures established by our Board of Directors and management. Loan originations are obtained through a variety of sources, primarily existing customers as well as new customers obtained from referrals and local advertising and promotional efforts. Single-family residential mortgage loan applications and consumer loan applications are taken at any of the Bank s branch offices. Applications for other loans typically are taken personally by one of our loan officers, although they may be received by a branch office initially and then referred to a loan officer. All loan applications are processed and underwritten centrally at the Bank s main office.

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The following tables show the composition of the Company s loan portfolio as of the dates indicated.

(dollars in thousands)	2014	2013	December 31, 2012	2011	2010
Real estate loans:					
One- to four-family first mortgage	$ 233,249	$ 179,506	$ 177,816	$ 182,817	$ 122,614
Home equity loans and lines	56,000	40,561	40,425	43,665	30,915
Commercial real estate	352,863	269,849	252,805	226,999	150,824
Construction and land	89,154	83,271	75,529	78,994	57,538
Multi-family residential	27,375	16,578	19,659	20,125	5,718
Total real estate loans	758,641	589,765	566,234	552,600	367,609
Other loans:					
Commercial and industrial	104,446	77,533	72,253	82,980	48,410
Consumer	45,881	40,158	34,641	30,791	23,892
Total other loans	150,327	117,691	106,894	113,771	72,302
Total loans	$ 908,968	$ 707,456	$ 673,128	$ 666,371	$ 439,911

The loan portfolio increased $201.5 million, or 28.5%, during 2014. The increase includes loans acquired from Britton & Koontz, which were recorded at their fair value of $161.6 million on the acquisition date, and growth in originated loans of $45.1 million. Growth in originated loans during the year was related primarily to commercial real estate, one- to four-family first mortgage, commercial and industrial and multi-family residential loans. These increases were partially offset by a decrease in our originations of new construction and land loans. Covered Loans totaled $18.6 million as of December 31, 2014, a decrease of $3.1 million, or 14.3%, compared to December 31, 2013. The decrease in the Covered Loan portfolio was primarily the result of principal repayments and foreclosures.

The following table reflects contractual loan maturities as of December 31, 2014, unadjusted for scheduled principal reductions, prepayments or repricing opportunities. Of the $705.1 million in loans which have contractual maturity dates subsequent to December 31, 2015, $577.1 million have fixed interest rates and $127.9 million have floating or adjustable interest rates.

(dollars in thousands)	One year or less	Due In One through five years	More than five years	Total
One- to four-family first mortgage	$ 21,728	$ 56,784	$ 154,737	$ 233,249
Home equity loans and lines	7,877	8,540	39,583	56,000
Commercial real estate	50,318	196,873	105,672	352,863
Construction and land	63,751	20,873	4,530	89,154
Multi-family residential	12,515	10,316	4,544	27,375
Commercial and industrial	44,805	50,038	9,603	104,446
Consumer	2,914	10,219	32,748	45,881
Total	$ 203,908	$ 353,643	$ 351,417	$ 908,968

The loans and repossessed assets that were acquired from Statewide are covered by loss sharing agreements between the FDIC and the Bank, which affords the Bank significant loss protection. As a result of the loss coverage provided by the FDIC, the risk of loss on the Covered Assets is significantly different from those assets not covered under the loss share agreements. As of their acquisition date, Covered Assets were recorded at their fair value, which included an estimate of credit losses. Asset quality information on Covered Assets is reported before consideration of applied loan discounts, as these discounts were recorded based on the estimated cash flow of the total loan pool and not on a specific loan basis. Because of the loss share agreements, balances disclosed

below are for general comparative purposes only and do not represent the Company s risk of loss on Covered Assets. Because these assets are covered by the loss share agreements with the FDIC during the periods specified in the loss sharing agreements, the FDIC will absorb 80% of the first $41,000,000 of losses incurred on Covered Assets and 95% of losses on Covered Assets exceeding $41,000,000. Losses on single-family Covered Assets are covered for the 10-year period following the acquisition date while all other Covered Assets are covered during the five-year period subsequent to the acquisition date (which will expire in March 2015).

The following table summarizes the changes in the carrying amount of Covered Loans, net of the allowance for losses on Covered Loans, and accretable yield on those loans for the years ended December 31, 2014, 2013, 2012, 2011 and 2010.

				December 31,						
	2014		2013		2012		2011		2010	
(dollars in thousands)	**Carrying Amount, Net**	**Accretable Yield**	**Carrying Amount, Net**	**Accretable Yield**	**Carrying Amount, Net**	**Accretable Yield**	**Carrying Amount, Net**	**Accretable Yield**	**Carrying Amount, Net**	**Accretable Yield**
Balance beginning of year	$ 21,674	$ (2,134)	$ 45,764	$ (3,973)	$ 61,020	$ (8,550)	$ 80,447	$ (5,505)	$	$
Addition from FDIC-assisted transactions									110,418	(11,110)
Accretion	(8,121)	8,121	(5,417)	5,417	(4,613)	4,613	(5,170)	5,170	(5,605)	5,605
Payments received	(6,743)		(18,720)		(6,885)		(14,354)		(13,623)	
Other principal reduction	(908)		(1,241)		(2,355)		(4,135)		(5,686)	
Net increase in expected cash flows	13,693	(13,693)	3,578	(3,578)	36	(36)	8,215	(8,215)		
Transfers to repossessed assets	(1,013)		(2,290)		(1,489)		(3,933)		(5,057)	
Provision for losses on Covered Loans					50		(50)			
Balance end of year	$ 18,582	$ (7,706)	$ 21,674	$ (2,134)	$ 45,764	$ (3,973)	$ 61,020	$ (8,550)	$ 80,447	$ (5,505)

In addition to Covered Loans, our Covered Assets included $1.6 million, $3.2 million, $2.7 million, $6.1 million and $5.7 million, respectively, of repossessed assets at December 31, 2014, 2013, 2012, 2011 and 2010.

Loan Quality One of management s key objectives has been, and continues to be, maintaining a high level of asset quality. In addition to maintaining credit standards for new loan originations, we proactively monitor loans and collection and workout processes of delinquent or problem loans. When a borrower fails to make a scheduled payment, we attempt to cure the deficiency by making personal contact with the borrower. Initial contacts are generally made within 10 days after the date the payment is due. In most cases, deficiencies are promptly resolved. If the delinquency continues, late charges are assessed and additional efforts are made to collect the deficiency. All loans which are designated as special mention, classified or which are delinquent 90 days or more are reported to the Board of Directors of the Bank monthly. For loans where the collection of principal or interest payments is doubtful, the accrual of interest income ceases. It is our policy, with certain limited exceptions, to discontinue accruing interest and reverse any interest accrued on any loan which is 90 days or more past due. On occasion, this action may be taken earlier if the financial condition of the borrower raises significant concern with regard to his/her ability to service the debt in accordance with the terms of the loan agreement. Interest income is not accrued on these loans until the borrower s financial condition and payment record demonstrate an ability to service the debt.

An impaired loan generally is one for which it is probable, based on current information, that the lender will not collect all the amounts due under the contractual terms of the loan. Large groups of smaller balance, homogeneous loans are collectively evaluated for impairment. Loans collectively evaluated for impairment include smaller balance commercial loans, residential real estate loans and consumer loans. These loans are

evaluated as a group because they have similar characteristics and performance experience. Larger commercial real estate, multi-family residential, construction and land loans and commercial and industrial loans are individually evaluated for impairment. Third party property valuations are obtained at the time of origination for real estate secured loans. When a determination is made that a loan has deteriorated to the point of becoming a problem loan, updated valuations may be ordered to help determine if there is impairment, which may lead to a recommendation for partial charge off or appropriate allowance allocation. Property valuations are ordered through, and are reviewed by, an appraisal officer. The Company typically orders an as is valuation for collateral property if the loan is in a criticized loan classification. The Board of Directors is provided with monthly reports on impaired loans. As of December 31, 2014 and 2013, impaired loans, loans individually evaluated for impairment, excluding Acquired Loans, amounted to $2.0 million and $2.6 million, respectively. As of December 31, 2014 and 2013, substandard loans, excluding Acquired Loans, amounted to $7.2 million and $13.5 million, respectively. The amount of the allowance for loan losses allocated to originated impaired or substandard loans totaled $140,000 and $482,000 as of December 31, 2014 and 2013, respectively. There were no assets classified as doubtful or loss as of December 31, 2014 and 2013.

Federal regulations and our policies require that we utilize an internal asset classification system as a means of reporting problem and potential problem assets. We have incorporated an internal asset classification system, substantially consistent with Federal banking regulations, as a part of our credit monitoring system. Federal banking regulations set forth a classification scheme for problem and potential problem assets as substandard, doubtful or loss assets. An asset is considered substandard if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Substandard assets include those characterized by the distinct possibility that the insured institution will sustain some loss if the deficiencies are not corrected. Assets classified as doubtful have all of the weaknesses inherent in those classified substandard with the added characteristic that the weaknesses present make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable. Assets classified as loss are those considered uncollectible and of such little value that their continuance as assets without the establishment of a specific loss reserve is not warranted.

A savings institution s determination as to the classification of its assets and the amount of its valuation allowances is subject to review by Federal bank regulators which can order the establishment of additional general or specific loss allowances. The Federal banking agencies have adopted an interagency policy statement on the allowance for loan and lease losses. The policy statement provides guidance for financial institutions on both the responsibilities of management for the assessment and establishment of allowances and guidance for banking agency examiners to use in determining the adequacy of general valuation guidelines. Generally, the policy statement recommends that institutions have effective systems and controls to identify, monitor and address asset quality problems; that management analyze all significant factors that affect the collectability of the portfolio in a reasonable manner; and that management establish acceptable allowance evaluation processes that meet the objectives set forth in the policy statement. Our management believes that, based on information currently available, our allowance for loan losses is maintained at a level which covers all known and inherent losses that are both probable and reasonably estimable as of each reporting date. However, actual losses are dependent upon future events and, as such, further additions to the level of allowances for loan losses may become necessary.

The following table sets forth the composition of the Company s total nonperforming assets, including Covered Assets, and troubled debt restructurings as of the dates indicated.

			December 31,		
(dollars in thousands)	**2014 [1]**	**2013 [2]**	**2012 [3]**	**2011 [4]**	**2010[5]**
Nonaccrual loans:					
Real estate loans:					
One- to four-family first mortgage	$ 6,501	$ 7,617	$ 7,260	$ 8,526	$ 5,734
Home equity loans and lines	547	723	284	857	271
Commercial real estate	6,327	7,117	6,984	7,891	3,287
Construction and land	5,356	1,831	4,113	2,624	4,234
Multi-family residential	1,770	2,248	1,327		

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Other loans:					
Commercial and industrial	2,359	4,835	1,916	1,382	3,359
Consumer	421	388	63	187	159
Total nonaccrual loans	23,281	24,759	21,947	21,467	17,044
Accruing loans 90 days or more past due					
Total nonperforming loans	23,281	24,759	21,947	21,467	17,044
Foreclosed property	5,214	4,566	6,454	8,964	5,753
Total nonperforming assets	28,495	29,325	28,401	30,431	22,797
Performing troubled debt restructurings	725	430	1,114	598	721
Total nonperforming assets and troubled debt restructurings	$ 29,220	$ 29,755	$ 29,515	$ 31,029	$ 23,518
Nonperforming loans to total loans	2.56%	3.50%	3.26%	3.22%	3.87%
Nonperforming loans to total assets	1.91%	2.52%	2.28%	2.23%	2.43%
Nonperforming assets to total assets	2.33%	2.98%	2.95%	3.16%	3.25%

1) Includes $4.9 million in Covered Assets acquired from Statewide and $17.9 million of assets acquired from GSFC and Britton & Koontz. Excluding acquired loans and assets, ratios for nonperforming loans to total loans, nonperforming loans to total assets and nonperforming assets to total assets were 0.55%, 0.38% and 0.56%, respectively, at December 31, 2014.

2) Includes $8.2 million in Covered Assets acquired from Statewide and $14.1 million of assets acquired from GSFC. Excluding acquired loans and assets, ratios for nonperforming loans to total loans, nonperforming loans to total assets and nonperforming assets to total assets were 1.17%, 0.80% and 0.81%, respectively, at December 31, 2013.

3) Includes $12.3 million in Covered Assets acquired from Statewide and $11.2 million of assets acquired from GSFC. Excluding acquired loans and assets, ratios for nonperforming loans to total loans, nonperforming loans to total assets and nonperforming assets to total assets were 0.43%, 0.28% and 0.62%, respectively, at December 31, 2012.

4) Includes $16.6 million in Covered Assets acquired from Statewide and $9.9 million of assets acquired from GSFC. Excluding acquired loans and assets, ratios for nonperforming loans to total loans, nonperforming loans to total assets and nonperforming assets to total assets were 0.85%, 0.51% and 0.54%, respectively, at December 31, 2011.

5) Includes $21.6 million in Covered Assets acquired from Statewide. Excluding Covered Loans and Covered Assets, ratios for nonperforming loans to total loans, nonperforming loans to total assets and nonperforming assets to total assets were 0.29%, 0.17% and 0.19%, respectively, at December 31, 2010.

Net loan charge-offs for 2014 were $1.5 million, or 0.17%, of total loans, compared to $2.1 million, or 0.29%, in 2013. The charge-offs during 2014 resulted primarily from a $1.3 million charge-off on a $1.6 million single commercial and industrial loan relationship. In 2013, our loan charge-offs resulted primarily from a $1.7 million partial charge-off on a $2.0 million accounts receivable line of credit.

Repossessed assets which are acquired as a result of foreclosure are classified as repossessed assets until sold. Third party property valuations are obtained at the time the asset is repossessed and periodically until the property is liquidated. Repossessed assets are recorded at fair value less estimated selling costs, at the date acquired or upon receiving new property valuations. Costs associated with acquiring and improving a foreclosed property are usually capitalized to the extent that the carrying value does not exceed fair value less estimated selling costs. Holding costs are charged to expense. Gains and losses on the sale of repossessed assets are charged to operations, as incurred.

Allowance for Loan Losses The allowance for loan losses is established through provisions for loan losses. The Company maintains the allowance at a level believed, to the best of management s knowledge, to cover all known and inherent losses in the portfolio that are both probable and reasonable to estimate at each reporting date. Management reviews the allowance for loan losses at least quarterly in order to identify those inherent losses and to assess the overall collection probability for the loan portfolio. Our evaluation process includes, among other things, an analysis of delinquency trends, nonperforming loan trends, the level of charge-offs and recoveries, prior loss experience, total loans outstanding, the volume of loan originations, the type, size and

geographic concentration of loans, the value of collateral securing loans, the borrower s ability to repay and repayment performance, the number of loans requiring heightened management oversight, economic conditions and industry experience. Based on this evaluation, management assigns risk rankings to segments of the loan portfolio. Such risk ratings are periodically reviewed by management and revised as deemed appropriate. These efforts are supplemented by independent reviews and validations performed by an independent loan reviewer. The results of the reviews are reported directly to the Audit Committee of the Board of Directors. The establishment of the allowance for loan losses is significantly affected by management judgment and uncertainties and there is a likelihood that different amounts would be reported under different conditions or assumptions. Federal regulatory agencies, as an integral part of their examination process, periodically review our allowance for loan losses. Such agencies may require management to make additional provisions for estimated loan losses based upon judgments different from those of management.

With respect to Acquired Loans, the Company follows the reserve standard set forth in ASC 310, *Receivables*. At acquisition, the Company reviews each loan to determine whether there is evidence of deterioration in credit quality since origination and if it is probable that the Company will be unable to collect all amounts due according to the loan s contractual terms. The Company considers expected prepayments and estimates the amount and timing of undiscounted expected principal, interest and other cash flows for each loan pool meeting the criteria above, and determines the excess of the loan pool s scheduled contractual principal and interest payments in excess of cash flows expected at acquisition as an amount that should not be accreted (nonaccretable difference). The remaining amount, representing the excess of the pool s cash flows expected to be collected over the fair value, is accreted into interest income over the remaining life of the pool (accretable yield). The Company records a discount on these loans at acquisition to record them at their estimated fair values. As a result, Acquired Loans subject to ASC 310 are excluded from the calculation of the allowance for loan losses as of the acquisition date.

Acquired Loans were recorded as of their acquisition date fair value, which was based on expected cash flows and included an estimation of expected future loan losses. Under current accounting principles, if the Company determines that losses arose after the acquisition date, the additional losses will be reflected as a provision for loan losses. As of December 31, 2014, $418,000 of our allowance for loan losses was allocated to Acquired Loans with deteriorated credit quality.

We will continue to monitor and modify our allowance for loan losses as conditions dictate. No assurance can be given that our level of allowance for loan losses will cover all of the inherent losses on our loans or that future adjustments to the allowance for loan losses will not be necessary if economic and other conditions differ substantially from the conditions used by management to determine the current level of the allowance for loan losses.

The following table presents the activity in the allowance for loan losses for the years indicated.

	For the Years Ended December 31,				
(dollars in thousands)	**2014**	**2013**	**2012**	**2011**	**2010**
Balance, beginning of year	$ 6,918	$ 5,319	$ 5,104	$ 3,920	$ 3,352
Provision charged to operations	2,364	3,653	2,411	1,460	865
Loans charged off:					
One- to four-family first mortgage	213	112			
Home equity loans and lines	2		32		174
Commercial real estate	41		1,980		65
Construction and land	19	44	215		
Multi-family residential					
Commercial and industrial	1,407	1,990	60	281	106
Consumer	32	9	38	53	24
Recoveries on charged off loans	192	101	129	58	72
Balance, end of year	$ 7,760	$ 6,918	$ 5,319	$ 5,104	$ 3,920

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At December 31, 2014, the Company s ratio of allowance for loan losses to total loans was 0.85%, compared to 0.98% at December 31, 2013. Excluding acquired loans, the ratio of allowance for loan losses to total organic loans was 1.04% at December 31, 2014, compared to 1.12% at December 31, 2013. Expected cash flows related to the acquired GSFC one- to four-family first mortgage loans, home equity loans and lines and construction and land loans decreased; therefore, an allowance for loan losses was recorded to cover additional expected losses in this portfolio. At December 31, 2014, the allowance for loan losses for the GSFC loan portfolio was $418,000 compared to $248,000 at December 31, 2013. Ongoing evaluations of the acquired loan portfolios may result in additional provisions for Acquired Loans.

The following table presents the allocation of the allowance for loan losses as of December 31 of the years indicated.

	December 31,									
	2014		2013		2012		2011		2010	
(dollars in thousands)	Amount	% Loans	Amount	% Loans	Amount	% Loans	Amount	% Loans	Amount	% Loans
One- to four-family first mortgage	$ 1,310	25.7%	$ 1,088	25.4%	$ 982	26.4%	$ 778	27.4%	$ 641	27.9%
Home equity loans and lines	553	6.2	424	5.7	343	6.0	336	6.6	296	7.0
Commercial real estate	2,922	38.8	2,528	38.1	2,040	37.6	1,755	34.1	1,258	34.3
Construction and land	1,101	9.8	977	11.8	785	11.2	904	11.9	666	13.1
Multi-family	192	3.0	90	2.3	86	2.9	64	3.0	46	1.3
Commercial and industrial	1,161	11.5	1,338	11.0	683	10.7	922	12.4	746	11.0
Consumer	521	5.0	473	5.7	400	5.2	345	4.6	267	5.4
Total	$ 7,760	100.0%	$ 6,918	100.0%	$ 5,319	100.0%	$ 5,104	100.0%	$ 3,920	100.0%

Investment Securities

The Company invests in securities pursuant to our Investment Policy, which has been approved by our Board of Directors. The Investment Policy is designed primarily to manage the interest rate sensitivity of our assets and liabilities, to generate a favorable return without incurring undue interest rate or credit risk and to provide and maintain liquidity. The Asset-Liability Committee (ALCO), comprised of the Chief Executive Officer, Chief Financial Officer, Chief Banking Officer, Chief Credit Officer, Director of Financial Management and Treasurer, monitors investment activity and ensures that investments are consistent with the Investment Policy. The Board of Directors of the Company reviews investment activity monthly.

The investment securities portfolio increased by an aggregate of $27.5 million, or 17.3%, during 2014. Securities available for sale made up 93.7% of the investment securities portfolio as of December 31, 2014. The following table sets forth the amortized cost and market value of our investment securities portfolio as of the dates indicated.

	December 31,					
	2014		2013		2012	
(dollars in thousands)	Amortized Cost	Market Value	Amortized Cost	Market Value	Amortized Cost	Market Value
Available for sale:						
U.S. agency mortgage-backed	$ 120,009	$ 121,498	$ 96,145	$ 96,785	$ 99,137	$ 102,513
Non-U.S. agency mortgage-backed	7,757	7,764	9,765	9,749	12,426	12,668
Municipal bonds	24,388	24,896	19,879	19,799	16,843	17,585
U.S. government agency	20,639	20,643	23,543	23,299	23,944	24,490
Total available for sale	172,793	174,801	149,332	149,632	152,350	157,256

Held to maturity:						
U.S. agency mortgage-backed			132	133	693	706
Municipal bonds	11,705	11,889	9,273	9,142	972	1,040
Total held to maturity	11,705	11,889	9,405	9,275	1,665	1,746
Total investment securities	$ 184,498	$ 186,690	$ 158,737	$ 158,907	$ 154,015	$ 159,002

The following table sets forth the fixed versus adjustable rate profile of the investment securities portfolio as of the dates indicated. All amounts are shown at amortized cost.

(dollars in thousands)	**2014**	**December 31, 2013**	**2012**
Fixed rate:			
Available for sale	$ 122,883	$ 87,974	$ 64,757
Held to maturity	11,705	9,405	1,665
Total fixed rate	134,588	97,379	66,422
Adjustable rate:			
Available for sale	49,910	61,358	87,593
Held to maturity			
Total adjustable rate	49,910	61,358	87,593
Total investment securities	$ 184,498	$ 158,737	$ 154,015

The following table sets forth the amount of investment securities which mature during each of the periods indicated and the weighted average yields for each range of maturities as of December 31, 2014. No tax-exempt yields have been adjusted to a tax-equivalent basis. All amounts are shown at amortized cost.

	Amounts as of December 31, 2014 which mature in:				
(dollars in thousands)	**One Year or Less**	**One Year to Five Years**	**Five to Ten Years**	**Over Ten Years**	**Total**
Available for sale:					
U.S. agency mortgage-backed	$	$ 129	$ 26,035	$ 93,845	$ 120,009
Non-U.S. agency mortgage-backed				7,757	7,757
Municipal bonds	1,140	7,643	11,932	3,673	24,388
U.S. government agency		16,132		4,507	20,639
Total available for sale	1,140	23,904	37,967	109,782	172,793
Weighted average yield	0.78%	1.63%	1.87%	2.15%	2.01%
Held to maturity:					
U.S. agency mortgage-backed					
Municipal bonds	400	235	9,066	2,004	11,705
Total held to maturity	400	235	9,066	2,004	11,705

Weighted average yield	3.75%	4.13%	1.66%	1.95%	1.83%
Total investment securities	$ 1,540	$ 24,139	$ 47,033	$ 111,786	$ 184,498

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The following table summarizes activity in the Company s investment securities portfolio during 2014.

(dollars in thousands)	Available for Sale	Held to Maturity
Balance, December 31, 2013	$ 149,632	$ 9,405
Purchases	22,810	3,001
Sales	(66,903)	
Principal maturities, prepayments and calls	(29,337)	(467)
Amortization of premiums and accretion of discounts	(1,093)	(234)
Acquired from Britton & Koontz, at fair value	97,985	
Decrease in market value	1,707	
Balance, December 31, 2014	$ 174,801	$ 11,705

As of December 31, 2014, the Company had a net unrealized gain on its available for sale investment securities portfolio of $2.0 million, compared to $300,000 as of December 31, 2013. The Company acquired $98.0 million of investment securities from Britton & Koontz at the acquisition date, and subsequently sold $65.1 million of the acquired investments during the first quarter of 2014. During 2014, the Company sold an aggregate of $66.9 million of mortgage-backed securities at gains totaling $2,000.

The Company maintains a portfolio of non-agency mortgage-backed securities, which had an amortized cost of $7.8 million and $9.8 million as of December 31, 2014 and 2013, respectively. The portfolio consists of 13 securities with a net unrealized gain of $7,000 and net unrealized loss of $16,000 as of December 31, 2014 and 2013, respectively.

The Company holds no Federal National Mortgage Association (Fannie Mae) or Federal Home Loan Mortgage Corporation (Freddie Mac) preferred stock, equity securities, corporate bonds, trust preferred securities, hedge fund investments, collateralized debt obligations or structured investment vehicles.

Funding Sources

General Deposits, loan repayments and prepayments, proceeds from investment securities sales, calls, maturities and paydowns, cash flows generated from operations and FHLB advances are our primary, ongoing sources of funds for use in lending, investing and for other general purposes.

Deposits The Company offers a variety of deposit accounts with a range of interest rates and terms. Our deposits consist of checking, both interest-bearing and noninterest-bearing, money market, savings and certificate of deposit accounts.

The flow of deposits is influenced significantly by general economic conditions, changes in market interest rates and competition. Our deposits are obtained predominantly from the areas where our branch offices are located. We have historically relied primarily on a high level of customer service and long-standing relationships with customers to attract and retain deposits; however, market interest rates and rates offered by competitors significantly affect our ability to attract and retain deposits. The Company uses traditional means of advertising its deposit products, including broadcast and print media. The Company generally does not solicit deposits from outside our market area.

Total deposits were $993.6 million as of December 31, 2014, an increase of $252.3 million, or 34.0%, compared to $741.3 million as of December 31, 2013. The acquisition of Britton & Koontz added $216.6 million in deposits during the first quarter of 2014.

The Company experienced strong core deposit (i.e., checking, savings, money market and accounts) growth during 2014. Core deposits totaled $772.8 million as of December 31, 2014, an increase of $223.9 million, or 40.8%, compared to December 31, 2013. Excluding core deposits acquired from Britton & Koontz, core deposits increased $72.1 million, or 13.1%, during 2014. Certificate of deposits (CD) declined as higher-priced CDs matured. The following table sets forth the composition of the Company s deposits as of the dates indicated.

	December 31,		Increase/(Decrease)	
(dollars in thousands)	2014	2013	Amount	Percent
Demand deposit	$ 267,660	$ 174,475	$ 93,185	53.4%
Savings	81,145	56,694	24,451	43.1
Money market	219,456	192,303	27,153	14.1
NOW	204,536	125,391	79,145	63.1
Certificates of deposit	220,775	192,449	28,326	14.7
Total deposits	$ 993,572	$ 741,312	$ 252,260	34.0%

The following table shows the average balance and average rate paid for each type of deposit for the periods indicated.

	For the Years Ended December 31,								
(dollars in thousands)	2014			2013			2012		
	Average Balance	Interest Expense	Average Rate Paid	Average Balance	Interest Expense	Average Rate Paid	Average Balance	Interest Expense	Average Rate Paid
Savings, checking and money market	$ 491,832	$ 1,102	0.22%	$ 376,205	$ 967	0.26%	$ 340,586	$ 1,277	0.37%
Certificates of deposit	231,164	1,640	0.71	225,464	2,077	0.92	271,717	2,951	1.09
Total interest - bearing deposits	$ 722,996	$ 2,742	0.38%	$ 601,669	$ 3,044	0.51%	$ 612,303	$ 4,228	0.69%

Certificates of deposit in the amount of $100,000 and over increased $12.1 million, or 14.5%, from $83.9 million as of December 31, 2013 to $96.0 million as of December 31, 2014. The following table details the remaining maturity of large-denomination certificates of deposit of $100,000 and over.

	December 31,		
(dollars in thousands)	2014	2013	2012
3 months or less	$ 16,179	$ 16,768	$ 17,045
3 - 6 months	15,853	14,287	26,812
6 - 12 months	35,039	17,115	42,649
12 - 36 months	20,386	25,187	22,347
More than 36 months	8,568	10,506	10,913
Total certificates of deposit greater than $100,000	$ 96,025	$ 83,863	$ 119,766

Federal Home Loan Bank Advances Advances from the FHLB may be obtained by the Company upon the security of the common stock it owns in the FHLB and certain of its real estate loans and investment securities, provided certain standards related to creditworthiness have been met. Such advances are made pursuant to several credit programs, each of which has its own interest rate and range of maturities. Advances from the FHLB may be either short-term, maturities of one year or less, or long-term, maturities in excess of one year.

Short-term FHLB advances totaled $31.0 million as of December 31, 2014, a decrease of $56.0 million, or 64.4%, compared to $87.0 million as of December 31, 2013.

Long-term FHLB advances totaled $16.5 million as of December 31, 2014, an increase of $6.5 million, or 65.0%, compared to December 31, 2013.

Securities Sold Under Repurchase Agreement The acquisition of Britton & Koontz added $20.4 million in securities sold under repurchase agreement with a July 2015 maturity date and an effective interest rate of 0.36%. Britton & Koontz sold various investment securities with an agreement to repurchase these securities at various times. The underlying securities are U.S. Government obligations and obligations of other U.S. Government agencies. At December 31, 2014, these securities had coupon rates ranging from 1.25% to 3.75% and maturity dates ranging from 2016 to 2028.

Shareholders Equity Shareholders equity provides a source of permanent funding, allows for future growth and provides the Company with a cushion to withstand unforeseen adverse developments. As of December 31, 2014, shareholders equity totaled $154.1 million, an increase of $12.2 million, or 8.6%, compared to $141.9 million as of December 31, 2013. The increase was primarily the result of a $9.4 million increase in retained earnings, an aggregate $1.2 million increase in unearned common stock held by the employee stock ownership plan (ESOP) and 2009 Recognition and Retention Plan (RRP) as a result of shares vesting in the plans and a $1.1 million increase in other comprehensive income, which was partially offset by treasury stock purchases of $561,000 in 2014.

RESULTS OF OPERATIONS

The Company earned net income of $9.9 million in 2014, an increase of $2.6 million compared to the $7.3 million earned in 2013 and an increase of $682,000 compared to the $9.2 million earned in 2012. Diluted earnings per share were $1.42, $1.06 and $1.28 in 2014, 2013 and 2012, respectively.

Net Interest Income Net interest income is the difference between the interest income earned on interest-earning assets, such as loans and investment securities, and the interest expense paid on interest-bearing liabilities, such as deposits and borrowings. Our net interest income is largely determined by our net interest spread, which is the difference between the average yield earned on interest-earning assets and the average rate paid on interest bearing liabilities, and the relative amounts of interest-earning assets and interest-bearing liabilities.

Net interest income totaled $51.0 million in 2014, an increase of $10.8 million, or 26.9%, compared to the $40.2 million earned in 2013. The increase was due to a $10.6 million, or 24.2%, increase in interest income and a $219,000, or 6.3%, decrease in interest expense. The increase in net interest income in 2014 compared to 2013 was primarily due to an increase in our average loan portfolio and an improved mix of interest-bearing liabilities, primarily as a result of the Britton & Koontz acquisition.

In 2013, net interest income totaled $40.2 million, a decrease of $1.0 million, or 2.4%, compared to the $41.2 million earned in 2012. The decline was primarily due to a decrease in the average yield earned on loans. Interest expense decreased $1.4 million, or 28.7%, over the same period. The decrease in 2013 compared to 2012 was primarily due to lower average rates paid on interest-bearing liabilities as the result of reduced market rates and an improved mix of interest-bearing liabilities.

The Company s net interest spread was 4.45%, 4.52% and 4.66% for the years ended December 31, 2014, 2013 and 2012, respectively. The Company s net interest margin, which is net interest income as a percentage of average interest-earning assets, was 4.54%, 4.65% and 4.81% during the years ended December 31, 2014, 2013 and 2012, respectively.

In accordance with ASC 310, *Receivables*, the Company evaluates the expected cash flows of acquired loans throughout the year. As cash flow expectations related to acquired loans change, the Company adjusts the accretable yield recognized on acquired loans. The cash flow expectations of the Covered Loans affect the level of FDIC Asset amortization recorded, which also impacts the yield recognized on Covered Loans. As a result of improved estimated cash flows on Covered Loans, which are expected to result in lower payments from the FDIC, the Company amortized $7.5 million of the FDIC Asset during 2014.

The Covered Loan portfolio yielded 14.72%, 11.08% and 9.40% for the years ended December 31, 2014, 2013 and 2012, respectively. The average yield on originated loans was 5.39% for the year ended December 31, 2014, compared to 5.65% and 6.09% for the years ended December 31, 2013 and 2012, respectively. As of December 31, 2014, the Company had a remaining FDIC Asset in the amount of $4.6 million.

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The following table sets forth, for the periods indicated, information regarding (i) the total dollar amount of interest income to the Company from interest-earning assets and the resultant average yields; (ii) the total dollar amount of interest expense on interest-bearing liabilities and the resultant average rate; (iii) net interest income; (iv) net interest spread; and (v) net interest margin. Information is based on average monthly balances during the indicated periods. Taxable equivalent (TE) yields have been calculated using a marginal tax rate of 35%.

	For the Years Ended December 31,								
(dollars in thousands)	2014			2013			2012		
	Average Balance	Interest	Average Yield/ Rate	Average Balance	Interest	Average Yield/ Rate	Average Balance	Interest	Average Yield/ Rate
Interest-earning assets:									
Loans receivable[1]	$ 891,401	$ 50,273	5.59%	$ 679,593	$ 40,536	5.91%	$ 674,830	$ 42,798	6.34%
Investment securities (TE)	192,101	3,886	2.23	155,505	3,061	2.14	151,790	3,169	2.21
Other interest-earning assets	38,965	163	0.42	27,539	124	0.45	33,523	155	0.46
Total interest-earning assets (TE)	1,122,467	54,322	4.84	862,637	43,721	5.06	860,143	46,122	5.38
Noninterest-earning assets	111,643			99,998			108,081		
Total assets	$ 1,234,110			$ 962,635			$ 968,224		
Interest-bearing liabilities:									
Deposits:									
Savings, checking and money market	$ 491,832	$ 1,102	0.22%	$ 376,205	$ 967	0.26%	$ 340,586	$ 1,277	0.37%
Certificates of deposit	231,164	1,640	0.71	225,464	2,077	0.92	271,717	2,951	1.09
Total interest-bearing deposits	722,996	2,742	0.38	601,669	3,044	0.51	612,303	4,228	0.69
Securities sold under repurchase agreements	20,716	73	0.35						
FHLB advances	94,531	468	0.49	48,738	459	0.94	65,983	686	1.04
Total interest-bearing liabilities	838,243	3,283	0.39	650,407	3,503	0.54	678,286	4,914	0.72
Noninterest-bearing liabilities	247,490			170,353			150,665		
Total liabilities	1,085,733			820,760			828,951		
Shareholders equity	148,377			141,875			139,273		
Total liabilities and shareholders equity	$ 1,234,110			$ 962,635			$ 968,224		
Net interest-earning assets	$ 284,224			$ 212,230			$ 181,857		
Net interest income; net interest spread (TE)		$ 51,039	4.45%		$ 40,218	4.52%		$ 41,208	4.66%
Net interest margin (TE)			4.54%			4.65%			4.81%

(1) Nonperforming loans are included in the respective average loan balances, net of deferred fees, discounts and loans in process. Acquired loans were recorded at fair value upon acquisition and accrete interest income over the remaining life of the respective loans.

The following table displays the dollar amount of changes in interest income and interest expense for major components of interest-earning assets and interest-bearing liabilities. The table distinguishes between (i) changes attributable to volume (changes in average volume between periods times prior year rate), (ii) changes attributable to rate (changes in average rate between periods times prior year volume) and (iii) total increase (decrease).

	2014 Compared to 2013 Change Attributable To			**2013 Compared to 2012 Change Attributable To**		
(dollars in thousands)	**Rate**	**Volume**	**Total Increase (Decrease)**	**Rate**	**Volume**	**Total Increase (Decrease)**
Interest income:						
Loans receivable	$ (2,709)	$ 12,446	$ 9,737	$ (2,840)	$ 578	$ (2,262)
Investment securities	5	821	826	(254)	146	(108)
Other interest-earning assets	(11)	50	39	(3)	(28)	(31)
Total interest income	(2,715)	13,317	10,602	(3,097)	696	(2,401)

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Interest expense:						
Savings, checking and money market accounts	(124)	259	135	(407)	97	(310)
Certificates of deposit	(483)	46	(437)	(410)	(464)	(874)
Securities sold under repurchase agreements		73	73			
FHLB advances	56	(47)	9	169	(396)	(227)
Total interest expense	(551)	331	(220)	(648)	(763)	(1,411)
Increase (decrease) in net interest income	$ (2,164)	$ 12,986	$ 10,822	$ (2,449)	$ 1,459	$ (990)

Interest income includes interest income earned on earning assets as well as applicable loan fees earned. Interest income that would have been earned on nonaccrual loans had they been on accrual status is not included in the data reported above.

Provision for Loan Losses - We have identified the evaluation of the allowance for loan losses as a critical accounting policy where amounts are sensitive to material variation. This policy is significantly affected by our judgment and uncertainties. There is likelihood that materially different amounts would be reported under different, but reasonably plausible, conditions or assumptions. Our activity in the provision for loan losses, which are charges or recoveries to operating results, is undertaken in order to maintain a level of total allowance for loan losses that management believes covers all known and inherent losses that are both probable and reasonably estimable as of each reporting date. Our evaluation process typically includes, among other things, an analysis of delinquency trends, non-performing loan trends, the level of charge-offs and recoveries, prior loss experience, total loans outstanding, the volume of loan originations, the type, size and geographic concentration of loans, the value of collateral securing the loan, the borrower s ability to repay and repayment performance, the number of loans requiring heightened management oversight, general economic conditions and industry experience. The OCC, as an integral part of its examination process, periodically reviews our allowance for loan losses. The OCC may require the Bank to make additional provisions for estimated loan losses based upon judgments different from those of management. As part of the risk management program, independent reviews are performed on the loan portfolio, which supplement management s assessment of the loan portfolio and the allowance for loan losses. The results of independent reviews are reported to the Audit Committee of the Board of Directors.

For the year ended December 31, 2014, the Company recorded a provision for loan losses of $2.4 million, compared to provisions of $3.7 million and $2.4 million for 2013 and 2012, respectively. The provision for 2014 related primarily to a $1.3 million partial charge-off on a $1.7 million medical equipment loan relationship and organic loan growth. The higher level of provision for loan losses recorded during 2013 resulted primarily from a $1.7 million partial charge-off on a $2.0 million accounts receivable line of credit, modest downgrades of certain other loans in the Company s originated loan portfolio and decreased cash flow expectations in the acquired GSFC loan portfolio. The provision for loan losses in 2012 was primarily the result of a $1.7 million partial charge-off on a $5.4 million commercial real estate loan.

Net charge-offs were $1.5 million for 2014, compared to $2.1 million and $2.2 million for 2013 and 2012, respectively. Charge-offs during 2014 resulted primarily from a $1.3 million partial charge-off on a $1.7 million medical equipment loan relationship. During 2013, the elevated level of charge-offs resulted primarily from a $1.7 million partial charge-off on a $2.0 million accounts receivable line of credit. In 2012, our charge-offs were due primarily to a $1.7 million charge-off on one commercial real estate loan which was transferred to real estate owned. At December 31, 2014, the Company s ratio of allowance for loan losses to total loans was 0.85%, compared to 0.98% at December 31, 2013. Excluding acquired loans, the ratio of allowance for loan losses to total originated loans was 1.04% at December 31, 2014, compared to 1.12% at December 31, 2013.

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Noninterest Income The following table illustrates the primary components of noninterest income for the years indicated.

(dollars in thousands)	2014	2013	2014 vs 2013 Percent Increase (Decrease)	2012	2013 vs 2012 Percent Increase (Decrease)
Noninterest income:					
Service fees and charges	$ 3,747	$ 2,729	37.3%	$ 2,493	9.5%
Bank card fees	2,178	1,731	25.8	1,796	(3.6)
Gain on sale of loans, net	1,212	1,554	(22.0)	1,964	(20.9)
Income from bank-owned life insurance	458	464	(1.3)	515	(9.9)
Gain (loss) on sale of securities, net	2	428	(99.5)	222	93.1
Accretion of FDIC loss sharing receivable	247	433	(43.0)	581	(25.5)
Other income	331	331		190	74.2
Total noninterest income	$ 8,175	$ 7,670	6.6%	$ 7,761	(1.2)%

2014 compared to 2013

Noninterest income for 2014 totaled $8.2 million, an increase of $505,000, or 6.6%, compared to 2013. The increase was primarily the result of increases in service fees and charges (up $1.0 million) and bank card fees (up $447,000) resulting from the Britton & Koontz acquisition, which were partially offset by decreases in gains on the sale of securities (down $426,000) and gains on the sale of mortgage loans (down $341,000).

Accretion of the discount on the FDIC Asset totaled $246,000, $433,000 and $581,000 for the years ended December 31, 2014, 2013 and 2012, respectively. We expect the amount of accretion to continue to decline in future periods because our projected cash flows from Covered Loans have continued to increase, and as a result, we expect to collect less from the FDIC. Additionally, as we continue to submit claims under the loss sharing agreements, the remaining balance of the indemnification asset will continue to decline.

A summary of activity for the FDIC Asset account from March 12, 2010 to December 31, 2014 follows:

(dollars in thousands)	2014	2013	2012	2011	2010
Balance, beginning of period [1]	$ 12,698	$ 15,546	$ 24,222	$ 32,012	$ 34,422
Accretion	246	433	581	851	738
Reduction for claims filed	(837)	(1,464)	(3,135)	(4,108)	(3,148)
Change in estimated cash flow assumptions	(7,518)	(1,817)	(6,122)	(4,533)	
Balance, end of period	$ 4,589	$ 12,698	$ 15,546	$ 24,222	$ 32,012

[1] For 2010, reflects the balance at March 12, 2010, the date of acquisition.

2013 compared to 2012

Noninterest income for 2013 totaled $7.7 million, a decrease of $91,000, or 1.2%, compared to 2012. The decrease was primarily the result of a decrease of $410,000 in gains on the sale of mortgage loans and a decrease of $148,000 in the accretion of the FDIC Asset, which amounts were partially offset by increases in service fees and charges (up $236,000), gains on the sale of securities (up $206,000) and other income (up $140,000 primarily due to recoveries on GSFC charge-off loans).

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Noninterest Expense The following table illustrates the primary components of noninterest expense for the years indicated.

(dollars in thousands)	**2014**	**2013**	**2014 vs 2013 Percent Increase (Decrease)**	**2012**	**2013 vs 2012 Percent Increase (Decrease)**
Noninterest expense:					
Compensation and benefits	$ 24,387	$ 20,330	20.0%	$ 19,688	3.3%
Occupancy	4,670	3,524	32.5	3,276	7.6
Marketing and advertising	919	766	20.0	744	3.0
Data processing and communication	4,431	2,442	81.4	2,801	(12.8)
Professional services	1,160	1,061	9.3	890	19.1
Forms, printing and supplies	662	430	54.0	478	(10.1)
Franchise and shares tax	574	711	(19.3)	614	15.8
Regulatory fees	1,067	890	19.9	854	4.2
Foreclosed assets, net	997	523	90.6	1,051	(50.3)
Other expenses	2,905	2,528	14.9	2,367	6.8
Total noninterest expense	$ 41,772	$ 33,205	25.8%	$ 32,763	1.3%

2014 compared to 2013

Noninterest expense for 2014 totaled $41.8 million, an increase of $8.5 million, or 25.8%, from 2013. Noninterest expense in 2014 includes merger-related expenses of $2.3 million related to the Britton & Koontz acquisition in February 2014. Excluding merger-related expenses, noninterest expense increased $6.6 million, or 20.0%, from 2013. The increase in noninterest expense was primarily the result of the addition of Britton & Koontz employees, its operations and facilities and higher costs associated with foreclosed assets.

2013 compared to 2012

Noninterest expense for 2013 totaled $33.2 million, an increase of $442,000, or 1.3%, from 2012. The increase in noninterest expense was primarily the result of increases in compensation and benefits (up $642,000), occupancy (up $248,000), professional services (up $170,000 primarily due to costs related to the Britton & Koontz acquisition) and other expenses (up $161,000 primarily due to penalties incurred in prepaying long-term FHLB borrowings), which were offset by reductions in foreclosed assets expense (down $528,000) and data processing and communication expense (down $359,000).

Income Taxes For the years ended December 31, 2014, 2013 and 2012, the Company incurred income tax expense of $5.2 million, $3.7 million and $4.6 million, respectively. The Company s effective tax rate amounted to 34.5%, 33.9% and 33.4% during 2014, 2013 and 2012, respectively. The difference between the effective tax rate and the statutory tax rate primarily related to variances in items that are non-taxable or non-deductible, primarily the effect of tax-exempt income and various tax credits taken. See Note 13 to the Consolidated Financial Statements for additional information concerning our income taxes.

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of funds are from deposits, amortization of loans, loan prepayments and the maturity of loans, investment securities and other investments and other funds provided from operations. While scheduled payments from the amortization of loans and investment securities and maturing investment securities are relatively predictable sources of funds, deposit flows and loan prepayments can be greatly influenced by general interest rates, economic conditions and competition. We also maintain excess funds in short-term, interest-bearing assets that provide additional liquidity. As of December 31, 2014, our cash and cash equivalents totaled $29.1 million. In addition, as of such date, our available for sale investment securities totaled $174.8 million.

We use our liquidity to fund existing and future loan commitments, to fund maturing certificates of deposit and demand deposit withdrawals, to invest in other interest-earning assets, and to meet operating expenses. As of December 31, 2014, we had certificates of deposit maturing within the next 12 months totaling $151.4 million. Based upon historical experience, we anticipate that the majority of the maturing certificates of deposit will be redeposited with us in certificates of deposit or other deposit accounts.

In addition to cash flows from loan and securities payments and prepayments as well as from sales of available for sale securities, we have significant borrowing capacity available to fund liquidity needs. In recent years, we have utilized borrowings as a cost efficient addition to deposits as a source of funds. Our borrowings consist of advances from the FHLB, of which we are a member. Under terms of the collateral agreement with the FHLB, we may pledge residential mortgage loans and mortgage-backed securities as well as our stock in the FHLB as collateral for such advances. For the year ended December 31, 2014, the average balance of our outstanding FHLB advances was $94.5 million. As of December 31, 2014, we had $47.5 million in outstanding FHLB advances and $423.2 million in additional FHLB advances available to us.

Liquidity management is both a daily and long-term function of business management. Excess liquidity is generally invested in short-term investments such as overnight deposits. On a longer-term basis, the Company maintains a strategy of investing in various lending and investment security products. The Company uses its sources of funds primarily to meet its ongoing commitments and fund loan commitments. The Company has been able to generate sufficient cash through its deposits, as well as borrowings, and anticipates it will continue to have sufficient funds to meet its liquidity requirements.

ASSET/ LIABILITY MANAGEMENT AND MARKET RISK

The objective of asset/liability management is to implement strategies for the funding and deployment of the Company s financial resources that are expected to maximize soundness and profitability over time at acceptable levels of risk. Interest rate sensitivity is the potential impact of changing rate environments on both net interest income and cash flows. The Company measures its interest rate sensitivity over the near term primarily by running net interest income simulations.

Our interest rate sensitivity is also monitored by management through the use of models which generate estimates of the change in its net interest income over a range of interest rate scenarios. Based on the Company s interest rate risk model, the table below sets forth the results of immediate and sustained changes in interest rates as of December 31, 2014.

Shift in Interest Rates (in bps)	% Change in Projected Net Interest Income
+300	(0.5) %
+200	(0.1)
+100	

The actual impact of changes in interest rates will depend on many factors. These factors include the Company s ability to achieve expected growth in interest-earning assets and maintain a desired mix of interest-earning assets and interest-bearing liabilities, the actual timing of asset and liability repricings, the magnitude of interest rate changes and corresponding movement in interest rate spreads, and the level of success of asset/liability management strategies.

Market risk is the risk of loss from adverse changes in market prices and rates. Our market risk arises primarily from the interest rate risk which is inherent in our lending and deposit taking activities. To that end, management actively monitors and manages interest rate risk exposure. In addition to market risk, our primary risk is credit risk on our loan portfolio. We attempt to manage credit risk through our loan underwriting and oversight policies.

The principal objective of our interest rate risk management function is to evaluate the interest rate risk embedded in certain balance sheet accounts, determine the level of risk appropriate given our business strategy, operating environment, capital and liquidity requirements, performance objectives and interest rate environment and manage the risk consistent with approved guidelines. We seek to manage our exposure to risks from changes in interest rates while at the same time trying to improve our net interest spread. We monitor interest rate risk as such risk relates to our operating strategies. We have established an Asset/Liability Committee (ALCO), which is comprised of our Chief Executive Officer, Chief Financial Officer, Chief Banking Officer, Chief Credit Officer, Director of Financial Management and Treasurer. The ALCO is responsible for reviewing our asset/liability and investment policies and interest rate risk position. The ALCO meets at least monthly. The extent of the movement of interest rates is an uncertainty that could have a negative impact on future earnings.

In recent years, we primarily have utilized the following strategies in our efforts to manage interest rate risk:

- we have increased our originations of shorter term loans, particularly commercial real estate and commercial and industrial loans;
- we generally sell our conforming long-term (30-year) fixed-rate single-family residential mortgage loans into the secondary market; and
- we have invested in securities, consisting primarily of mortgage-backed securities and collateral mortgage obligations, with relatively short average lives, generally three to five years, and we maintain adequate amounts of liquid assets.

OFF-BALANCE SHEET ACTIVITIES

To meet the financing needs of its customers, the Company issues financial instruments which represent conditional obligations that are not recognized, wholly or in part, in the statements of financial condition. These financial instruments include commitments to extend credit and standby letters of credit. Such instruments expose the Company to varying degrees of credit and interest rate risk in much the same way as funded loans. The same credit policies are used in these commitments as for on-balance sheet instruments. The Company s exposure to credit losses from these financial instruments is represented by their contractual amounts.

The following table summarizes our outstanding commitments to originate loans and to advance additional amounts pursuant to outstanding letters of credit, lines of credit and the undisbursed portion of construction loans as of December 31 of the years indicated.

	Contract Amount	
(dollars in thousands)	**2014**	**2013**
Standby letters of credit	$ 5,405	$ 1,253
Available portion of lines of credit	107,242	60,755
Undisbursed portion of loans in process	54,200	72,333
Commitments to originate loans	96,506	48,854

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to be drawn upon, the total commitment amounts generally represent future cash requirements.

Unfunded commitments under commercial lines-of-credit and revolving credit lines are commitments for possible future extensions of credit to existing customers. These lines-of-credit usually do not contain a specified maturity date and may not be drawn upon to the total extent to which the Company is committed.

The Company is subject to certain claims and litigation arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, the ultimate disposition of these matters is not expected to have a material effect on the financial position or results of operations of the Company.

The following table summarizes our outstanding commitments to originate loans and to advance additional amounts pursuant to outstanding letters of credit, lines of credit and the undisbursed portion of construction loans as of December 31, 2014.

(dollars in thousands)	Less Than One Year	One to Three Years	Three to Five Years	Over Five Years	Total
Unused commercial lines of credit	$ 34,688	$ 28,452	$ 2,148	$	$ 65,288
Unused personal lines of credit	6,295	4,936	3,882	26,841	41,954
Undisbursed portion of loans in process	54,200				54,200
Commitments to originate loans	96,506				96,506
Standby letters of credit	5,397	8			5,405
Total	$ 197,086	$ 33,396	$ 6,030	$ 26,841	$ 263,353

The Company has utilized leasing arrangements to support the ongoing activities of the Company. The required payments under such commitments and other contractual cash commitments as of December 31, 2014 are shown in the following table.

(dollars in thousands)	2015	2016	2017	2018	2019	Thereafter	Total
Operating leases	$ 274	$ 275	$ 275	$ 227	$ 97	$ 586	$ 1,734
Certificates of deposit	151,480	41,800	8,892	2,822	2,907	12,874	220,775
Long-term FHLB advances		4,500	12,000				16,500
Total	$ 151,754	$ 46,575	$ 21,167	$ 3,049	$ 3,004	$ 13,460	$ 239,009

IMPACT OF INFLATION AND CHANGING PRICES

The financial statements, accompanying notes and related financial data of the Company presented herein have been prepared in accordance with GAAP, which require the measurement of financial position and operating results in terms of historical dollars without considering the changes in purchasing power of money over time due to inflation. The impact of inflation is reflected in the increased cost of operations. Most of our assets and liabilities are monetary in nature; therefore, the impact of interest rates has a greater impact on its performance than the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or to the same extent as the prices of goods and services.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

The information contained in the section captioned Management s Discussion and Analysis of Financial Condition and Results of Operations Asset/Liability Management and Market Risk in Item 7 hereof is incorporated herein by reference.

Item 8. **Financial Statements and Supplementary Data.**

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders

Home Bancorp, Inc.

Lafayette, Louisiana

We have audited the accompanying consolidated statements of financial condition of Home Bancorp, Inc. and subsidiary (the Company) as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, changes in shareholders equity, and cash flows for each of the three years in the period ended December 31, 2014. We also have audited the Company s internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. The Company s management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these financial statements and an opinion on the Company s internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that *(a)* pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; *(b)* provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and *(c)* provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

/s/ Porter Keadle Moore, LLC

Atlanta, Georgia

March 13, 2015

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HOME BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

	December 31, 2014	December 31, 2013
Assets		
Cash and cash equivalents	$ 29,077,907	$ 32,638,900
Interest-bearing deposits in banks	5,526,000	2,940,000
Investment securities available for sale, at fair value	174,800,516	149,632,153
Investment securities held to maturity (fair values of $11,889,335 and $9,275,158, respectively)	11,705,470	9,404,790
Mortgage loans held for sale	4,516,835	1,951,345
Loans covered by loss sharing agreements	18,581,589	21,673,808
Noncovered loans, net of unearned income	890,386,282	685,782,309
Total loans, net of unearned income	908,967,871	707,456,117
Allowance for loan losses	(7,759,500)	(6,918,009)
Total loans, net of unearned income and allowance for loan losses	901,208,371	700,538,108
Office properties and equipment, net	37,964,714	30,702,635
Cash surrender value of bank-owned life insurance	19,163,110	17,750,604
FDIC loss sharing receivable	4,588,807	12,698,077
Accrued interest receivable and other assets	32,862,880	25,984,346
Total Assets	$ 1,221,414,610	$ 984,240,958
Liabilities		
Deposits:		
Noninterest-bearing	$ 267,660,145	$ 174,475,044
Interest-bearing	725,912,448	566,837,372
Total deposits	993,572,593	741,312,416
Short-term Federal Home Loan Bank advances	31,000,000	87,000,000
Long-term Federal Home Loan Bank advances	16,500,000	10,000,000
Securities sold under repurchase agreements	20,370,892	
Accrued interest payable and other liabilities	5,827,369	4,019,013
Total Liabilities	1,067,270,854	842,331,429
Shareholders Equity		
Preferred stock, $0.01 par value - 10,000,000 shares authorized; none issued		
Common stock, $0.01 par value - 40,000,000 shares authorized; 9,008,745 and 8,958,395 shares issued; 7,123,442 and 7,099,314 shares outstanding, respectively	90,088	89,585
Additional paid-in capital	93,332,108	92,192,410
Treasury stock at cost - 1,885,303 and 1,859,081 shares, respectively	(28,572,891)	(28,011,398)
Unallocated common stock held by:		
Employee Stock Ownership Plan (ESOP)	(4,909,750)	(5,266,830)
Recognition and Retention Plan (RRP)	(202,590)	(1,018,497)
Retained earnings	93,101,915	83,729,144
Accumulated other comprehensive income	1,304,876	195,115
Total Shareholders Equity	154,143,756	141,909,529

Total Liabilities and Shareholders Equity	$ 1,221,414,610	$ 984,240,958

The accompanying Notes are an integral part of these Consolidated Financial Statements.

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HOME BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31,		
	2014	2013	2012
Interest Income			
Loans, including fees	$ 50,273,076	$ 40,535,633	$ 42,797,878
Investment securities	3,886,520	3,060,521	3,169,429
Other investments and deposits	162,965	124,355	154,820
Total interest income	54,322,561	43,720,509	46,122,127
Interest Expense			
Deposits	2,742,106	3,043,982	4,227,495
Securities sold under repurchase agreements	72,986		
Short-term Federal Home Loan Bank advances	125,021	46,716	39,592
Long-term Federal Home Loan Bank advances	343,306	412,210	646,782
Total interest expense	3,283,419	3,502,908	4,913,869
Net interest income	51,039,142	40,217,601	41,208,258
Provision for loan losses	2,364,358	3,652,694	2,411,214
Net interest income after provision for loan losses	48,674,784	36,564,907	38,797,044
Noninterest Income			
Service fees and charges	3,746,580	2,729,469	2,493,177
Bank card fees	2,178,194	1,730,960	1,795,960
Gain on sale of loans, net	1,212,157	1,553,598	1,963,365
Income from bank-owned life insurance	458,163	464,170	515,260
Gain on sale of securities, net	1,826	428,200	221,781
Accretion of FDIC loss sharing receivable	246,447	432,929	580,980
Other income	331,411	330,523	190,292
Total noninterest income	8,174,778	7,669,849	7,760,815
Noninterest Expense			
Compensation and benefits	24,386,501	20,329,834	19,687,444
Occupancy	4,670,318	3,524,567	3,276,166
Marketing and advertising	919,483	766,388	743,814
Data processing and communication	4,430,519	2,441,796	2,801,124
Professional services	1,159,814	1,060,656	890,205
Forms, printing and supplies	662,074	429,888	477,924
Franchise and shares tax	574,060	710,775	613,733
Regulatory fees	1,066,999	889,967	854,041
Foreclosed assets, net	996,633	522,903	1,051,397
Other expenses	2,905,191	2,527,922	2,367,210
Total noninterest expense	41,771,592	33,204,696	32,763,058
Income before income tax expense	15,077,970	11,030,060	13,794,801
Income tax expense	5,206,383	3,736,138	4,604,930

Net Income	$ 9,871,587	$ 7,293,922	$ 9,189,871
Earnings per share:			
Basic	$ 1.51	$ 1.11	$ 1.33
Diluted	$ 1.42	$ 1.06	$ 1.28
Cash dividends declared per common share	$ 0.07	$	$

The accompanying Notes are an integral part of these Consolidated Financial Statements.

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HOME BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the Years Ended December 31,		
	2014	**2013**	**2012**
Net Income	$ 9,871,587	$ 7,293,922	$ 9,189,871
Other Comprehensive (Loss) Income			
Unrealized (losses) gains on investment securities	$ 1,709,151	$ (4,177,585)	$ 2,511,726
Reclassification adjustment for gains included in net income	(1,826)	(428,200)	(221,781)
Tax effect	(597,564)	1,562,965	(778,581)
Other comprehensive income (loss), net of taxes	$ 1,109,761	$ (3,042,820)	$ 1,511,364
Comprehensive Income	$ 10,981,348	$ 4,251,102	$ 10,701,235

The accompanying Notes are an integral part of these Consolidated Financial Statements.

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HOME BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY

	Common Stock	Additional Paid-in Capital	Treasury Stock	Unallocated Common Stock Held by ESOP	Unallocated Common Stock Held by RRP	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2011	$ 89,335	$ 89,741,406	$ (15,892,315)	$ (5,980,990)	$ (2,644,523)	$ 67,245,351	$ 1,726,571	$ 134,284,835
Net income						9,189,871		9,189,871
Other comprehensive income							1,511,364	1,511,364
Treasury stock acquired at cost, 337,887 shares			(5,827,639)					(5,827,639)
Exercise of stock options	171	206,355						206,526
RRP shares released for allocation		(680,600)			812,764			132,164
ESOP shares released for allocation		254,951		357,080				612,031
Share-based compensation cost		1,464,708						1,464,708
Balance, December 31, 2012	$ 89,506	$ 90,986,820	$ (21,719,954)	$ (5,623,910)	$ (1,831,759)	$ 76,435,222	$ 3,237,935	$ 141,573,860
Net income						7,293,922		7,293,922
Other comprehensive income							(3,042,820)	(3,042,820)
Treasury stock acquired at cost, 347,713 shares			(6,291,444)					(6,291,444)
Exercise of stock options	79	91,026						91,105
RRP shares released for allocation		(655,173)			813,262			158,089
ESOP shares released for allocation		295,680		357,080				652,760
Share-based compensation cost		1,474,057						1,474,057
Balance, December 31, 2013	$ 89,585	$ 92,192,410	$ (28,011,398)	$ (5,266,830)	$ (1,018,497)	$ 83,729,144	$ 195,115	$ 141,909,529
Net income						9,871,587		9,871,587
Other comprehensive income							1,109,761	1,109,761

Treasury stock acquired at cost, 26,222 shares			(561,493)					(561,493)
Cash dividends declared, $0.07 per share						(498,816)		(498,816)
Exercise of stock options	503	580,585						581,088
RRP shares released for allocation		(584,015)			815,907			231,892
ESOP shares released for allocation		447,496		357,080				804,576
Share-based compensation cost		695,632						695,632
Balance, December 31, 2014	$ 90,088	$ 93,332,108	$ (28,572,891)	$ (4,909,750)	$ (202,590)	$ 93,101,915	$ 1,304,876	$ 154,143,756

The accompanying Notes are an integral part of these Consolidated Financial Statements.

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HOME BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
	2014	**2013**	**2012**
Cash flows from operating activities, net of effects of acquisition:			
Net income	$ 9,871,587	$ 7,293,922	$ 9,189,871
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	2,364,358	3,652,694	2,411,214
Depreciation	1,737,579	1,420,986	1,452,244
Amortization (accretion) of purchase accounting valuations and intangibles	8,650,398	1,500,774	(470,654)
Net amortization of mortgage servicing asset	160,071	195,938	195,337
Federal Home Loan Bank stock dividends	(18,800)	(9,300)	(16,400)
Net amortization of discount on investments	1,327,352	1,085,587	1,167,661
(Gain) loss on sale of investment securities, net	(1,826)	(428,200)	(221,781)
Gain on loans sold, net	(1,212,157)	(1,553,598)	(1,963,365)
Proceeds, including principal payments, from loans held for sale	113,074,911	83,134,006	80,132,706
Originations of loans held for sale	(112,793,674)	(78,005,929)	(82,385,735)
Non-cash compensation	1,451,883	2,126,817	2,076,739
Deferred income tax expense (benefit)	516,456	(1,265,038)	324,101
Decrease in interest receivable and other assets	7,688,608	2,187,267	1,394,971
Increase in cash surrender value of bank-owned life insurance	(458,163)	(464,170)	(515,260)
(Decrease) increase in accrued interest payable and other liabilities	(4,458,388)	403,640	(1,430,418)
Net cash provided by operating activities	27,900,195	21,275,396	11,341,231
Cash flows from investing activities, net of effects of acquisition:			
Purchases of securities available for sale	(22,810,016)	(34,548,121)	(48,295,723)
Purchases of securities held to maturity	(3,000,747)	(8,383,189)	
Proceeds from maturities, prepayments and calls on securities available for sale	29,337,106	29,285,461	32,380,480
Proceeds from maturities, prepayments and calls on securities held to maturity	466,470	561,882	1,795,877
Proceeds from sales on securities available for sale	66,905,382	7,704,863	15,264,114
Increase in loans, net	(57,637,109)	(42,046,336)	(8,022,909)
Reimbursement from FDIC for covered assets	837,396	1,463,468	3,135,373
Decrease in interest-bearing deposits in banks	1,237,000	589,000	2,054,000
Proceeds from sale of repossessed assets	6,771,868	5,926,909	6,988,434
Purchases of office properties and equipment	(3,304,837)	(1,346,437)	(1,451,819)
Proceeds from sale of properties and equipment	60,480		1,048,771
Net cash disbursed in business combinations	(22,995,649)		
Purchases of Federal Home Loan Bank stock	(3,024,600)	(4,007,100)	(66,500)
Proceeds from redemption of Federal Home Loan Bank stock	5,360,300	1,926,300	3,010,400
Net cash provided (used in) by investing activities	(1,796,956)	(42,873,300)	7,840,498
Cash flows from financing activities, net of effects of acquisition:			
Increase (decrease) in deposits	35,778,663	(30,043,203)	41,134,716
(Decrease) increase in Federal Home Loan Bank advances	(58,649,000)	50,940,980	(46,925,404)
Decrease in securitites sold under repurchase agreements	(6,314,674)		
Proceeds from exercise of stock options	581,088	91,105	206,526
Dividends paid to shareholders	(498,816)		
Purchase of treasury stock	(561,493)	(6,291,444)	(5,827,639)
Net cash provided (used in) by financing activities	(29,664,232)	14,697,438	(11,411,801)

Net change in cash and cash equivalents	(3,560,993)	(6,900,466)	7,769,928
Cash and cash equivalents at beginning of year	32,638,900	39,539,366	31,769,438
Cash and cash equivalents at end of year	$ 29,077,907	$ 32,638,900	$ 39,539,366
Supplementary cash flow information:			
Interest paid on deposits and borrowed funds	$ 3,524,374	$ 3,377,227	$ 5,794,525
Income taxes paid	5,140,000	3,025,000	5,450,000
Noncash investing and financing activities:			
Transfer of loans to repossessed assets	$ 8,062,009	$ 4,824,784	$ 6,829,932

The accompanying Notes are an integral part of these Consolidated Financial Statements.

HOME BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business

Home Bancorp, Inc., a Louisiana Corporation (Company), was organized by Home Bank (Bank) in May 2008 to facilitate the conversion of the Bank from the mutual to the stock form (Conversion) of ownership. The Conversion was completed on October 2, 2008, at which time the Company became the holding company for the Bank, with the Company owning all of the issued and outstanding shares of the Bank s common stock. Shares of the Company s common stock were issued and sold in an offering to certain depositors of the Bank. The Company and Bank are headquartered in Lafayette, Louisiana. As of December 31, 2014, the Company was a savings and loan holding company.

As of December 31, 2014, Home Bank was a federally chartered stock savings bank. The Bank was originally chartered in 1908 as a Louisiana state chartered savings association. The Bank converted to a federal mutual savings bank charter in 1993. In 2010, the Bank expanded into the Northshore (of Lake Ponchartrain) through a Federal Deposit Insurance Corporation (FDIC) assisted acquisition of certain assets and liabilities of the former Statewide Bank (Statewide). In July 2011, the Bank expanded into the Greater New Orleans region through its acquisition of GS Financial Corporation (GSFC), the former holding company of Guaranty Savings Bank (Guaranty). In February 2014, the Bank expanded into west Mississippi through its acquisition of Britton & Koontz Capital Corporation (Britton & Koontz), the holding company for Britton & Koontz Bank, N.A. (Britton & Koontz Bank) of Natchez, Mississippi. As of December 31, 2014, the Bank conducts business from 27 banking offices in the Greater Lafayette, Northshore, Baton Rouge and Greater New Orleans regions of south Louisiana and west Mississippi.

The Bank is primarily engaged in attracting deposits from the general public and using those funds to invest in loans and investment securities. The Bank s principal sources of funds are customer deposits, repayments of loans, repayments of investments and funds borrowed from outside sources such as the Federal Home Loan Bank (FHLB) of Dallas. The Bank derives its income principally from interest earned on loans and investment securities and, to a lesser extent, from fees received in connection with the origination of loans, service charges on deposit accounts and for other services. The Bank s primary expenses are interest expense on deposits and borrowings and general operating expenses.

The Bank is regulated by the Office of the Comptroller of the Currency (OCC) and its deposits are insured to the maximum amount permissible under federal law by the FDIC. In July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) was passed by Congress. The act, among other things, imposed new restrictions and an expanded framework of regulatory oversight for financial institutions and their holding companies, including the Bank and the Company. The law also created a new Consumer Financial Protection Bureau (CFPB) that has the authority to promulgate rules intended to protect consumers in the financial products and services market. Because many of the regulations under the new law have not been promulgated, we cannot determine the full impact on our business and operations at this time.

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2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and the Bank. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term include, but are not limited to, the determination of the allowance for loan losses, income taxes, valuation of investments with other-than-temporary impairment, acquisition accounting valuations and valuation of share-based compensation.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, due from banks and interest-bearing deposits with the FHLB. The Company considers all highly liquid debt instruments with original maturities of three months or less (excluding interest-bearing deposits in banks) to be cash equivalents.

The Bank is required to maintain cash reserves with the FRB. The requirement is dependent upon the Bank s cash on hand or noninterest-bearing balances. The reserve requirements as of December 31, 2014 and 2013 were $6,742,000 and $13,601,000, respectively, and the Bank was in compliance with such requirements at such dates.

Investment Securities

The Company follows the guidance under the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 320, *Investments Debt and Equity Securities*. This standard addresses the accounting and reporting for investments in equity securities that have readily determinable fair values and for all investments in debt securities. Under the topic, investment securities, which the Company both positively intends and has the ability to hold to maturity, are classified as held to maturity and carried at amortized cost.

Investment securities that are acquired with the intention of being resold in the near term are classified as trading securities under ASC 320 and are carried at fair value, with unrealized holding gains and losses recognized in current earnings. The Company did not hold any securities for trading purposes at, or during the years ended, December 31, 2014 or 2013.

Securities not meeting the criteria of either trading securities or held to maturity are classified as available for sale and are carried at fair value. Unrealized holding gains and losses for these securities are recognized, net of related income tax effects in the Consolidated Statements of Comprehensive Income.

Interest income earned on securities either held to maturity or available for sale is included in current earnings, including the amortization of premiums and the accretion of discounts using the interest method. Premiums and discounts are amortized or accreted over the life of the related security as an adjustment to the yield. The gain or loss realized on the sale of securities classified as available for sale and held to maturity, as determined using the specific identification method for determining the cost of the securities sold, is computed with reference to its amortized cost and is also included in current earnings.

The Company reviews investment securities for other-than-temporary impairment quarterly. Impairment is considered to be other-than-temporary if it is likely that all amounts contractually due will not be received for debt securities and when there is no positive evidence indicating that an investment s carrying amount is recoverable in the near term for equity securities. When a decline in the fair value of available for sale and held to maturity securities below cost is deemed to be credit related, a charge for other-than-temporary impairment is included in earnings as Other-than-temporary impairment of securities . The decline in fair value attributed to non-credit related factors is recognized in other comprehensive income and a new cost basis for the security is established. The new cost basis is not changed for subsequent recoveries in fair value. Increases and decreases

between fair value and cost on available for sale securities are reflected in the Consolidated Statements of Comprehensive Income. In evaluating whether impairment is temporary or other-than-temporary, the Company considers, among other things, the time period the security has been in an unrealized loss position; the financial condition of the issuer and its industry; recommendations of investment advisors; economic forecasts; market or industry trends; changes in tax laws, regulations, or other governmental policies significantly affecting the issuer; any downgrades from rating agencies; and any reduction or elimination of dividends. The Company s intent and ability to hold a security for a period of time sufficient to allow for any anticipated recovery in fair value is also considered.

Loans Held for Sale

The Company sells mortgage loans and loan participations for an amount equal to the principal amount of loans or participations with yields to investors based upon current market rates. Realized gains and losses related to loan sales are included in noninterest income.

The Company allocates the cost to acquire or originate a mortgage loan between the loan and the right to service the loan if it intends to sell or securitize the loan and retain servicing rights. In addition, the Company periodically assesses capitalized mortgage servicing rights for impairment based on the fair value of such rights. To the extent that temporary impairment exists, write-downs are recognized in current earnings as an adjustment to the corresponding valuation allowance. Permanent impairment is recognized through a write-down of the asset with a corresponding reduction in the valuation allowance. For purposes of performing its impairment evaluation, the portfolio is stratified on the basis of certain risk characteristics, including loan type and interest rates. Capitalized servicing rights are amortized over the period of, and in proportion to, estimated net servicing income, which considers appropriate prepayment assumptions.

For financial reporting purposes, the Company classifies a portion of its loan portfolio as Mortgage loans held for sale. Included in this category are loans which the Company has the current intent to sell and loans which are available to be sold in the event that the Company determines that loans should be sold to support the Company s investment and liquidity objectives, as well as to support its overall asset and liability management strategies. Loans included in this category for which the Company has the current intention to sell are recorded at the lower of aggregate cost or fair value. As of December 31, 2014 and 2013, the Company had $4,517,000 and $1,951,000, respectively, in loans classified as Mortgage loans held for sale.

As of December 31, 2014 and 2013, the Company had $103,447,000 and $119,922,000, respectively, outstanding in loans sold to government agencies that it was servicing through a third party.

Loans

The following briefly describes the distinction between originated, non-covered acquired and covered loans and certain significant accounting policies relevant to each category.

Originated Loans

Loans are carried net of discounts on loan originations and purchased loans are amortized using the level yield interest method over the remaining contractual life of the loan. Nonrefundable loan origination fees, net of direct loan origination costs, are deferred and recognized over the life of the loan as an adjustment of yield using the interest method.

Interest on loans receivable is accrued as earned using the interest method over the life of the loan. Interest on loans deemed uncollectible is excluded from income. The accrual of interest is discontinued and reversed against current income once loans become more than 90 days past due or earlier if conditions warrant. The past due status of loans is determined based on the contractual terms. When a loan is placed on nonaccrual status, previously accrued and uncollected interest is charged against interest income on loans. Interest payments are applied to reduce the principal balance on nonaccrual loans. Loans are returned to accrual status when all past due payments are received in full and future payments are probable.

Third party property valuations are obtained at the time of origination for real estate secured loans. When a determination is made that a loan has deteriorated to the point of becoming a problem loan, updated valuations may be ordered to help determine if there is impairment, which may lead to a recommendation for partial charge

off or appropriate allowance allocation. Property valuations are ordered through, and reviewed by, the Company s Appraisal and Review Department. The Company typically orders an as is valuation for collateral property if the loan is in a criticized loan classification.

Loans, or portions of loans, are charged off in the period that such loans, or portions thereof, are deemed uncollectible. The collectability of individual loans is determined through an estimate of the fair value of the underlying collateral and/or assessment of the financial condition and repayment capacity of the borrower.

Non-covered Acquired Loans

Non-covered acquired loans at December 31, 2014 and 2013 are those associated with our acquisition of GSFC and Britton & Koontz. These loans were recorded at estimated fair value at the acquisition date with no carryover of the related allowance for loan losses. The non-covered acquired loans were segregated between those considered to be performing (acquired performing) and those with evidence of credit deterioration (acquired impaired), and then further segregated into loan pools designed to facilitate the development of expected cash flows. The fair value estimate for each pool of acquired performing and acquired impaired loans was based on the estimate of expected cash flows, both principal and interest, from that pool, discounted at prevailing market interest rates.

The difference between the fair value of an acquired performing loan pool and the contractual amounts due at the acquisition date (the fair value discount) is accreted into income over the estimated life of the pool. Management estimates an allowance for loan losses for acquired performing loans using a methodology similar to that used for originated loans. The allowance determined for each loan pool is compared to the remaining fair value discount for that pool. If the allowance amount calculated under the Company s methodology is greater than the Company s remaining discount, the additional amount called for is added to the reported allowance through a provision for loan losses. If the allowance amount calculated under the Company s methodology is less than the Company s recorded discount, no additional allowance or provision is recognized. Actual losses first reduce any remaining fair value discount for the loan pool. Once the discount is fully depleted, losses are applied against the allowance established for that pool. Acquired performing loans are placed on nonaccrual status and considered and reported as nonperforming or past due using the same criteria applied to the originated portfolio.

The excess of cash flows expected to be collected from an acquired impaired loan pool over the pool s estimated fair value at acquisition is referred to as the accretable yield and is recognized in interest income using an effective yield method over the remaining life of the pool. Each pool of acquired impaired loans is accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows.

Management recasts the estimate of cash flows expected to be collected on each acquired impaired loan pool periodically. If the present value of expected cash flows for a pool is less than its carrying value, an impairment is recognized by an increase in the allowance for loan losses and a charge to the provision for loan losses. If the present value of expected cash flows for a pool is greater than its carrying value, any previously established allowance for loan losses is reversed and any remaining difference increases the accretable yield which will be taken into interest income over the remaining life of the loan pool. Acquired impaired loans are generally not subject to individual evaluation for impairment and are not reported with impaired loans, even if they would otherwise qualify for such treatment.

Covered Loans and the Related Loss Share Receivable

The loans purchased in the Company s 2010 acquisition of certain assets and liabilities of Statewide are covered by loss share agreements between the FDIC and the Company that afford the Company significant loss protection. In connection with the transaction, Home Bank entered into loss sharing agreements with the FDIC which cover the acquired loan portfolio (Covered Loans) and repossessed assets (collectively referred to as Covered Assets). Under the terms of the loss sharing agreements, the FDIC will, subject to the terms and conditions of the agreements, absorb 80% of the first $41,000,000 of losses incurred on Covered Assets and 95% of losses on Covered Assets exceeding $41,000,000 during the periods specified in the loss sharing agreements. These Covered Loans are accounted for as acquired impaired loans as described above. The loss share receivable is measured separately from the related covered loans as it is not contractually embedded in the loans and is not transferable should the loans be sold. The fair value of the loss share receivable at acquisition was estimated by discounting projected cash flows related to the loss share agreements based on the expected reimbursements for losses using the applicable loss share percentages. The discounted amount is accreted into non-interest income over the remaining life of the covered loan pool or the life of the loss share agreement.

The loss share receivable is reviewed and updated prospectively as loss estimates related to covered loans change. Increases in expected reimbursements under the loss sharing agreements from a covered loan pool will lead to an increase in the loss share receivable. A decrease in expected reimbursements is reflected first as a reversal of any previously recorded increase in the loss share receivable on the covered loan pool with the remainder reflected as a reduction in the loss share receivable s accretion rate. Increases and decreases in the loss share receivable can result in reductions in or additions to the provision for loan losses, which serve to offset the impact on the provision from impairment recognized on the underlying covered loan pool and reversals of previously recognized impairment. The impact on operations of a reduction in the loss share receivable s accretion rate is associated with an increase in the accretable yield on the underlying loan pool.

Allowance for Loan Losses

The allowance for loan losses on loans in our portfolio is maintained at an amount which management believes covers the reasonably estimable and probable losses on such portfolio. The allowance for loan losses is comprised of specific and general reserves. The Company determines specific reserves based on the provisions of ASC 310, *Receivables*. The Company s allowance for loan losses includes a measure of impairment related to those loans specifically identified for evaluation under the topic. This measurement is based on a comparison of the recorded investment in the loan with either the expected cash flows discounted using the loan s original effective interest rate, observable market price for the loan or the fair value of the collateral underlying certain collateral-dependent loans. General reserves are based on management s evaluation of many factors, including current economic trends, industry experience, historical loss experience (generally three years), industry loan concentrations, the borrowers abilities to repay and repayment performance, probability of foreclosure and estimated collateral values. As these factors change, adjustments to the loan loss reserve are charged to current operations. Loans that are determined to be uncollectible are charged-off against the allowance for loan losses once that determination is made.

While management uses available information to make loan loss allowance evaluations, adjustments to the allowance may be necessary based on changes in economic and other conditions or changes in accounting guidance. The OCC, as an integral part of its examination processes, periodically reviews the allowance for loan losses. The OCC may require the recognition of adjustments to the allowance for loan losses based on their judgment of information available to them as of the time of their examinations. To the extent the OCC s estimates differ from management s estimates, additional provisions to the allowance for loan losses may be required as of the time of their examination. As part of the risk management program, an independent review is performed on the loan portfolio, which supplements management s assessment of the loan portfolio and the allowance for loan losses. The result of the independent review is reported directly to the Audit Committee of the Board of Directors.

Repossessed Assets

Repossessed assets are recorded at fair value less estimated selling costs at the date acquired or upon receiving new property valuations. Costs relating to the development and improvement of foreclosed property are capitalized, and costs relating to holding and maintaining the property are expensed. Write-downs from cost to fair value at the dates of foreclosure are charged against the allowance for loan losses. Valuations are performed periodically and a charge to operations is recorded if the carrying value of a property exceeds its fair value less selling costs. Generally, the Company appraises the property at the time of foreclosure and at least every 12 months following the foreclosure. Excluding Covered Assets, the Company had $3,590,000 and $1,406,000 of repossessed assets as of December 31, 2014 and 2013, respectively. Including Covered Assets, the Company had $5,214,000 and $4,566,000 of repossessed assets as of December 31, 2014 and 2013, respectively. Repossessed Assets are recorded in accrued interest receivable and other assets on the Consolidated Statements of Financial Condition.

Federal Home Loan Bank Stock

As a member of the FHLB, the Bank is required to maintain a minimum investment in its stock that varies with the level of FHLB advances outstanding. The stock is bought from and sold to the FHLB based upon its $100 par value. The stock does not have a readily determinable fair value and as such is classified as restricted stock,

carried at cost and evaluated for impairment in accordance with GAAP. The stock s value is determined by the ultimate recoverability of the par value rather than by recognizing temporary declines. The determination of whether the par value will ultimately be recovered is influenced by criteria such as: (a) the significance of the decline in net assets of the FHLB as compared to the capital stock amount and the length of time this situation has persisted, (b) commitments by the FHLB to make payments required by law or regulation and the level of such payments in relation to the operating performance, (c) the impact of legislative and regulatory changes on the customer base of the FHLB and (d) the liquidity position of the FHLB.

Office Properties and Equipment

Office properties and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method with rates based on the estimated useful lives of the individual assets, which range from 3 to 40 years. Expenditures which substantially increase the useful lives of existing property and equipment are capitalized while routine expenditures for repairs and maintenance are expensed as incurred.

Cash Surrender Value of Bank-owned Life Insurance

Life insurance contracts represent single premium life insurance contracts on the lives of certain officers of the Bank. The Bank is the beneficiary of these policies. These contracts are reported at their cash surrender value and changes in the cash surrender value are included in noninterest income.

Intangible Assets

Intangible assets consist of goodwill, core deposit intangibles and mortgage servicing rights. These assets are recorded in accrued interest receivable and other assets on the Consolidated Statements of Financial Condition. Goodwill represents the excess purchase price over the fair value of net assets acquired in business acquisitions. Goodwill is not amortized but rather is evaluated for impairment at least annually. Core deposit intangibles represent the estimated value related to customer deposit relationships assumed in the Company s acquisitions. Core deposit intangibles are being amortized over nine or 10 years using an accelerated method. The mortgage servicing rights represent servicing assets related to mortgage loans sold and serviced at fair value. Mortgage servicing rights are being amortized over a maximum of 10 years using an accelerated method.

Transfer of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been relinquished. Control over transferred assets is deemed to be surrendered when the assets have been isolated from the Company, the transferee obtains the right, free of conditions that constrain it from taking advantage of that right, to pledge or exchange the transferred assets and the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before maturity.

Salary Continuation Agreements

The Company records the expense associated with its salary continuation agreements over the service periods of the persons covered under these agreements.

Income Taxes

The Company accounts for income taxes under the liability method. Deferred tax assets and liabilities are recorded for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax benefits are recognized to the extent that realization of such benefits is more likely than not. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the assets and liabilities are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income taxes during the period that includes the enactment date.

In the event the future tax consequences of differences between the financial reporting bases and the tax bases of the Company s assets and liabilities results in deferred tax assets, an evaluation of the probability of being able to realize the future benefits indicated by such asset is required. A valuation allowance is provided for the portion of the deferred tax asset when it is more likely than not that some or all of the deferred tax asset will not be realized. In assessing the realizability of the deferred tax assets, management considers the scheduled reversals of deferred tax liabilities, projected future taxable earnings and tax planning strategies.

The income tax benefit or expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities.

A tax position is recognized as a benefit only if it is more likely than not that the tax position would be sustained in a tax examination, with a tax examination presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50 percent likely of being realized on examination. For tax positions not meeting the more likely than not test, no tax benefit is recorded.

The Company recognizes interest and penalties accrued related to unrecognized tax benefits, if applicable, in noninterest expense. During the years ended December 31, 2014, 2013, and 2012, the Company did not recognize any interest or penalties in its financial statements, nor has it recorded an accrued liability for interest or penalty payments.

Stock-based Compensation Plans

The Company issues stock options under the 2009 Stock Option Plan to directors, officers and other key employees. In accordance with the requirements of ASC 718, *Compensation Stock Compensation*, the Company has adopted a fair value based method of accounting for employee stock compensation plans, whereby compensation cost is measured as of the grant date based on the fair value of the award and is recognized over the service period, which is usually the vesting period.

The Company issues restricted stock under the 2009 Recognition and Retention Plan (RRP) for directors, officers and other key employees. The RRP allows for the issuance of restricted stock awards that may not be sold or otherwise transferred until certain restrictions have lapsed. The holders of the restricted stock have the right to vote the shares as awards are earned. The unearned compensation related to these awards is amortized to compensation expense over the service period, which is usually the vesting period. The total share-based compensation expense for these awards is determined based on the market price of the Company s common stock as of the date of grant applied to the total number of shares granted and is amortized over the vesting period.

Earnings Per Share

Earnings per share represents income available to common shareholders divided by the weighted-average number of common shares outstanding during the period. Diluted earnings per share reflects additional common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed issuance.

Comprehensive Income

GAAP generally requires that recognized revenues, expenses, gains and losses be included in net earnings. Although certain changes in assets and liabilities, such as unrealized gains and losses on available for sale securities, are reported as a separate component of the equity section of the balance sheets, such items, along with net earnings, are components of comprehensive income. The tax effect for unrealized gains on investment securities was $598,203, ($1,413,095) and $853,987 for the periods ending December 31, 2014, 2013 and 2012, respectively. The reclassification adjustment for gains included in net income had a tax effect of ($639), ($149,870) and ($75,406) for the periods ending December 31, 2014, 2013 and 2012. Comprehensive income is reflected in the Consolidated Statements of Comprehensive Income.

Reclassifications

Certain reclassifications have been made to prior period balances to conform to the current period presentation.

Recent Accounting Pronouncements

In July 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2013-11, Income Taxes (Topic 740), which clarifies the presentation requirements of unrecognized tax benefits when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists at the reporting date. The amendments in this ASU are effective for fiscal years, and interim periods within those years, beginning after December 15, 2014 and should be applied prospectively. The adoption of this ASU is not expected to have a material effect on our Consolidated Financial Statements.

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In January 2014, the FASB issued ASU No. 2014-01, Accounting for Investments in Qualified Affordable Housing Projects. ASU No. 2014-01 permits reporting entities to make an accounting policy election to account for their investments in qualified affordable housing projects using the proportional amortization method if certain conditions are met. Under the proportional amortization method, an entity amortizes the initial cost of the investment in proportion to the tax credits and other tax benefits received and recognize the net investment performance in the income statement as a component of income tax expense. This new guidance also requires new disclosures for all investors in these projects. ASU No. 2014-01 is effective for interim and annual reporting periods beginning after December 15, 2014. Upon adoption, the guidance must be applied retrospectively to all periods presented. However, entities that use the effective yield method to account for investments in these projects before adoption may continue to do so for these pre-existing investments. The adoption of ASU No. 2014-01 is not expected to have a material impact on the Company s Consolidated Financial Statements.

In January 2014, the FASB issued ASU No. 2014-04, Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure. The objective of this guidance is to clarify when an in substance repossession or foreclosure occurs, that is, when a creditor should be considered to have received physical possession of residential real estate collateralizing a consumer mortgage loan such that the loan receivable should be derecognized and the real estate recognized. ASU No. 2014-04 states that an in substance repossession or foreclosure occurs, and a creditor is considered to have received physical possession of residential real estate collateralizing a consumer mortgage loan, upon either (1) the creditor obtaining legal title to the residential real estate upon completion of a foreclosure or (2) the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. Additionally, ASU No. 2014-04 requires interim and annual disclosure of both (1) the amount of foreclosed residential real estate held by the creditor and (2) the recorded investment in consumer mortgage loans collateralized by residential real estate that are in the process of foreclosure according to local requirements of the applicable jurisdiction. ASU No. 2014-04 is effective for interim and annual reporting periods beginning after December 15, 2014. The adoption of ASU No. 2014-04 is not expected to have a material impact on the Company s Consolidated Financial Statements.

In June 2014, the FASB issued ASU 2014-11, Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures. The ASU makes limited amendments to the current guidance on accounting for certain repurchase agreements. The ASU also expands disclosure requirements for certain transfers of financial assets accounted for as sales or as secured borrowings. The ASU is effective for interim and annual periods after December 15, 2014. The adoption of this ASU is not expected to have a material effect on our Consolidated Financial Statements.

In June 2014, the FASB issued ASU 2014-12, Compensation Stock Compensation (Topic 718), which clarifies the recognition of stock compensation over the required service period, if it is probable that the performance condition will be achieved. The ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015 and should be applied prospectively. The adoption of this ASU is not expected to have a material effect on our Consolidated Financial Statements.

In August 2014, the FASB issued ASU 2014-14, Troubled Debt Restructurings by Creditors Classification of Certain Government- Guaranteed Mortgage Loans upon Foreclosure. ASU 2014-14 addresses the classification of certain foreclosed mortgage loans held by creditors that are either fully or partially guaranteed under government programs. Under certain government-sponsored loan guarantee programs, qualifying creditors can extend mortgage loans to borrowers with a guarantee that entitles the creditor to recover all or a portion of the unpaid principal balance from the government if the borrower defaults. The ASU requires that a mortgage loan be derecognized and that a separate other receivable be recognized upon foreclosure if certain conditions are met. The separate other receivable should be measured based on the amount of the loan balance (principal and interest) expected to be recovered. The ASU is effective for interim and annual periods after December 15, 2014. The adoption of this ASU is not expected to have a material effect on our Consolidated Financial Statements.

In August 2014, the FASB issued ASU 2014-15, Presentation of Financial Statements Disclosure of Uncertainties about an Entity s Ability to Continue as a Going Concern. ASU 2014-15 requires companies to evaluate whether there are conditions and events that raise substantial doubt about the entity s ability to continue as a going concern within one year after the financial statements are issued. Management will be required to make the evaluation and disclose for both annual and interim reporting periods. The ASU is effective for interim and annual periods after December 15, 2016. The adoption of this ASU is not expected to have a material effect on our Consolidated Financial Statements.

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In November 2014, the FASB issued ASU 2014-17, Pushdown Accounting. All acquired entities have the option to apply pushdown accounting when an acquirer obtains control of them. The guidance is effective immediately. The adoption of this ASU is not expected to have a material effect on our Consolidated Financial Statements.

3. Acquisition Activity

Britton & Koontz Capital Corporation. On February 14, 2014, the Company completed the acquisition of Britton & Koontz Capital Corporation (Britton & Koontz), the former holding company of Britton & Koontz Bank, N.A. (Britton & Koontz Bank) of Natchez, Mississippi. Shareholders of Britton & Koontz received $16.14 per share in cash, yielding an aggregate purchase price of $34,515,000.

The acquisition was accounted for under the purchase method of accounting in accordance with ASC 805, *Business Combinations*. In accordance with ASC 805, the Company recorded goodwill totaling $43,000 from the acquisition as a result of consideration transferred over net assets acquired. Both the assets acquired and liabilities assumed were recorded at their respective acquisition date fair values. Identifiable intangible assets, including core deposit intangible assets, were recorded at fair value.

The fair value estimates of the Britton & Koontz assets and liabilities recorded are preliminary and subject to refinement as additional information becomes available. Under current accounting principles, the Company s estimates of fair values may be adjusted for a period of up to one year from the acquisition date.

The assets acquired and liabilities assumed, as well as the adjustments to record the assets and liabilities at fair value, are presented in the following table as of February 14, 2014.

(dollars in thousands)	As Acquired	Fair Value Adjustments	As recorded by Home Bancorp
Assets			
Cash and cash equivalents	$ 15,342	$	$ 15,342
Investment securities	96,952	1,033 [a]	97,985
Loans	170,083	(8,502) [b]	161,581
Repossessed assets	2,699	(871) [c]	1,828
Office properties and equipment, net	6,566	(811) [d]	5,755
Core deposit intangible		3,030 [e]	3,030
Other assets	9,212	4,197 [f]	13,409
Total assets acquired	$ 300,854	$ (1,924)	$ 298,930
Liabilities			
Interest-bearing deposits	$ 156,839	$ 186 [g]	$ 157,025
Noninterest-bearing deposits	59,575		59,575
FHLB advances	9,149	103 [h]	9,252
Other borrowings	26,315	976 [i]	27,291
Other liabilities	11,125	190	11,315
Total liabilities assumed	$ 263,003	$ 1,455	$ 264,458
Excess of assets acquired over liabilities assumed			34,472
Cash consideration paid			(34,515)
Total goodwill recorded			$ 43

(a) The adjustment represents the market value adjustments on Britton & Koontz s investments based on their interest rate risk and credit risk.

(b) The adjustment to reflect the fair value of loans includes:

Adjustment of $2.1 million to reflect the removal of Britton & Koontz s allowance for loan losses in accordance with ASC 805;

Adjustment of $6.3 million for loans within the scope of ASC 310-30. As a result of an analysis by management of all impaired loans, $20.1 million of loans were determined to be within the scope of, and were evaluated under, ASC 310-30. The contractually required payments receivable related to ASC 310-30 loans is approximately $34.0 million with expected cash flow to be collected of $16.0 million. The estimated fair value of such loans is $13.8 million, with a nonaccretable difference of $17.9 million and an accretable yield of $2.3 million; and

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Adjustment of $4.3 million for all remaining loans determined not to be within the scope of ASC 310-30. Loans which are not within the scope of ASC 310-30 totaled $151.5 million. In determining the fair value of the loans which are not within the scope of ASC 310-30, the acquired loan portfolio was evaluated based on risk characteristics and other credit and market criteria to determine a credit quality adjustment to the fair value of the loans acquired. The acquired loan balance was reduced by the aggregate amount of the credit quality adjustment in determining the fair value of the loans.

(c) The adjustment represents the write down of the book value of Britton & Koontz s repossessed assets to their estimated fair value, as adjusted for estimated costs to sell.
(d) The adjustment represents the adjustment of Britton & Koontz s office properties and equipment to their estimated fair value at the acquisition date.
(e) The adjustment represents the value of the core deposit base assumed in the acquisition. The core deposit asset was recorded as an identifiable intangible asset and will be amortized on an accelerated basis over the estimated life of the deposit base of 15 years.
(f) The adjustment is to record the deferred tax asset on the transaction and the estimated fair value on other assets.
(g) The adjustment represents the fair value of certificates of deposit acquired based on current interest rates for similar instruments. The adjustment will be recognized using a level yield amortization method based on maturities of the deposit liabilities.
(h) The adjustment is to record the fair value of FHLB advances acquired at various terms and maturities based on market rates at the acquisition date. The adjustment will be recognized using a level yield amortization method based on maturities of the borrowings.
(i) The adjustment is to record the fair value of other borrowings acquired at various terms and maturities based on market rates at the acquisition date. The adjustment will be recognized using a level yield amortization method based on maturities of the borrowings.

Acquired loans which are impaired as of the date of acquisition are accounted for under ASC 310-30, Loans and Debt Securities Acquired with Deteriorated Credit Quality. In accordance with ASC 310-30 and in estimating the fair value of the acquired loans with deteriorated credit quality as of the acquisition date, we (a) calculated the contractual amount and timing of undiscounted principal and interest payments (the undiscounted contractual cash flows) and (b) estimated the amount and timing of undiscounted expected principal and interest payments (the undiscounted expected cash flows). The difference between the undiscounted contractual cash flows and the undiscounted expected cash flows is the nonaccretable difference. The nonaccretable difference totaled $17,946,000 as of February 14, 2014 and represented an estimate of the undiscounted loss exposure in the loans acquired with deteriorated credit quality as of the acquisition date.

The following table summarizes the accretable yield on the loans acquired from Britton & Koontz with deteriorated credit quality as of February 14, 2014 and the changes therein through December 31, 2014.

(dollars in thousands)	**Accretable Yield**
Estimated fair value of loans acquired	$ 13,774
Less:	
Undiscounted contractual cash flows	33,980
Undiscounted cash flows not expected to be collected (nonaccretable difference)	(17,946)
Undiscounted cash flows expected to be collected	16,034
Accretable yield as of February 14, 2014	(2,260)
Accretion during 2014	436
Accretable yield as of December 31, 2014	$ (1,824)

As of February 14, 2014 the weighted average remaining contractual life of the loan portfolio acquired with deteriorated credit quality from Britton & Koontz was 7.0 years.

In accordance with ASC 805, loans acquired without deteriorated credit are recorded at fair value and accounted for under ASC Topic 310-20, *Nonrefundable Fees and Other Costs.* Loans acquired without deteriorated credit quality, in the Britton & Koontz transaction, totaled $147.2 million at the date of acquisition.

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The following pro forma information for the years 2014 and 2013 reflects the Company s estimated consolidated results of operations as if the acquisition of Britton & Koontz occurred at January 1, 2013, unadjusted for potential cost savings.

(dollars in thousands except per share information)	2014	2013
Net interest income	$ 51,191	$ 49,192
Noninterest income	8,424	10,470
Noninterest expense	41,183	42,509
Net income	16,068	8,927
Earnings per share basic	$ 1.61	$ 1.35
Earnings per share diluted	1.52	1.29

The selected pro forma financial information presented above is for illustrative purposes only and is not necessarily indicative of the financial results of the combined companies had the acquisition actually been completed at the beginning of the periods presented, nor does it indicate future results for any other interim or full-year period.

GS Financial Corp. On July 15, 2011, the Company acquired GSFC, the former holding company of Guaranty of Metairie, Louisiana. Assets acquired from GSFC totaled $256,677,000, which included loans of $182,440,000, investment securities of $46,481,000 and cash of $9,262,000. The Bank also recorded a core deposit intangible asset of $859,000 and goodwill of $296,000 relating to the acquisition of GSFC, and assumed liabilities of $230,614,000, which included $193,518,000 in deposits and $34,707,000 in FHLB advances.

Acquired loans which are impaired as of the date of acquisition are accounted for under ASC 310-30, *Loans and Debt Securities Acquired with Deteriorated Credit Quality*. The nonaccretable difference on loans acquired from GSFC totaled $5,490,000 as of July 15, 2011 and represented an estimate of the undiscounted loss exposure in the acquired loans with deteriorated credit quality as of the acquisition date.

The following table summarizes the accretable yield on the loans acquired from GSFC with deteriorated credit quality as of July 15, 2011 and the changes therein through December 31, 2014.

(dollars in thousands)	2014	2013	2012	2011
Balance, beginning of period	$ (1,281)	$ (839)	$ (644)	$
Acquisition accretable yield				(1,169)
Accretion	11	133	966	525
Net transfers from nonaccretable difference to accretable yield		(575)	(1,161)	
Balance, end of period	$ (1,270)	$ (1,281)	$ (839)	$ (644)

As of December 31, 2014, the weighted average remaining contractual life of the loan portfolio acquired with deteriorated credit quality from GSFC was 8.2 years.

Statewide Bank. On March 12, 2010, the Bank acquired certain assets and liabilities of the former Statewide Bank, a full-service community bank formerly headquartered in Covington, Louisiana, from the FDIC. As a result of the Statewide acquisition, the Bank s branch office network was expanded to include six branches in the Northshore (of Lake Pontchartrain) region of Louisiana. Assets acquired in the Statewide transaction totaled $188,026,000, which included loans of $110,415,000, investment securities of $24,841,000 and cash of $11,569,000. In addition, the Bank recorded an FDIC Asset, representing the portion of estimated losses covered by loss sharing agreements between the Bank and the FDIC, of $34,422,000. The loss sharing agreements between the Bank and the FDIC afford us significant protection against future losses in the loan portfolio and repossessed assets acquired in the Statewide transaction. The Bank also recorded a core deposit intangible asset of $1,429,000 and goodwill of $560,000 relating to the Statewide acquisition, and assumed liabilities of $223,910,000, which included $206,925,000 in deposits and $16,824,000 in FHLB advances.

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The following table summarizes the accretable yield on the Covered Loans as of March 12, 2010 and the changes therein through December 31, 2014.

(dollars in thousands)	2014	2013	2012	2011	2010
Balance, beginning of period	$ (2,134)	$ (3,973)	$ (8,550)	$ (5,505)	$
Acquisition accretable yield					(11,110)
Accretion	8,121	5,417	4,613	5,170	5,605
Net transfers from nonaccretable difference to accretable yield	(13,693)	(3,578)	(36)	(8,215)	
Balance, end of period	$ (7,706)	$ (2,134)	$ (3,973)	$ (8,550)	$ (5,505)

As of December 31, 2014, the weighted average remaining contractual life of the Covered Loan portfolio was 4.5 years.

Over the life of the Covered Loans, the Company will continue to estimate cash flows expected to be collected on pools of loans sharing common risk characteristics. The Company will evaluate whether the present value of Covered Loans has decreased and if so, a provision for loan loss will be recognized. For any increases in cash flows expected to be collected, the Company will adjust the amount of accretable yield recognized on a prospective basis over the remaining life of the applicable loan or pool of loans. During the year ended December 31, 2014, there was an aggregate $13,693,000 increase in expected cash flows from the Covered Loans acquired from Statewide over the amounts originally estimated. Such amount was recorded as an increase in the accretable yield to be recognized in interest income in future periods and a decrease to the nonaccretable yield.

The FDIC loss sharing receivable (FDIC Asset) is measured separately from the related Covered Assets. Deterioration in the credit quality of the loans (immediately recorded as a provision to the allowance for loan losses) would immediately increase the basis of the FDIC Asset, with the offset recorded through the consolidated statement of income. Increases in the credit quality or cash flows of loans (reflected as an adjustment to yield and accreted into income over the remaining life of the loans) decrease the basis of the FDIC Asset, with such decrease being accreted into income over 1) the same period or 2) the life of the loss sharing agreements, whichever is shorter.

4. Investment Securities

Summary information regarding the Company s investment securities classified as available for sale and held to maturity as of December 31, 2014 and 2013 follows.

(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses		Fair Value
			Less Than 1 Year	Over 1 Year	
December 31, 2014					
Available for sale:					
U.S. agency mortgage-backed	$ 120,009	$ 1,984	$ 10	$ 485	$ 121,498
Non-U.S. agency mortgage-backed	7,757	61	28	26	7,764
Municipal bonds	24,388	561	2	51	24,896
U.S. government agency	20,639	190		186	20,643
Total available for sale	$ 172,793	$ 2,796	$ 40	$ 748	$ 174,801
Held to maturity:					
Municipal bonds	$ 11,705	$ 202	$ 3	$ 15	$ 11,889
Total held to maturity	$ 11,705	$ 202	$ 3	$ 15	$ 11,889

(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses		Fair Value
			Less Than 1 Year	Over 1 Year	
December 31, 2013					
Available for sale:					
U.S. agency mortgage-backed	$ 96,145	$ 1,765	$ 909	$ 216	$ 96,785
Non-U.S. agency mortgage-backed	9,765	58	31	43	9,749
Municipal bonds	19,879	318	279	119	19,799
U.S. government agency	23,543	236	480		23,299
Total available for sale	$ 149,332	$ 2,377	$ 1,699	$ 378	$ 149,632
Held to maturity:					
U.S. agency mortgage-backed	$ 132	$ 1	$	$	$ 133
Municipal bonds	9,273	67	198		9,142
Total held to maturity	$ 9,405	$ 68	$ 198	$	$ 9,275

Management evaluates securities for other-than-temporary impairment at least quarterly, and more frequently when economic and market conditions warrant such evaluations. Consideration is given to (1) the extent and length of time the fair value has been below cost; (2) the reasons for the decline in value; (3) the Company s intent to sell a security or whether it is more likely than not we will be required to sell the security before the recovery of its amortized cost, which may extend to maturity and our ability and intent to hold the security for a period of time that allows for the recovery in value in the case of equity securities.

The Company developed a process to identify securities that could potentially have a credit impairment that is other-than-temporary. This process involves evaluating each security for impairment by monitoring credit performance, collateral type, collateral geography, bond credit support, loan-to-value ratios, credit scores, loss severity levels, pricing levels, downgrades by rating agencies, cash flow projections and other factors as indicators of potential credit issues. When the Company determines that a security is deemed to be other than temporarily impaired, an impairment loss is recognized.

As of December 31, 2014, 42 of the Company s debt securities had unrealized losses totaling 1.7% of the individual securities amortized cost basis and 0.4% of the Company s total amortized cost basis of the investment securities portfolio. 27 of the 42 securities had been in a continuous loss position for over 12 months at such date. The 27 securities had an aggregate amortized cost basis and unrealized loss of $33,876,000 and $763,000, respectively, at December 31, 2014. Management has the intent and ability to hold these debt securities until maturity or until anticipated recovery. No declines in these 42 securities were deemed to be other-than-temporary.

The amortized cost and estimated fair value by maturity of the Company s investment securities as of December 31, 2014 are shown in the following tables. Securities are classified according to their contractual maturities without consideration of principal amortization, potential prepayments or call options. The expected maturity of a security, may differ from its contractual maturity because of the exercise of call options and potential paydowns. Accordingly, actual maturities may differ from contractual maturities.

(dollars in thousands)	One Year or Less	After One Year through Five Years	After Five Years through Ten Years	After Ten Years	Total
Fair Value					
Securities available for sale:					
U.S. agency mortgage-backed	$	$ 137	$ 26,206	$ 95,155	$ 121,498
Non-U.S. agency mortgage-backed				7,764	7,764
Municipal bonds	1,162	7,853	12,072	3,809	24,896
U.S. government agency		16,019		4,624	20,643
Total securities available for sale	$ 1,162	$ 24,009	$ 38,278	$ 111,352	$ 174,801

Securities held to maturity:					
Municipal bonds	$ 414	$ 243	$ 9,204	$ 2,028	$ 11,889
Total securities held to maturity	$ 414	$ 243	$ 9,204	$ 2,028	$ 11,889

(dollars in thousands)	One Year or Less	After One Year through Five Years	After Five Years through Ten Years	After Ten Years	Total
Amortized Cost					
Securities available for sale:					
U.S. agency mortgage-backed	$	$ 129	$ 26,035	$ 93,845	$ 120,009
Non-U.S. agency mortgage-backed				7,757	7,757
Municipal bonds	1,140	7,643	11,932	3,673	24,388
U.S. government agency		16,132		4,507	20,639
Total securities available for sale	$ 1,140	$ 23,904	$ 37,967	$ 109,782	$ 172,793
Securities held to maturity:					
Municipal bonds	$ 400	$ 235	$ 9,066	$ 2,004	$ 11,705
Total securities held to maturity	$ 400	$ 235	$ 9,066	$ 2,004	$ 11,705

For the year ended December 31, 2014, the Company recorded gross gains of $2,000 and no gross losses related to the sale of investment securities. For the year ended December 31, 2013, the Company recorded gross gains of $428,000 and no gross losses related to the sale of investment securities.

As of December 31, 2014 and 2013, the Company had accrued interest receivable for investment securities of $781,000 and $679,000, respectively.

As of December 31, 2014 and 2013, the Company had $76,491,000 and $43,977,000, respectively, of securities pledged to secure public deposits. As of December 31, 2014, the Company had $21,211,000 of securities pledged to securities sold under repurchase agreements.

5. Loans

The Company s loans, net of unearned income, consisted of the following as of December 31 of the years indicated.

(dollars in thousands)	2014	2013
Real estate loans:		
One- to four-family first mortgage	$ 233,249	$ 179,506
Home equity loans and lines	56,000	40,561
Commercial real estate	352,863	269,849
Construction and land	89,154	83,271
Multi-family residential	27,375	16,578
Total real estate loans	758,641	589,765
Other loans:		
Commercial and industrial	104,446	77,533
Consumer	45,881	40,158
Total other loans	150,327	117,691
Total loans	$ 908,968	$ 707,456

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A summary of activity in the Company s allowance for loan losses for the years ended December 31, 2014, 2013 and 2012 is as follows.

	For the Year Ended December 31, 2014				
(dollars in thousands)	Beginning Balance	Charge-offs	Recoveries	Provision	Ending Balance
Originated loans:					
Allowance for loan losses:					
One- to four-family first mortgage	$ 904	$ (99)	$	$ 331	$ 1,136
Home equity loans and lines	366	(2)	5	73	442
Commercial real estate	2,528			394	2,922
Construction and land	977	(19)		10	968
Multi-family residential	90			102	192
Commercial and industrial	1,332	(1,407)	184	1,052	1,161
Consumer	473	(32)	3	77	521
Total allowance for loan losses	$ 6,670	$ (1,559)	$ 192	$ 2,039	$ 7,342
Non-covered acquired loans:					
Allowance for loan losses:					
One- to four-family first mortgage	$ 184	$ (114)	$	$ 104	$ 174
Home equity loans and lines	58			53	111
Commercial real estate		(41)		41	
Construction and land				133	133
Multi-family residential					
Commercial and industrial	6			(6)	
Consumer					
Total allowance for loan losses	$ 248	$ (155)	$	$ 325	$ 418
Covered loans:					
Allowance for loan losses:					
One- to four-family first mortgage	$	$	$	$	$
Home equity loans and lines					
Commercial real estate					
Construction and land					
Multi-family residential					
Commercial and industrial					
Consumer					
Total allowance for loan losses	$	$	$	$	$
Total loans:					
Allowance for loan losses:					
One- to four-family first mortgage	$ 1,088	$ (213)	$	$ 435	$ 1,310
Home equity loans and lines	424	(2)	5	126	553
Commercial real estate	2,528	(41)		435	2,922
Construction and land	977	(19)		143	1,101
Multi-family residential	90			102	192
Commercial and industrial	1,338	(1,407)	184	1,046	1,161
Consumer	473	(32)	3	77	521
Total allowance for loan losses	$ 6,918	$ (1,714)	$ 192	$ 2,364	$ 7,760

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(dollars in thousands)	For the Year Ended December 31, 2013 Beginning Balance	Charge-offs	Recoveries	Provision	Ending Balance
Originated loans:					
Allowance for loan losses:					
One- to four-family first mortgage	$ 798	$ (76)	$	$ 182	$ 904
Home equity loans and lines	322		10	34	366
Commercial real estate	2,040			488	2,528
Construction and land	785	(44)	10	226	977
Multi-family residential	86			4	90
Commercial and industrial	683	(1,990)	57	2,582	1,332
Consumer	400	(9)	24	58	473
Total allowance for loan losses	$ 5,114	$ (2,119)	$ 101	$ 3,574	$ 6,670
Non-covered acquired loans:					
Allowance for loan losses:					
One- to four-family first mortgage	$ 184	$ (36)	$	$ 36	$ 184
Home equity loans and lines	21			37	58
Commercial real estate					
Construction and land					
Multi-family residential					
Commercial and industrial				6	6
Consumer					
Total allowance for loan losses	$ 205	$ (36)	$	$ 79	$ 248
Covered loans:					
Allowance for loan losses:					
One- to four-family first mortgage	$	$	$	$	$
Home equity loans and lines					
Commercial real estate					
Construction and land					
Multi-family residential					
Commercial and industrial					
Consumer					
Total allowance for loan losses	$	$	$	$	$
Total loans:					
Allowance for loan losses:					
One- to four-family first mortgage	$ 982	$ (112)	$	$ 218	$ 1,088
Home equity loans and lines	343		10	71	424
Commercial real estate	2,040			488	2,528
Construction and land	785	(44)	10	226	977
Multi-family residential	86			4	90
Commercial and industrial	683	(1,990)	57	2,588	1,338
Consumer	400	(9)	24	58	473
Total allowance for loan losses	$ 5,319	$ (2,155)	$ 101	$ 3,653	$ 6,918

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	For the Year Ended December 31, 2012				
(dollars in thousands)	**Beginning Balance**	**Charge-offs**	**Recoveries**	**Provision**	**Ending Balance**
Originated loans:					
Allowance for loan losses:					
One- to four-family first mortgage	$ 778	$	$	$ 20	$ 798
Home equity loans and lines	336	(32)	15	3	322
Commercial real estate	1,755	(1,980)	94	2,171	2,040
Construction and land	904	(215)		96	785
Multi-family residential	64			22	86
Commercial and industrial	872	(60)	6	(135)	683
Consumer	345	(38)	14	79	400
Total allowance for loan losses	$ 5,054	$ (2,325)	$ 129	$ 2,256	$ 5,114
Non-covered acquired loans:					
Allowance for loan losses:					
One- to four-family first mortgage	$	$	$	$ 184	$ 184
Home equity loans and lines				21	21
Commercial real estate					
Construction and land					
Multi-family residential					
Commercial and industrial					
Consumer					
Total allowance for loan losses	$	$	$	$ 205	$ 205
Covered loans:					
Allowance for loan losses:					
One- to four-family first mortgage	$	$	$	$	$
Home equity loans and lines					
Commercial real estate					
Construction and land					
Multi-family residential					
Commercial and industrial	50			(50)	
Consumer					
Total allowance for loan losses	$ 50	$	$	$ (50)	$
Total loans:					
Allowance for loan losses:					
One- to four-family first mortgage	$ 778	$	$	$ 204	$ 982
Home equity loans and lines	336	(32)	15	24	343
Commercial real estate	1,755	(1,980)	94	2,171	2,040
Construction and land	904	(215)		96	785
Multi-family residential	64			22	86
Commercial and industrial	922	(60)	6	(185)	683
Consumer	345	(38)	14	79	400
Total allowance for loan losses	$ 5,104	$ (2,325)	$ 129	$ 2,411	$ 5,319

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The Company s allowance for loan losses and recorded investment in loans as of the periods indicated is as follows.

	As of December 31, 2014				
	Originated Loans		Acquired Loans		
(dollars in thousands)	Collectively Evaluated for Impairment	Individually Evaluated for Impairment	Non-covered Acquired Loans(1)	Covered Loans	Total
Allowance for loan losses:					
One- to four-family first mortgage	$ 1,136	$	$ 174	$	$ 1,310
Home equity loans and lines	442		111		553
Commercial real estate	2,815	107			2,922
Construction and land	968		133		1,101
Multi-family residential	192				192
Commercial and industrial	1,128	33			1,161
Consumer	521				521
Total allowance for loan losses	$ 7,202	$ 140	$ 418	$	$ 7,760

	As of December 31, 2014				
	Originated Loans		Acquired Loans		
(dollars in thousands)	Collectively Evaluated for Impairment	Individually Evaluated for Impairment	Non-covered Acquired Loans(1)	Covered Loans	Total
Loans:					
One- to four-family first mortgage	$ 164,450	$ 78	$ 64,920	$ 3,801	$ 233,249
Home equity loans and lines	34,485		19,670	1,845	56,000
Commercial real estate	279,493	777	62,849	9,744	352,863
Construction and land	77,057		10,745	1,352	89,154
Multi-family residential	16,507		9,970	898	27,375
Commercial and industrial	88,411	1,128	14,460	447	104,446
Consumer	43,049		2,337	495	45,881
Total loans	$ 703,452	$ 1,983	$ 184,951	$ 18,582	$ 908,968

	As of December 31, 2013				
	Originated Loans		Acquired Loans		
(dollars in thousands)	Collectively Evaluated for Impairment	Individually Evaluated for Impairment	Non-covered Acquired Loans(1)	Covered Loans	Total
Allowance for loan losses:					
One- to four-family first mortgage	$ 904	$	$ 184	$	$ 1,088
Home equity loans and lines	366		58		424
Commercial real estate	2,528				2,528
Construction and land	977				977
Multi-family residential	90				90
Commercial and industrial	850	482	6		1,338
Consumer	473				473
Total allowance for loan losses	$ 6,188	$ 482	$ 248	$	$ 6,918

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	As of December 31, 2013				
	Originated Loans		Acquired Loans		
(dollars in thousands)	Collectively Evaluated for Impairment	Individually Evaluated for Impairment	Non-covered Acquired Loans[1]	Covered Loans	Total
Loans:					
One- to four-family first mortgage	$ 137,685	$ 386	$ 37,084	$ 4,351	$ 179,506
Home equity loans and lines	30,422	3	7,798	2,338	40,561
Commercial real estate	225,356	360	32,945	11,188	269,849
Construction and land	79,771		2,096	1,404	83,271
Multi-family residential	7,778		7,678	1,122	16,578
Commercial and industrial	72,003	1,831	2,428	1,271	77,533
Consumer	39,661		497		40,158
Total loans	$ 592,676	$ 2,580	$ 90,526	$ 21,674	$ 707,456

(1) $15.2 million and $4.6 million in non-covered acquired loans were accounted for under ASC 310-30 at December 31, 2014 and 2013, respectively.

Although the Company has a diversified loan portfolio, a substantial portion of the loan portfolio is collateralized by improved and unimproved real estate and is dependent, in part, on values in the real estate market.

Credit quality indicators on the Company s loan portfolio as of the dates indicated are as follows.

	December 31, 2014				
(dollars in thousands)	Pass	Special Mention	Substandard	Doubtful	Total
Originated loans:					
One- to four-family first mortgage	$ 161,922	$ 251	$ 2,355	$	$ 164,528
Home equity loans and lines	33,731	255	499		34,485
Commercial real estate	274,878	3,655	1,737		280,270
Construction and land	75,888	103	1,066		77,057
Multi-family residential	15,642	865			16,507
Commercial and industrial	88,309	39	1,191		89,539
Consumer	42,718	2	329		43,049
Total originated loans	$ 693,088	$ 5,170	$ 7,177	$	$ 705,435
Non-covered acquired loans:					
One- to four-family first mortgage	$ 60,106	$ 994	$ 3,820	$	$ 64,920
Home equity loans and lines	19,181	24	465		19,670
Commercial real estate	53,022	2,071	7,756		62,849
Construction and land	5,104		5,641		10,745
Multi-family residential	8,175	25	1,770		9,970
Commercial and industrial	13,301		1,159		14,460
Consumer	2,298	11	28		2,337
Total non-covered acquired loans	$ 161,187	$ 3,125	$ 20,639	$	$ 184,951
Covered:					
One- to four-family first mortgage	$ 2,655	$ 13	$ 1,133	$	$ 3,801
Home equity loans and lines	1,661	33	151		1,845
Commercial real estate	8,150		1,594		9,744

Construction and land	1,303	1	48		1,352
Multi-family residential		898			898
Commercial and industrial	398		49		447
Consumer	443	29	23		495
Total covered loans	$ 14,610	$ 974	$ 2,998	$	$ 18,582
Total:					
One- to four-family first mortgage	$ 224,683	$ 1,258	$ 7,308	$	$ 233,249
Home equity loans and lines	54,573	312	1,115		56,000
Commercial real estate	336,050	5,726	11,087		352,863
Construction and land	82,295	104	6,755		89,154
Multi-family residential	23,817	1,788	1,770		27,375
Commercial and industrial	102,008	39	2,399		104,446
Consumer	45,459	42	380		45,881
Total loans	$ 868,885	$ 9,269	$ 30,814	$	$ 908,968

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(dollars in thousands)	Pass	Special Mention	Substandard	Doubtful	Total
	December 31, 2013				
Originated loans:					
One- to four-family first mortgage	$ 136,274	$ 265	$ 1,532	$	$ 138,071
Home equity loans and lines	29,962	149	314		30,425
Commercial real estate	218,779	800	6,137		225,716
Construction and land	78,297	147	1,327		79,771
Multi-family residential	6,902	876			7,778
Commercial and industrial	65,271	4,682	3,881		73,834
Consumer	39,336	48	277		39,661
Total originated loans	$ 574,821	$ 6,967	$ 13,468	$	$ 595,256
Non-covered acquired loans:					
One- to four-family first mortgage	$ 31,467	$ 119	$ 5,498	$	$ 37,084
Home equity loans and lines	7,226	198	374		7,798
Commercial real estate	30,192		2,753		32,945
Construction and land	1,044		1,052		2,096
Multi-family residential	5,397	33	2,248		7,678
Commercial and industrial	2,428				2,428
Consumer	497				497
Total non-covered acquired loans	$ 78,251	$ 350	$ 11,925	$	$ 90,526
Covered:					
One- to four-family first mortgage	$ 3,108	$ 151	$ 1,092	$	$ 4,351
Home equity loans and lines	2,084	21	233		2,338
Commercial real estate	9,702	249	1,237		11,188
Construction and land	1,247	64	93		1,404
Multi-family residential	206	916			1,122
Commercial and industrial	451	5	815		1,271
Consumer					
Total covered loans	$ 16,798	$ 1,406	$ 3,470	$	$ 21,674
Total:					
One- to four-family first mortgage	$ 170,849	$ 535	$ 8,122	$	$ 179,506
Home equity loans and lines	39,272	368	921		40,561
Commercial real estate	258,673	1,049	10,127		269,849
Construction and land	80,588	211	2,472		83,271
Multi-family residential	12,505	1,825	2,248		16,578
Commercial and industrial	68,150	4,687	4,696		77,533
Consumer	39,833	48	277		40,158
Total loans	$ 669,870	$ 8,723	$ 28,863	$	$ 707,456

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The above classifications follow regulatory guidelines and can generally be described as follows:

- Pass loans are of satisfactory quality.

- Special mention loans have an existing weakness that could cause future impairment, including the deterioration of financial ratios, past due status, questionable management capabilities and possible reduction in the collateral values.

- Substandard loans have an existing specific and well defined weakness that may include poor liquidity and deterioration of financial ratios. The loan may be past due and related deposit accounts experiencing overdrafts. Immediate corrective action is necessary.

- Doubtful loans have specific weaknesses that are severe enough to make collection or liquidation in full highly questionable and improbable.

In addition, residential loans are classified using an inter-regulatory agency methodology that incorporates, among other factors, the extent of delinquencies and loan-to-value ratios. These classifications were the most current available as of December 31, 2014 and were generally updated within the prior three months. Loans acquired with deteriorated credit quality are excluded from the schedule of credit quality indicators.

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Age analysis of past due loans, as of the dates indicated is as follows.

	December 31, 2014					
	30-59	60-89	Greater Than 90			
(dollars in thousands)	Days Past Due	Days Past Due	Days Past Due	Total Past Due	Current Loans	Total Loans
Originated loans:						
Real estate loans:						
One- to four-family first mortgage	$ 2056	$ 90	$ 1058	$ 3,204	$ 161,324	$ 164,528
Home equity loans and lines	434		65	499	33,986	34,485
Commercial real estate	1,284		829	2,113	278,157	280,270
Construction and land	309			309	76,748	77,057
Multi-family residential					16,507	16,507
Total real estate loans	4,083	90	1,952	6,125	566,722	572,847
Other loans:						
Commercial and industrial	271	49	451	771	88,768	89,539
Consumer	924	133	329	1,386	41,663	43,049
Total other loans	1,195	182	780	2,157	130,431	132,588
Total originated loans	$ 5,278	$ 272	$ 2,732	$ 8,282	$ 697,153	$ 705,435
Non-covered acquired loans:						
Real estate loans:						
One- to four-family first mortgage	$ 1,839	$ 1,040	$ 2,031	$ 4,910	$ 60,010	$ 64,920
Home equity loans and lines	132	83	69	284	19,386	19,670
Commercial real estate	3,393	1	1,448	4,842	58,007	62,849
Construction and land	474	755	697	1,926	8,819	10,745
Multi-family residential	1,052	25	319	1,396	8,574	9,970
Total real estate loans	6,890	1,904	4,564	13,358	154,796	168,154
Other loans:						
Commercial and industrial	177	392	287	856	13,604	14,460
Consumer	43	24	28	95	2,242	2,337
Total other loans	220	416	315	951	15,846	16,797
Total non-covered acquired loans	$ 7,110	$ 2,320	$ 4,879	$ 14,309	$ 170,642	$ 184,951
Covered loans:						
Real estate loans:						
One- to four-family first mortgage	$ 484	$ 301	$ 805	$ 1,590	$ 2,211	$ 3,801
Home equity loans and lines	117	14	151	282	1,563	1,845
Commercial real estate	1,158		392	1,550	8,194	9,744
Construction and land	25		5	30	1,322	1,352
Multi-family residential					898	898
Total real estate loans	1,784	315	1,353	3,452	14,188	17,640

Other loans:						
Commercial and industrial			49	49	398	447
Consumer	4	9	13	26	469	495
Total other loans	4	9	62	75	867	942
Total covered loans	$ 1,788	$ 324	$ 1,415	$ 3,527	$ 15,055	$ 18,582
Total loans:						
Real estate loans:						
One- to four-family first mortgage	$ 4,379	$ 1,431	$ 3,894	$ 9,704	$ 223,545	$ 233,249
Home equity loans and lines	683	97	285	1,065	54,935	56,000
Commercial real estate	5,835	1	2,669	8,505	344,358	352,863
Construction and land	808	755	702	2,265	86,889	89,154
Multi-family residential	1,052	25	319	1,396	25,979	27,375
Total real estate loans	12,757	2,309	7,869	22,935	735,706	758,641
Other loans:						
Commercial and industrial	448	441	787	1,676	102,770	104,446
Consumer	971	166	370	1,507	44,374	45,881
Total other loans	1,419	607	1,157	3,183	147,144	150,327
Total loans	$ 14,176	$ 2,916	$ 9,026	$ 26,118	$ 882,850	$ 908,968

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(dollars in thousands)	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current Loans	Total Loans
	December 31, 2013					
Originated loans:						
Real estate loans:						
One- to four-family first mortgage	$ 1,726	$ 272	$ 290	$ 2,288	$ 135,783	$ 138,071
Home equity loans and lines	36	111	66	213	30,212	30,425
Commercial real estate	571		1,257	1,828	223,888	225,716
Construction and land	406	1	83	490	79,281	79,771
Multi-family residential					7,778	7,778
Total real estate loans	2,739	384	1,696	4,819	476,942	481,761
Other loans:						
Commercial and industrial	2,026	3,243	182	5,451	68,383	73,834
Consumer	514	262	277	1,053	38,608	39,661
Total other loans	2,540	3,505	459	6,504	106,991	113,495
Total originated loans	$ 5,279	$ 3,889	$ 2,155	$ 11,323	$ 583,933	$ 595,256
Non-covered acquired loans:						
Real estate loans:						
One- to four-family first mortgage	$ 884	$ 658	$ 3,457	$ 4,999	$ 32,085	$ 37,084
Home equity loans and lines	50		174	224	7,574	7,798
Commercial real estate	239	241	2,753	3,233	29,712	32,945
Construction and land	8		1,052	1,060	1,036	2,096
Multi-family residential	879		987	1,866	5,812	7,678
Total real estate loans	2,060	899	8,423	11,382	76,219	87,601
Other loans:						
Commercial and industrial					2,428	2,428
Consumer					497	497
Total other loans					2,925	2,925
Total non-covered acquired loans	$ 2,060	$ 899	$ 8,423	$ 11,382	$ 79,144	$ 90,526
Covered loans:						
Real estate loans:						
One- to four-family first mortgage	$ 588	$ 319	$ 864	$ 1,771	$ 2,580	$ 4,351
Home equity loans and lines	161	51	146	358	1,980	2,338
Commercial real estate	459		701	1,160	10,028	11,188
Construction and land	11	27	10	48	1,356	1,404
Multi-family residential					1,122	1,122
Total real estate loans	1,219	397	1,721	3,337	17,066	20,403
Other loans:						
Commercial and industrial	5	109	62	176	1,095	1,271
Consumer						
Total other loans	5	109	62	176	1,095	1,271

Total covered loans	$ 1,224	$ 506	$ 1,783	$ 3,513	$ 18,161	$ 21,674
Total loans:						
Real estate loans:						
One- to four-family first mortgage	$ 3,198	$ 1,249	$ 4,611	$ 9,058	$ 170,448	$ 179,506
Home equity loans and lines	247	162	386	795	39,766	40,561
Commercial real estate	1,269	241	4,711	6,221	263,628	269,849
Construction and land	425	28	1,145	1,598	81,673	83,271
Multi-family residential	879		987	1,866	14,712	16,578
Total real estate loans	6,018	1,680	11,840	19,538	570,227	589,765
Other loans:						
Commercial and industrial	2,031	3,352	244	5,627	71,906	77,533
Consumer	514	262	277	1,053	39,105	40,158
Total other loans	2,545	3,614	521	6,680	111,011	117,691
Total loans	$ 8,563	$ 5,294	$ 12,361	$ 26,218	$ 681,238	$ 707,456

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As of December 31, 2014 and 2013, the Company did not have any loans greater than 90 days past due which were accruing interest.

The following is a summary of information pertaining to the Company s impaired loans, excluding acquired loans, as of the dates indicated.

	For the Year Ended December 31, 2014				
(dollars in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
One- to four-family first mortgage	$ 78	$ 78	$	214	$
Home equity loans and lines					
Commercial real estate				64	
Construction and land				15	
Multi-family residential					
Commercial and industrial	398	398		494	4
Consumer					
Total	$ 476	$ 476	$	$ 787	$ 4
With an allowance recorded:					
One- to four-family first mortgage	$	$	$	$	$
Home equity loans and lines					
Commercial real estate	777	777	107	239	10
Construction and land					
Multi-family residential					
Commercial and industrial	730	730	33	923	40
Consumer					
Total	$ 1,507	$ 1,507	$ 140	$ 1,162	$ 50
Total impaired loans:					
One- to four-family first mortgage	$ 78	$ 78	$	$ 214	$
Home equity loans and lines					
Commercial real estate	777	777	107	303	10
Construction and land				15	
Multi-family residential					
Commercial and industrial	1,128	1,128	33	1,417	44
Consumer					
Total	$ 1,983	$ 1,983	$ 140	$ 1,949	$ 54

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(dollars in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
	For the Year Ended December 31, 2013				
With no related allowance recorded:					
One- to four-family first mortgage	$ 386	$ 386	$	$ 782	$ 12
Home equity loans and lines	3	3		26	
Commercial real estate	360	360		1,336	
Construction and land				80	
Multi-family residential				325	
Commercial and industrial	584	584		743	17
Consumer					
Total	$ 1,333	$ 1,333	$	$ 3,292	$ 29
With an allowance recorded:					
One- to four-family first mortgage	$	$	$	$ 126	$
Home equity loans and lines					
Commercial real estate				102	
Construction and land				5	
Multi-family residential					
Commercial and industrial	1,247	1,247	482	987	38
Consumer					
Total	$ 1,247	$ 1,247	$ 482	$ 1,220	$ 38
Total impaired loans:					
One- to four-family first mortgage	$ 386	$ 386	$	$ 908	$ 12
Home equity loans and lines	3	3		26	
Commercial real estate	360	360		1,438	
Construction and land				85	
Multi-family residential				325	
Commercial and industrial	1,831	1,831	482	1,730	55
Consumer					
Total	$ 2,580	$ 2,580	$ 482	$ 4,512	$ 67

A summary of information pertaining to the Company s nonaccrual loans as of December 31, 2014 and 2013 is as follows.

(dollars in thousands)	Originated	Non-covered Acquired[(1)]	Covered	Total	Originated	Non-covered Acquired[(1)]	Covered	Total
	December 31, 2014				December 31, 2013			
Nonaccrual loans:								