HOME BANCORP, INC.
Form 10-Q
May 11, 2015
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended: March 31, 2015

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	**(I.R.S. Employer**
Incorporation or Organization)	**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

Not Applicable

(Former Name, Former Address and Former Fiscal Year, if changed since last report)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months 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 Data 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 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

At May 5, 2015, the registrant had 7,152,603 shares of common stock, $0.01 par value, outstanding.

Table of Contents

HOME BANCORP, INC. and SUBSIDIARY

TABLE OF CONTENTS

Table of Contents

HOME BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

	(Unaudited) March 31, 2015	(Audited) December 31, 2014
Assets		
Cash and cash equivalents	$ 30,175,858	$ 29,077,907
Interest-bearing deposits in banks	5,526,000	5,526,000
Investment securities available for sale, at fair value	171,488,522	174,800,516
Investment securities held to maturity (fair values of $14,140,643 and $11,889,335, respectively)	13,912,512	11,705,470
Mortgage loans held for sale	5,622,509	4,516,835
Loans, net of unearned income	922,088,691	908,967,871
Allowance for loan losses	(8,271,676)	(7,759,500)
Total loans, net of unearned income and allowance for loan losses	913,817,015	901,208,371
Office properties and equipment, net	37,584,386	37,964,714
Cash surrender value of bank-owned life insurance	19,295,469	19,163,110
Accrued interest receivable and other assets	36,433,586	37,451,687
Total Assets	$ 1,233,855,857	$ 1,221,414,610
Liabilities		
Deposits:		
Noninterest-bearing	$ 276,319,489	$ 267,660,145
Interest-bearing	750,253,148	725,912,448
Total deposits	1,026,572,637	993,572,593
Short-term Federal Home Loan Bank (FHLB) advances	6,000,000	31,000,000
Long-term Federal Home Loan Bank (FHLB) advances	19,000,000	16,500,000
Securities sold under repurchase agreements	20,204,822	20,370,892
Accrued interest payable and other liabilities	5,295,919	5,827,369
Total Liabilities	1,077,073,378	1,067,270,854
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; 9,132,145 and 9,008,745 shares issued; 7,163,649 and 7,123,442 shares outstanding, respectively	91,322	90,088
Additional paid-in capital	94,932,283	93,332,108
Treasury stock at cost - 1,968,496 and 1,885,303 shares, respectively	(30,372,933)	(28,572,891)

Unallocated common stock held by:		
Employee Stock Ownership Plan (ESOP)	(4,820,480)	(4,909,750)
Recognition and Retention Plan (RRP)	(202,590)	(202,590)
Retained earnings	95,449,296	93,101,915
Accumulated other comprehensive income	1,705,581	1,304,876
Total Shareholders Equity	156,782,479	154,143,756
Total Liabilities and Shareholders Equity	$ 1,233,855,857	$ 1,221,414,610

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

1

Table of Contents

HOME BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

	For the Three Months Ended March 31,	
	2015	**2014**
Interest Income		
Loans, including fees	$ 12,360,963	$ 11,484,445
Investment securities	910,121	1,050,846
Other investments and deposits	33,752	31,158
Total interest income	13,304,836	12,566,449
Interest Expense		
Deposits	684,979	622,565
Securities sold under repurchase agreement	18,429	16,675
Short-term FHLB advances	6,071	35,661
Long-term FHLB advances	103,235	80,550
Total interest expense	812,714	755,451
Net interest income	12,492,122	11,810,998
Provision for loan losses	538,487	145,016
Net interest income after provision for loan losses	11,953,635	11,665,982
Noninterest Income		
Service fees and charges	892,118	796,093
Bank card fees	565,584	455,984
Gain on sale of loans, net	373,173	161,862
Income from bank-owned life insurance	132,359	110,641
Gain on sale of securities, net		1,826
Other income	115,450	129,573
Total noninterest income	2,078,684	1,655,979
Noninterest Expense		
Compensation and benefits	5,760,787	6,794,808
Occupancy	1,171,280	1,014,330
Marketing and advertising	110,328	207,241
Data processing and communication	943,332	1,371,823
Professional services	238,175	487,110

Forms, printing and supplies	144,810	161,920
Franchise and shares tax	147,272	184,385
Regulatory fees	280,467	228,377
Foreclosed assets, net	235,782	361,885
Other expenses	686,853	445,166
Total noninterest expense	9,719,086	11,257,045
Income before income tax expense	4,313,233	2,064,916
Income tax expense	1,465,469	631,460
Net Income	$ 2,847,764	$ 1,433,456
Earnings per share:		
Basic	$ 0.43	$ 0.22
Diluted	$ 0.41	$ 0.21
Cash dividends declared per common share	$ 0.07	$

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

2

Table of Contents

HOME BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

	For the Three Months Ended March 31, 2015	For the Three Months Ended March 31, 2014
Net Income	$ 2,847,764	$ 1,433,456
Other Comprehensive Income		
Unrealized gains on investment securities	$ 616,469	$ 746,538
Reclassification adjustment for gains included in net income		(1,826)
Tax effect (1)	(215,764)	(260,649)
Other comprehensive (loss) income, net of taxes	$ 400,705	$ 484,063
Comprehensive Income	$ 3,248,469	$ 1,917,519

(1) The tax effect on the change in unrealized gains on investment securities was $215,764 and $261,288 for the quarters ending March 31, 2015 and 2014, respectively. The reclassification adjustment for gains included in the net income had a tax effect of $639 for the quarter ending March 31, 2014.

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

Table of Contents

HOME BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY (Unaudited)

	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	Total
Balance, December 31, 2013[1]	$ 89,585	$ 92,192,410	$ (28,011,398)	$ (5,266,830)	$ (1,018,497)	$ 83,729,144	$ 195,115	$ 141,909,529
Net income						1,433,456		1,433,456
Other comprehensive income							484,063	484,063
Treasury stock acquired at cost, 200 shares			(4,148)					(4,148)
Exercise of stock options	3	3,432						3,435
ESOP shares released for allocation		94,146		89,270				183,416
Share-based compensation cost		365,496						365,496
Balance, March 31, 2014	$ 89,588	$ 92,655,484	$ (28,015,546)	$ (5,177,560)	$ (1,018,497)	$ 85,162,600	$ 679,178	$ 144,375,247
Balance, December 31, 2014[1]	$ 90,088	$ 93,332,108	$ (28,572,891)	$ (4,909,750)	$ (202,590)	$ 93,101,915	$ 1,304,876	$ 154,143,756
Net income						2,847,764		2,847,764
Other comprehensive income							400,705	400,705
Treasury stock acquired at cost, 83,193 shares			(1,800,042)					(1,800,042)
Cash dividends declared, $0.07 per share						(500,383)		(500,383)

Exercise of stock options	1,234	1,425,616						1,426,850
ESOP shares released for allocation		141,619		89,270				230,889
Share-based compensation cost		32,940						32,940
Balance, March 31, 2015	$ 91,322	$ 94,932,283	$ (30,372,933)	$ (4,820,480)	$ (202,590)	$ 95,449,296	$ 1,705,581	$ 156,782,479

(1) Balances as of December 31, 2013 and December 31, 2014 are audited.

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

Table of Contents

HOME BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	For the Three Months Ended March 31, 2015	2014
Cash flows from operating activities, net of effects of acquisition in 2014:		
Net income	$ 2,847,764	$ 1,433,456
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	538,487	145,016
Depreciation	447,898	404,657
Amortization of purchase accounting valuations and intangibles	1,214,457	1,768,439
Net amortization of mortgage servicing asset	31,270	59,574
Federal Home Loan Bank stock dividends	(3,900)	(3,000)
Net amortization of premium on investments	354,341	270,253
Gain on sale of investment securities, net		(1,826)
Gain on loans sold, net	(373,173)	(161,862)
Proceeds, including principal payments, from loans held for sale	35,200,887	15,008,478
Originations of loans held for sale	(35,933,388)	(16,714,484)
Non-cash compensation	226,961	548,912
Deferred income tax (benefit) provision	(43,135)	399,068
Decrease (increase) in interest receivable and other assets	(316,553)	2,407,200
Increase in cash surrender value of bank-owned life insurance	(132,359)	(110,641)
Decrease in accrued interest payable and other liabilities	(494,581)	(4,927,511)
Net cash provided by operating activities	3,564,976	525,729
Cash flows from investing activities, net of effects of acquisition in 2014:		
Purchases of securities available for sale	(3,126,663)	(7,805,876)
Purchases of securities held to maturity	(2,273,910)	(1,559,433)
Proceeds from maturities, prepayments and calls on securities available for sale	6,767,654	6,696,912
Proceeds from maturities, prepayments and calls on securities held to maturity		202,594
Proceeds from sales of securities available for sale		66,904,999
Net increase in loans	(14,586,858)	(14,107,938)
Reimbursement from FDIC for covered assets	130,933	226,038
Proceeds from sale of repossessed assets	496,798	1,208,064
Purchases of office properties and equipment	(67,570)	(852,569)
Proceeds from sale of properties and equipment	500	
Net cash disbursed in business combination		(22,995,365)
Purchases of Federal Home Loan Bank stock	(722,500)	(2,129,600)
Proceeds from redemption of Federal Home Loan Bank stock	1,272,900	
Net cash (used in) provided by investing activities	(12,108,716)	25,787,826

Cash flows from financing activities, net of effects of acquisition in 2014:		
Increase in deposits	33,015,266	29,507,951
Decrease in Federal Home Loan Bank advances	(22,500,000)	(24,924,000)
Decrease in securities sold under repurchase agreements		(6,314,675)
Purchase of treasury stock	(1,800,042)	(4,148)
Proceeds from exercise of stock options	1,426,850	3,435
Payment of dividends on common stock	(500,383)	
Net cash provided (used in) by financing activities	9,641,691	(1,731,437)
Net change in cash and cash equivalents	1,097,951	24,582,118
Cash and cash equivalents at beginning of year	29,077,907	32,638,900
Cash and cash equivalents at end of period	$ 30,175,858	$ 57,221,018

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

HOME BANCORP, INC. AND SUBSIDIARY

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

The accompanying unaudited consolidated financial statements of Home Bancorp, Inc. (the Company) were prepared in accordance with instructions for Form 10-Q and Regulation S-X and do not include information or footnotes necessary for a complete presentation of financial condition, results of operations, other comprehensive income, changes in shareholders equity and cash flows in conformity with accounting principles generally accepted in the United States of America. However, in the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the financial statements have been included. The results of operations for the three-month period ended March 31, 2015 are not necessarily indicative of the results which may be expected for the entire fiscal year. These statements should be read in conjunction with the Consolidated Financial Statements and notes thereto included in the Company s Annual Report on Form 10-K filed with the Securities and Exchange Commission (SEC) for the year ended December 31, 2014.

In preparing the financial statements, the Company is required to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The financial statements reflect all adjustments that are, in the opinion of management, necessary for a fair statement of the Company s financial condition, results of operations, other comprehensive income, changes in shareholders equity and cash flows for the interim periods presented. These adjustments are of a normal recurring nature and include appropriate estimated provisions.

Certain amounts reported in prior periods have been reclassified to conform to the current period presentation. Such reclassifications had no effect on previously reported shareholders equity or net income.

2. Recent Accounting Pronouncements

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.

In February 2015, the FASB issued ASU 2015-02, Amendments to the Consolidation Analysis, which eliminates the deferral of certain investments in variable interest entities. ASU 2015-02 will allow companies with interests in certain investment funds to follow preceding consolidation guidance and make changes to the variable interest model and the voting model. The ASU is effective for annual and interim periods beginning after December 15, 2015. The adoption of this ASU is not expected to have a material effect on our Consolidated Financial Statements.

Table of Contents

3. Investment Securities

Summary information regarding the Company s investment securities classified as available for sale and held to maturity as of March 31, 2015 and December 31, 2014 is as follows.

(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses		Fair Value
			Less Than 1 Year	Over 1 Year	
March 31, 2015					
Available for sale:					
U.S. agency mortgage-backed	$ 117,216	$ 2,168	$	$ 316	$ 119,068
Non-U.S. agency mortgage-backed	7,360	55	27	25	7,363
Municipal bonds	23,752	620	17	11	24,344
U.S. government agency	20,537	226		49	20,714
Total available for sale	$ 168,865	$ 3,069	$ 44	$ 401	$ 171,489
Held to maturity:					
Municipal bonds	$ 13,913	$ 256	$ 27	$ 1	$ 14,141

(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

7

Table of Contents

The estimated fair value and amortized cost by maturity of the Company s investment securities as of March 31, 2015 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 prepayments or the exercise of call options. Accordingly, actual maturities may differ from contractual maturities.

(dollars in thousands)	One Year or Less	One Year to Five Years	Five to Ten Years	Over Ten Years	Total
Fair Value					
Securities available for sale:					
U.S. agency mortgage-backed	$	$ 116	$ 26,979	$ 91,973	$ 119,068
Non-U.S. agency mortgage-backed				7,363	7,363
Municipal bonds	857	8,502	11,186	3,799	24,344
U.S. government agency		16,176		4,538	20,714
Total available for sale	$ 857	$ 24,794	$ 38,165	$ 107,673	$ 171,489
Securities held to maturity:					
Municipal bonds	$ 411	$ 242	$ 9,216	$ 4,272	$ 14,141
Total investment securities	$ 1,268	$ 25,036	$ 47,381	$ 111,945	$ 185,630

(dollars in thousands)	One Year or Less	One Year to Five Years	Five to Ten Years	Over Ten Years	Total
Amortized Cost					
Securities available for sale:					
U.S. agency mortgage-backed	$	$ 110	$ 26,687	$ 90,419	$ 117,216
Non-U.S. agency mortgage-backed				7,360	7,360
Municipal bonds	828	8,261	10,999	3,664	23,752
U.S. government agency		16,111		4,426	20,537
Total available for sale	$ 828	$ 24,482	$ 37,686	$ 105,869	$ 168,865
Securities held to maturity:					
Municipal bonds	$ 401	$ 235	$ 9,011	$ 4,266	$ 13,913
Total investment securities	$ 1,229	$ 24,717	$ 46,697	$ 110,135	$ 182,778

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; and (3) the Company s intent to sell a security or whether it is more likely than not the Company will be required to sell the security before the recovery of its amortized cost, which may extend to maturity.

The Company performs 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 March 31, 2015, 29 of the Company s debt securities had unrealized losses totaling 1.4% of the individual securities amortized cost basis and 0.3% of the Company s total amortized cost basis of the investment securities portfolio. At such date, 17 of the 29 securities had been in a continuous loss position for over 12 months. The 17 securities had an aggregate amortized cost basis of $27.2 million and unrealized loss of $402,000 at March 31, 2015. Management has the intent and ability to hold these debt securities until maturity, or until anticipated recovery; hence, no declines in these 17 securities were deemed to be other-than-temporary.

As of March 31, 2015 and December 31, 2014, the Company had $92,123,000 and $76,491,000, respectively, of securities pledged to secure public deposits. As of March 31, 2015 and December 31, 2014, the Company had $21,844,000 and $21,211,000 of securities pledged to securities sold under repurchase agreements.

Table of Contents

4. Earnings Per Share

Earnings per common share were computed based on the following:

(in thousands, except per share data)	Three Months Ended March 31, 2015	2014
Numerator:		
Net income available to common shareholders	$ 2,847	$ 1,433
Denominator:		
Weighted average common shares outstanding	6,634	6,491
Effect of dilutive securities:		
Restricted stock	3	61
Stock options	325	339
Weighted average common shares outstanding assuming dilution	6,962	6,891
Basic earnings per common share	$ 0.43	$ 0.22
Diluted earnings per common share	$ 0.41	$ 0.21

Options on 9,500 and 47,500 shares of common stock were not included in the computation of diluted earnings per share for the three months ended March 31, 2015 and March 31, 2014, respectively, because the effect of these options was anti-dilutive.

5. Credit Quality and Allowance for Loan Losses

The following briefly describes the distinction between originated and acquired 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.

Acquired Loans

Acquired Loans that were acquired as a result of our acquisitions of certain assets and liabilities of Statewide Bank (Statewide) of Covington, Louisiana, on March 12, 2010, GS Financial Corp. (GSFC), the former holding company of Guaranty Savings Bank of Metairie, Louisiana, on July 15, 2011 and Britton & Koontz Capital Corporation (Britton & Koontz), the former holding company of Britton & Koontz Bank, N.A. (Britton & Koontz Bank) of Natchez, Mississippi on February 14, 2014 are referred to as Acquired Loans.

Acquired Loans were recorded at estimated fair value at the acquisition date with no carryover of the related allowance for loan losses. The 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

Table of Contents

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.

Certain loans purchased in the Statewide acquisition are covered by loss sharing agreements between the FDIC and the Company. Historically, the Company has referred to loans subject to loss share agreements with the FDIC as covered loans. However, as of March 31, 2015, the commercial loss share agreements had expired and any future losses on these formerly covered loans are no longer eligible for reimbursement from the FDIC. As of March 31, 2015, only residential mortgage loans acquired from Statewide remained subject to loss sharing agreements with the FDIC. As of March 31, 2015, the Company s remaining covered loans amounted to approximately $4.9 million, or less than 1.0% of the Company s total loan portfolio, at such date. Given the limited amount of covered loans remaining, as of March 31, 2015, the Company is no longer reporting such loans as covered loans, and the remaining covered loans are included in acquired loans.

The allowance for loan losses and recorded investment in loans as of the dates indicated are as follows.

	As of March 31, 2015			
	Originated Loans			
(dollars in thousands)	**Collectively Evaluated for Impairment**	**Individually Evaluated for Impairment**	**Acquired Loans**	**Total**
Allowance for loan losses:				
One- to four-family first mortgage	$ 1,232	$	$ 174	$ 1,406
Home equity loans and lines	463		111	574
Commercial real estate	2,961	107		3,068
Construction and land	1,020		133	1,153
Multi-family residential	227			227
Commercial and industrial	1,274	33		1,307

Consumer	537			537
Total allowance for loan losses	$ 7,714	$ 140	$ 418	$ 8,272

Table of Contents

	As of March 31, 2015			
	Originated Loans			
(dollars in thousands)	Collectively Evaluated for Impairment	Individually Evaluated for Impairment	Acquired Loans(1)	Total
Loans:				
One- to four-family first mortgage	$ 168,912	$ 78	$ 65,271	$ 234,261
Home equity loans and lines	35,723		19,616	55,339
Commercial real estate	287,099	777	67,443	355,319
Construction and land	79,911		9,000	88,911
Multi-family residential	19,623		10,553	30,176
Commercial and industrial	97,317	1,123	13,722	112,162
Consumer	43,393		2,528	45,921
Total loans	$ 731,978	$ 1,978	$ 188,133	$ 922,089

	As of December 31, 2014			
	Originated Loans			
(dollars in thousands)	Collectively Evaluated for Impairment	Individually Evaluated for Impairment	Acquired 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			
(dollars in thousands)	Collectively Evaluated for Impairment	Individually Evaluated for Impairment	Acquired Loans(1)	Total
Loans:				
One- to four-family first mortgage	$ 164,450	$ 78	$ 68,721	$ 233,249
Home equity loans and lines	34,485		21,515	56,000
Commercial real estate	279,493	777	72,593	352,863

Construction and land	77,057		12,097	89,154
Multi-family residential	16,507		10,868	27,375
Commercial and industrial	88,411	1,128	14,907	104,446
Consumer	43,049		2,832	45,881
Total loans	$ 703,452	$ 1,983	$ 203,533	$ 908,968

(1) $26.3 million and $31.9 million in acquired loans were accounted for under ASC 310-30 at March 31, 2015 and December 31, 2014, respectively.

Table of Contents

A summary of activity in the allowance for loan losses during the three months ended March 31, 2015 and March 31, 2014 follows.

	For the Three Months Ended March 31, 2015				
(dollars in thousands)	Beginning Balance	Charge-offs	Recoveries	Provision	Ending Balance
Originated loans:					
Allowance for loan losses:					
One- to four-family first mortgage	$ 1,136	$	$	$ 96	$ 1,232
Home equity loans and lines	442		3	18	463
Commercial real estate	2,922			146	3,068
Construction and land	968			52	1,020
Multi-family residential	192			35	227
Commercial and industrial	1,161	(44)	30	160	1,307
Consumer	521	(15)		31	537
Total allowance for loan losses	$ 7,342	$ (59)	$ 33	$ 538	$ 7,854
Acquired loans:					
Allowance for loan losses:					
One- to four-family first mortgage	$ 174	$	$	$	$ 174
Home equity loans and lines	111				111
Commercial real estate					
Construction and land	133				133
Multi-family residential					
Commercial and industrial					
Consumer					
Total allowance for loan losses	$ 418	$	$	$	$ 418
Total loans:					
Allowance for loan losses:					
One- to four-family first mortgage	$ 1,310	$	$	$ 96	$ 1,406
Home equity loans and lines	553		3	18	574
Commercial real estate	2,922			146	3,068
Construction and land	1,101			52	1,153
Multi-family residential	192			35	227
Commercial and industrial	1,161	(44)	30	160	1,307
Consumer	521	(15)		31	537
Total allowance for loan losses	$ 7,760	$ (59)	$ 33	$ 538	$ 8,272

12

Table of Contents

(dollars in thousands)	Beginning Balance	Charge-offs	Recoveries	Provision	Ending Balance
	For the Three Months Ended March 31, 2014				
Originated loans:					
Allowance for loan losses:					
One- to four-family first mortgage	$ 904	$	$	$ 32	$ 936
Home equity loans and lines	366		2	5	373
Commercial real estate	2,528			115	2,643
Construction and land	977	(20)		164	1,121
Multi-family residential	90			(6)	84
Commercial and industrial	1,332		68	(177)	1,223
Consumer	473	(11)	2	12	476
Total allowance for loan losses	$ 6,670	$ (31)	$ 72	$ 145	$ 6,856
Acquired loans:					
Allowance for loan losses:					
One- to four-family first mortgage	$ 184	$	$	$	$ 184
Home equity loans and lines	58				58
Commercial real estate					
Construction and land					
Multi-family residential					
Commercial and industrial	6				6
Consumer					
Total allowance for loan losses	$ 248	$	$	$	$ 248
Total loans:					
Allowance for loan losses:					
One- to four-family first mortgage	$ 1,088	$	$	$ 32	$ 1,120
Home equity loans and lines	424		2	5	431
Commercial real estate	2,528			115	2,643
Construction and land	977	(20)		164	1,121
Multi-family residential	90			(6)	84
Commercial and industrial	1,338		68	(177)	1,229
Consumer	473	(11)	2	12	476
Total allowance for loan losses	$ 6,918	$ (31)	$ 72	$ 145	$ 7,104

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

(dollars in thousands)	Pass		Substandard	Doubtful	Total
			March 31, 2015		

		Special Mention			
Originated loans:					
One- to four-family first mortgage	$ 167,100	$ 692	$ 1,198	$	$ 168,990
Home equity loans and lines	35,262	429	32		35,723
Commercial real estate	283,905	2,721	1,250		287,876
Construction and land	78,782	97	1,032		79,911
Multi-family residential	18,761	862			19,623
Commercial and industrial	97,262	35	1,143		98,440
Consumer	43,060	64	269		43,393
Total loans	$ 724,132	$ 4,900	$ 4,924	$	$ 733,956
Acquired loans:					
One- to four-family first mortgage	$ 60,119	$ 932	$ 4,220	$	$ 65,271
Home equity loans and lines	18,846	257	513		19,616
Commercial real estate	56,765	1,871	8,807		67,443
Construction and land	4,021	2,654	2,325		9,000
Multi-family residential	8,307	914	1,332		10,553
Commercial and industrial	12,618		1,104		13,722
Consumer	2,451	44	33		2,528
Total loans	$ 163,127	$ 6,672	$ 18,334	$	$ 188,133
Total:					
One- to four-family first mortgage	$ 227,219	$ 1,624	$ 5,418	$	$ 234,261
Home equity loans and lines	54,108	686	545		55,339
Commercial real estate	340,670	4,592	10,057		355,319
Construction and land	82,803	2,751	3,357		88,911
Multi-family residential	27,068	1,776	1,332		30,176
Commercial and industrial	109,880	35	2,247		112,162
Consumer	45,511	108	302		45,921
Total loans	$ 887,259	$ 11,572	$ 23,258	$	$ 922,089

Table of Contents

	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 loans	$ 693,088	$ 5,170	$ 7,177	$	$ 705,435
Acquired loans:					
One- to four-family first mortgage	$ 62,761	$ 1,007	$ 4,953	$	$ 68,721
Home equity loans and lines	20,842	57	616		21,515
Commercial real estate	61,172	2,071	9,350		72,593
Construction and land	6,407	1	5,689		12,097
Multi-family residential	8,175	923	1,770		10,868
Commercial and industrial	13,699		1,208		14,907
Consumer	2,741	40	51		2,832
Total loans	$ 175,797	$ 4,099	$ 23,637	$	$ 203,533
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

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.

Table of Contents

Substandard loans have an existing specific and well-defined weakness that may include poor liquidity and deterioration of financial performance. Such loans 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-agency regulatory methodology that incorporates the extent of delinquencies and loan-to-value ratios. These classifications were the most current available as of the dates indicated and were generally updated within the quarter.

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

	March 31, 2015					
(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
Originated loans:						
Real estate loans:						
One- to four-family first mortgage	$ 927	$ 172	$ 532	$ 1,631	$ 167,359	$ 168,990
Home equity loans and lines	298		31	329	35,394	35,723
Commercial real estate	608		777	1,385	286,491	287,876
Construction and land	278			278	79,633	79,911
Multi-family residential					19,623	19,623
Total real estate loans	2,111	172	1,340	3,623	588,500	592,123
Other loans:						
Commercial and industrial	1,119	21	418	1,558	96,882	98,440
Consumer	723	140	269	1,132	42,261	43,393
Total other loans	1,842	161	687	2,690	139,143	141,833
Total loans	$ 3,953	$ 333	$ 2,027	$ 6,313	$ 727,643	$ 733,956
Acquired loans:						
Real estate loans:						
One- to four-family first mortgage	$ 2,952	$ 521	$ 2,355	$ 5,828	$ 59,443	$ 65,271
Home equity loans and lines	183	12	266	461	19,155	19,616
Commercial real estate	108		3,858	3,966	63,477	67,443
Construction and land	933		662	1,595	7,405	9,000
Multi-family residential	834		313	1,147	9,406	10,553

Total real estate loans	5,010	533	7,454	12,997	158,886	171,883
Other loans:						
Commercial and industrial	122	150	479	751	12,971	13,722
Consumer	51	1	21	73	2,455	2,528
Total other loans	173	151	500	824	15,426	16,250
Total loans	$ 5,183	$ 684	$ 7,954	$ 13,821	$ 174,312	$ 188,133
Total loans:						
Real estate loans:						
One- to four-family first mortgage	$ 3,879	$ 693	$ 2,887	$ 7,459	$ 226,802	$ 234,261
Home equity loans and lines	481	12	297	790	54,549	55,339
Commercial real estate	716		4,635	5,351	349,968	355,319
Construction and land	1,211		662	1,873	87,038	88,911
Multi-family residential	834		313	1,147	29,029	30,176
Total real estate loans	7,121	705	8,794	16,620	747,386	764,006
Other loans:						
Commercial and industrial	1,241	171	897	2,309	109,853	112,162
Consumer	774	141	290	1,205	44,716	45,921
Total other loans	2,015	312	1,187	3,514	154,569	158,083
Total loans	$ 9,136	$ 1,017	$ 9,981	$ 20,134	$ 901,955	$ 922,089

Table of Contents

	December 31, 2014					
(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**
Originated loans:						
Real estate loans:						
One- to four-family first mortgage	$ 2,056	$ 90	$ 1,058	$ 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 loans	$ 5,278	$ 272	$ 2,732	$ 8,282	$ 697,153	$ 705,435
Acquired loans:						
Real estate loans:						
One- to four-family first mortgage	$ 2,323	$ 1,341	$ 2,836	$ 6,500	$ 62,221	$ 68,721
Home equity loans and lines	249	97	220	566	20,949	21,515
Commercial real estate	4,551	1	1,840	6,392	66,201	72,593
Construction and land	499	755	702	1,956	10,141	12,097
Multi-family residential	1,052	25	319	1,396	9,472	10,868
Total real estate loans	8,674	2,219	5,917	16,810	168,984	185,794
Other loans:						
Commercial and industrial	177	392	336	905	14,002	14,907
Consumer	47	33	41	121	2,711	2,832
Total other loans	224	425	377	1,026	16,713	17,739
Total loans	$ 8,898	$ 2,644	$ 6,294	$ 17,836	$ 185,697	$ 203,533
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

Table of Contents

Excluding Acquired Loans with deteriorated credit quality, as of March 31, 2015 and December 31, 2014, the Company did not have any loans greater than 90 days past due and accruing.

The following is a summary of information pertaining to Originated Loans which were deemed to be impaired loans as of the dates indicated.

	As of Period Ended March 31, 2015				
(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	$	$ 78	$ 1
Home equity loans and lines					
Commercial real estate					
Construction and land					
Multi-family residential					
Commercial and industrial	398	398		398	6
Consumer					
Total	$ 476	$ 476	$	$ 476	$ 7
With an allowance recorded:					
One- to four-family first mortgage	$	$	$	$	$
Home equity loans and lines					
Commercial real estate	777	777	107	777	11
Construction and land					
Multi-family residential					
Commercial and industrial	725	725	33	729	10
Consumer					
Total	$ 1,502	$ 1,502	$ 140	$ 1,506	$ 21
Total impaired Originated Loans:					
One- to four-family first mortgage	$ 78	$ 78	$	$ 78	$ 1
Home equity loans and lines					
Commercial real estate	777	777	107	777	11
Construction and land					
Multi-family residential					
Commercial and industrial	1,123	1,123	33	1,127	16
Consumer					
Total	$ 1,978	$ 1,978	$ 140	$ 1,982	$ 28

17

Table of Contents

(dollars in thousands)	As of Period Ended December 31, 2014 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 Originated 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

A summary of information pertaining to nonaccrual loans as of dates indicated is as follows.

	March 31, 2015			December 31, 2014		
(dollars in thousands)	Originated	Acquired(1)	Total	Originated	Acquired(1)	Total
Nonaccrual loans:						
One- to four-family first mortgage	$ 531	$ 4,518	$ 5,049	$ 1,429	$ 5,072	$ 6,501
Home equity loans and lines	31	523	554	65	482	547
Commercial real estate	777	5,940	6,717	829	5,498	6,327

Construction and land		1,462	1,462		5,356	5,356
Multi-family residential		1,332	1,332		1,770	1,770
Commercial and industrial	1,143	864	2,007	1,191	1,168	2,359
Consumer	270	64	334	329	92	421
Total	$ 2,752	$ 14,703	$ 17,455	$ 3,843	$ 19,438	$ 23,281

(1) Nonaccrual acquired loans accounted for under ASC 310-30 totaled $11.0 million and $15.1 million as of March 31, 2015 and December 31, 2014, respectively.

As of March 31, 2015, the Company was not committed to lend additional funds to any customer whose loan was classified as impaired.

Table of Contents

Troubled Debt Restructurings

During the course of its lending operations, the Company periodically grants concessions to its customers in an attempt to protect as much of its investment as possible and to minimize risk of loss. These concessions may include restructuring the terms of a customer loan to alleviate the burden of the customer s near-term cash requirements. The Company adopted the provisions of ASU No. 2011-02, *Receivables* (Topic 310): *A Creditor s Determination of Whether a Restructuring is a Troubled Debt Restructuring*, which provides clarification on the determination of whether loan restructurings are considered troubled debt restructurings (TDRs). In accordance with the ASU, in order to be considered a TDR, the Company must conclude that the restructuring of a loan to a borrower who is experiencing financial difficulties constitutes a concession . The Company defines a concession as a modification of existing terms granted to a borrower for economic or legal reasons related to the borrower s financial difficulties that the Company would otherwise not consider. The concession is either granted through an agreement with the customer or is imposed by a court or by a law. Concessions include modifying original loan terms to reduce or defer cash payments required as part of the loan agreement, including but not limited to:

- a reduction of the stated interest rate for the remaining original life of the debt,
- an extension of the maturity date or dates at an interest rate lower than the current market rate for new debt with similar risk characteristics,
- a reduction of the face amount or maturity amount of the debt, or
- a reduction of accrued interest receivable on the debt.

In its determination of whether the customer is experiencing financial difficulties, the Company considers numerous indicators, including, but not limited to:

- whether the customer is currently in default on its existing loan, or is in an economic position where it is probable the customer will be in default on its loan in the foreseeable future without a modification,
- whether the customer has declared or is in the process of declaring bankruptcy,
- whether there is substantial doubt about the customer s ability to continue as a going concern,
- whether, based on its projections of the customer s current capabilities, the Company believes the customer s future cash flows will be insufficient to service the debt, including interest, in accordance with the contractual terms of the existing agreement for the foreseeable future, and

whether, without modification, the customer cannot obtain sufficient funds from other sources at an effective interest rate equal to the current market rate for similar debt for a non-troubled debtor.

If the Company concludes that both a concession has been granted and the concession was granted to a customer experiencing financial difficulties, the Company identifies the loan as a TDR. For purposes of the determination of an allowance for loan losses on TDRs, such loans are reviewed for specific impairment in accordance with the Company s allowance for loan loss methodology. If it is determined that losses are probable on such TDRs, either because of delinquency or other credit quality indicators, the Company specifically allocates a portion of the allowance for loan losses to these loans.

Table of Contents

Information about the Company s TDRs is presented in the following tables.

	As of March 31, 2015			
(dollars in thousands)	**Current**	**Past Due Greater Than 30 Days**	**Nonaccrual TDRs**	**Total TDRs**
Originated loans:				
Real estate loans:				
One- to four-family first mortgage	$ 289	$	$	$ 289
Home equity loans and lines				
Commercial real estate	110			110
Construction and land	97			97
Multi-family residential				
Total real estate loans	496			496
Other loans:				
Commercial and industrial			725	725
Consumer				
Total other loans			725	725
Total loans	$ 496	$	$ 725	$ 1,221
Acquired loans:				
Real estate loans:				
One- to four-family first mortgage	$	$ 508	$ 45	$ 553
Home equity loans and lines				
Commercial real estate			1,278	1,278
Construction and land			89	89
Multi-family residential				
Total real estate loans		508	1,412	1,920
Other loans:				
Commercial and industrial				
Consumer	1		2	3
Total other loans	1		2	3
Total loans	$ 1	$ 508	$ 1,414	$ 1,923
Total loans:				
Real estate loans:				

One- to four-family first mortgage	$ 289	$ 508	$ 45	$ 842
Home equity loans and lines				
Commercial real estate	110		1,278	1,388
Construction and land	97		89	186
Multi-family residential				
Total real estate loans	496	508	1,412	2,416
Other loans:				
Commercial and industrial			725	725
Consumer	1		2	3
Total other loans	1		727	728
Total loans	$ 497	$ 508	$ 2,139	$ 3,144

Table of Contents

	As of December 31, 2014			
(dollars in thousands)	**Current**	**Past Due Greater Than 30 Days**	**Nonaccrual TDRs**	**Total TDRs**
Originated loans:				
Real estate loans:				
One- to four-family first mortgage	$	$	$ 291	$ 291
Home equity loans and lines				
Commercial real estate	111			111
Construction and land	103			103
Multi-family residential				
Total real estate loans	214		291	505
Other loans:				
Commercial and industrial			730	730
Consumer				
Total other loans			730	730
Total loans	$ 214	$	$ 1,021	$ 1,235
Acquired loans:				
Real estate loans:				
One- to four-family first mortgage	$ 432	$ 77	$ 49	$ 558
Home equity loans and lines				
Commercial real estate			967	967
Construction and land			117	117
Multi-family residential				
Total real estate loans	432	77	1,133	1,642
Other loans:				
Commercial and industrial				
Consumer	2		2	4
Total other loans	2		2	4
Total loans	$ 434	$ 77	$ 1,135	$ 1,646
Total loans:				
Real estate loans:				
One- to four-family first mortgage	$ 432	$ 77	$ 340	$ 849
Home equity loans and lines				
Commercial real estate	111		967	1,078
Construction and land	103		117	220

Multi-family residential				
Total real estate loans	646	77	1,424	2,147
Other loans:				
Commercial and industrial			730	730
Consumer	2		2	4
Total other loans	2		732	734
Total loans	$ 648	$ 77	$ 2,156	$ 2,881

None of the above referenced TDRs defaulted subsequent to the restructuring through the date the financial statements were issued. The Company restructured, as a TDR, one loan totaling $341,000 during the first quarter of 2015.

6. Fair Value Measurements and Disclosures

The Company utilizes fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. The Company groups assets and liabilities measured or disclosed at fair value in three levels as required by ASC 820, *Fair Value Measurements and Disclosures*. Under this guidance, fair value should be based on the assumptions market participants would use when pricing the asset or liability and establishes a fair value hierarchy that prioritizes the inputs used to develop those assumptions and measure fair value. The hierarchy requires companies to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels used to measure fair value are as follows:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

An asset s or liability s categorization within the fair value hierarchy is based upon the lowest level that is significant to the fair value measurement. Management reviews and updates the fair value hierarchy classifications of the Company s assets and liabilities quarterly.

Table of Contents

Recurring Basis

Investment Securities Available for Sale

Fair values of investment securities available for sale are primarily measured using information from a third-party pricing service. This pricing service provides pricing information by utilizing pricing models supported with market data information. Standard inputs include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, benchmark securities bids, offers and other reference data from market research publications. If quoted prices are available in an active market, investment securities are classified as Level 1 measurements. If quoted prices are not available in an active market, fair values are estimated primarily by the use of pricing models. Level 2 investment securities are primarily comprised of mortgage-backed securities issued by government agencies and U.S. government-sponsored enterprises. In certain cases, where there is limited or less transparent information provided by the Company s third-party pricing service, fair value is estimated by the use of secondary pricing services or through the use of non-binding third-party broker quotes. Investment securities are classified within Level 3 when little or no market activity supports the fair value.

Management primarily identifies investment securities which may have traded in illiquid or inactive markets by identifying instances of a significant decrease in the volume and frequency of trades, relative to historical levels, as well as instances of a significant widening of the bid-ask spread in the brokered markets. Investment securities that are deemed to have been trading in illiquid or inactive markets may require the use of significant unobservable inputs. For example, management may use quoted prices for similar investment securities in the absence of a liquid and active market for the investment securities being valued. As of March 31, 2015, management did not make adjustments to prices provided by the third-party pricing service as a result of illiquid or inactive markets.

The following tables present the balances of assets and liabilities measured for fair value on a recurring basis as of March 31, 2015 and December 31, 2014.

		Fair Value Measurements Using		
(dollars in thousands)	**March 31, 2015**	**Level 1**	**Level 2**	**Level 3**
Available for sale securities:				
U.S. agency mortgage-backed	$ 119,068	$	$ 119,068	$
Non-U.S. agency mortgage-backed	7,363		7,363	
Municipal bonds	24,344		24,344	
U.S. government agency	20,714		20,714	
Total	$ 171,489	$	$ 171,489	$

		Fair Value Measurements Using		
(dollars in thousands)	**December 31, 2014**	**Level 1**	**Level 2**	**Level 3**
Available for sale securities:				
U.S. agency mortgage-backed	$ 121,498	$	$ 121,498	$
Non-U.S. agency mortgage-backed	7,764		7,764	
Municipal bonds	24,896		24,896	
U.S. government agency	20,643		20,643	

Total	$ 174,801	$	$ 174,801	$

The Company did not record any liabilities at fair value for which measurement of the fair value was made on a recurring basis.

Table of Contents

Nonrecurring Basis

In accordance with the provisions of ASC 310, *Receivables*, the Company records loans considered impaired at fair value. A loan is considered impaired if it is probable the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. Fair value is measured at the fair value of the collateral for collateral-dependent loans. For non-collateral-dependent loans, fair value is measured by present valuing expected future cash flows. Impaired loans are classified as Level 3 assets when measured using appraisals from external parties of the collateral less any prior liens and when there is no observable market price. Repossessed assets are initially recorded at fair value less estimated costs to sell. The fair value of repossessed assets is based on property appraisals and an analysis of similar properties available. As such, the Company classifies repossessed assets as Level 3 assets.

Acquired loans, acquired FHLB advances, and acquired interest-bearing deposit liabilities are measured on a nonrecurring basis using significant unobservable inputs (Level 3).

The Company has segregated all financial assets and liabilities that are measured at fair value on a nonrecurring basis into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date in the table below.

		Fair Value Measurements Using		
(dollars in thousands)	**March 31, 2015**	**Level 1**	**Level 2**	**Level 3**
Assets				
Acquired loans with deteriorated credit quality	$ 26,347	$	$	$ 26,347
Acquired loans without deteriorated credit quality	161,367			161,367
Impaired loans, excluding acquired loans	1,838			1,838
Repossessed assets	4,877			4,877
Total	$ 194,429	$	$	$ 194,429
Liabilities				
Deposits acquired through business combinations	$ 64,752	$	$	$ 64,752
Securities sold under repurchase agreement	20,205			20,205
Total	$ 84,957	$	$	$ 84,957

		Fair Value Measurements Using		
(dollars in thousands)	**December 31, 2014**	**Level 1**	**Level 2**	**Level 3**
Assets				
Acquired loans with deteriorated credit quality	$ 31,908	$	$	$ 31,908
Acquired loans without deteriorated credit quality	171,206			171,206
Impaired loans, excluding acquired loans	1,843			1,843

Repossessed assets		5,214					5,214
Total	$	210,171	$		$		$ 210,171
Liabilities							
Deposits acquired through business combinations	$	69,178	$		$		$ 69,178
Securities sold under repurchase agreement		20,371					20,371
Total	$	89,549	$		$		$ 89,549

ASC 820, *Fair Value Measurements and Disclosures*, requires the disclosure of each class of financial instruments for which it is practicable to estimate. The fair value of a financial instrument is the current amount that would be exchanged between willing parties, other than in a forced liquidation. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Company s various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. ASC 820 excludes certain financial instruments and all non-financial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented may not necessarily represent the underlying fair value of the Company.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial statements. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Fair value estimates included herein are based on existing on- and off-balance-sheet financial instruments without attempting to estimate the value of anticipated future business and the fair value of assets and liabilities that are not required to be recorded or disclosed at fair value like premises and equipment. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in the estimates.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

The carrying value of cash and cash equivalents and interest-bearing deposits in banks approximate their fair value.

The fair value for investment securities is determined from quoted market prices when available. If a quoted market price is not available, fair value is estimated using third party pricing services or quoted market prices of securities with similar characteristics.

The carrying value of mortgage loans held for sale approximates their fair value.

The fair value of loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturity.

The cash surrender value of bank-owned life insurance (BOLI) approximates its fair value.

The fair value of the FDIC loss sharing receivable is determined by discounting projected cash flows from loss sharing agreements based on expected reimbursements for losses at the applicable loss sharing percentages based on the terms of the loss sharing agreements.

The fair value of customer deposits, excluding certificates of deposit, is the amount payable on demand. The fair value of fixed-maturity certificates of deposit is estimated by discounting the future cash flows using the rates currently offered for deposits of similar remaining maturities.

The fair value of short-term FHLB advances is the amount payable at maturity. The fair value of long-term FHLB advances is estimated by discounting the future cash flows using the rates currently offered for advances of similar maturities.

The carrying value of the securities sold under repurchase agreement is its fair value.

Table of Contents

The following table presents estimated fair values of the Company s financial instruments as of the dates indicated.

		Fair Value Measurements at March 31, 2015			
(dollars in thousands)	**Carrying Amount**	**Total**	**Level 1**	**Level 2**	**Level 3**
Financial Assets					
Cash and cash equivalents	$ 30,176	$ 30,176	$ 30,176	$	$
Interest-bearing deposits in banks	5,526	5,526	5,526		
Investment securities available for sale	171,489	171,489		171,489	
Investment securities held to maturity	13,913	14,141		14,141	
Mortgage loans held for sale	5,623	5,623		5,623	
Loans, net	913,817	920,550			920,550
Cash surrender value of BOLI	19,295	19,295	19,295		
FDIC loss sharing receivable	3,552	3,552			3,552
Financial Liabilities					
Deposits	$ 1,026,573	$ 1,027,316	$	$ 962,564	$ 64,752
Short-term FHLB advances	6,000	6,000	6,000		
Long-term FHLB advances	19,000	19,499		19,499	
Securities sold under repurchase agreement	20,205	20,205			20,205

		Fair Value Measurements at December 31, 2014			
(dollars in thousands)	**Carrying Amount**	**Total**	**Level 1**	**Level 2**	**Level 3**
Financial Assets					
Cash and cash equivalents	$ 29,078	$ 29,078	$ 29,078	$	$
Interest-bearing deposits in banks	5,526	5,526	5,526		
Investment securities available for sale	174,801	174,801		174,801	
Investment securities held to maturity	11,705	11,889		11,889	
Mortgage loans held for sale	4,517	4,517		4,517	
Loans, net	901,208	908,346			908,346
Cash surrender value of BOLI	19,163	19,163	19,163		
FDIC loss sharing receivable	4,589	4,589			4,589
Financial Liabilities					
Deposits	$ 993,573	$ 993,994	$	$ 924,816	$ 69,178
Short-term FHLB advances	31,000	31,000	31,000		
Long-term FHLB advances	16,500	16,987		16,987	
Securities sold under repurchase agreement	20,371	20,371			20,371

Table of Contents

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations.

The purpose of this discussion and analysis is to focus on significant changes in the financial condition of Home Bancorp, Inc. (the Company) and its wholly owned subsidiary, Home Bank, N. A. (the Bank), from December 31, 2014 through March 31, 2015 and on its results of operations for the three months ended March 31, 2015 and March 31, 2014. This discussion and analysis is intended to highlight and supplement information presented elsewhere in this quarterly report on Form 10-Q, particularly the consolidated financial statements and related notes appearing in Item 1.

Forward-Looking Statements

To the extent that statements in this Form 10-Q relate to future plans, objectives, financial results or performance of the Company or Bank, these statements are deemed to be forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements, which are based on management s current information, estimates and assumptions and the current economic environment, are generally identified by the use of words such as plan , believe , expect , intend , anticipate , estimate , project or similar expressions, or by futur conditional terms such as will , would , should , could , may , likely , probably , or possibly . The Company actual strategies and results in future periods may differ materially from those currently expected due to various risks and uncertainties. Factors that may cause actual results to differ materially from these forward-looking statements include, but are not limited to, the risk factors described under the heading Risk Factors in the Company s Annual Report on Form 10-K filed with the Securities Exchange Commission (SEC) for the year ended December 31, 2014. The Company 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.

EXECUTIVE OVERVIEW

During the first quarter of 2015, the Company earned $2.8 million, an increase of $1.4 million, or 98.7%, compared to the first quarter of 2014. Diluted earnings per share for the first quarter of 2015 were $0.41, an increase of $0.20 per share, or 95.2%, compared to the first quarter of 2014. The first quarter of 2014 included $2.0 million of pre-tax expenses related to the acquisition of Britton & Koontz Capital Corporation (Britton & Koontz) in February 2014. Excluding merger-related expenses, net income for the first quarter of 2015 increased 2% compared to the first quarter of 2014. Excluding merger-related expenses, diluted earnings per share for the first quarter of 2015 were virtually identical to the first quarter of 2014.

Key components of the Company s performance during the three months ended March 31, 2015 are summarized below.

- Assets totaled $1.2 billion as of March 31, 2015, up $12.4 million, or 1.0%, from December 31, 2014. The increase was primarily the result of a $13.1 million increase in loans.

- Loans as of March 31, 2015 were $922.1 million, an increase of $13.1 million, or 1.4%, from December 31, 2014. The increase was primarily the result of increases in commercial and industrial (up $7.7 million), multifamily residential ($2.8 million) and commercial real estate loans ($2.5 million) during the first quarter of 2015.

Deposits as of March 31, 2015 were $1.0 billion, an increase of $33.0 million, or 3.3%, from December 31, 2014. Core deposits (i.e., checking, savings, and money market accounts) totaled $810.6 million as of March 31, 2015, an increase of $37.8 million, or 4.9%, from December 31, 2014. The increase in core deposits was primarily driven by a $24.3 million increase in NOW accounts.

The Company purchased 83,193 shares of its common stock during the first quarter of 2015 at an average price per share of $21.64. As of March 31, 2015, an additional 85,250 shares remain eligible for purchase under the share repurchase plan announced in June 2013.

Interest income increased $738,000, or 5.9%, in the first quarter of 2015 compared to the first quarter of 2014. The increase was primarily due to increased average loan volume.

Interest expense increased $57,000, or 7.6%, for the first quarter of 2015 compared to the first quarter of 2014. The increase in the first quarter 2015 compared to the first quarter 2014 was primarily due to a slight increase in the cost of funds as the result of a change in the mix of interest bearing liabilities.

The provision for loan losses totaled $538,000 for the first quarter of 2015, an increase of $393,000, or 271.3%, compared to the first quarter of 2014. At March 31, 2015, the Company s ratio of allowance for loan losses to total loans was 0.90%, compared to 0.81% at March 31, 2014. Excluding acquired loans, the ratio of the allowance for loan losses to total loans was 1.07% at March 31, 2015, compared to 1.10% at March 31, 2014. Net loan charge-offs for the first three months of 2015 were $26,000 compared to net loan recoveries of $41,000 during the first three months of 2014.

Noninterest income for the first quarter of 2015 increased $423,000, or 25.5%, compared to the first quarter of 2014, due primarily to increases in gain on sale of loans (up $211,000), bank card fees (up $110,000) and service fees and charges (up $96,000).

Noninterest expense for the first quarter of 2015 decreased $1.5 million, or 13.7%, compared to the first quarter of 2014. Noninterest expense for the first three months of 2014 includes $2.0 million of merger-related expenses associated with the acquisition of Britton & Koontz in February 2014. Excluding merger-related expenses, noninterest expense for the first quarter of 2015 totaled $9.7 million, an increase of $417,000, or 4.5%, compared to the first quarter of 2014. The increase in noninterest expense resulted primarily due to the addition of Britton & Koontz branches and employees.

The discussion and analysis contains financial information other than in accordance with generally accepted accounting principles (GAAP). The Company uses these non-GAAP financial measures in their analysis of the Company s performance. Reconciliation of GAAP to non-GAAP disclosures is included in the table below.

Non-GAAP Reconciliation

(dollars in thousands)	**For the Three Months Ended March 31, 2015**	**March 31, 2014**
Reported noninterest expense	$ 9,719	$ 11,257
Less: Merger-related expenses		(1,955)
Non-GAAP noninterest expense	$ 9,719	$ 9,302
Reported net income	$ 2,848	$ 1,433
Add: Merger-related expenses (after tax)		1,357
Non-GAAP net income	$ 2,848	$ 2,790

Diluted EPS	$	0.41	$	0.21
Add: Merger-related expenses				0.20
Non-GAAP EPS	$	0.41	$	0.41

FINANCIAL CONDITION

Loans, Asset Quality and Allowance for Loan Losses

Loans Loans outstanding as of March 31, 2015 were $922.1 million, an increase of $13.1 million, or 1.4%, from December 31, 2014. The increase was primarily the result of increases in commercial and industrial (up $7.7 million), multifamily residential ($2.8 million) and commercial real estate loans ($2.5 million).

Table of Contents

The following table summarizes the composition of the Company s loan portfolio as of the dates indicated.

(dollars in thousands)	March 31, 2015	December 31, 2014	Increase/(Decrease) Amount	Percent
Real estate loans:				
One- to four-family first mortgage	$ 234,261	$ 233,249	$ 1,012	0.4%
Home equity loans and lines	55,339	56,000	(661)	(1.2)
Commercial real estate	355,319	352,863	2,456	0.7
Construction and land	88,911	89,154	(243)	(0.3)
Multi-family residential	30,176	27,375	2,801	10.2
Total real estate loans	764,006	758,641	5,365	0.7
Other loans:				
Commercial and industrial	112,162	104,446	7,716	7.4
Consumer	45,921	45,881	40	0.1
Total other loans	158,083	150,327	7,756	5.2
Total loans	$ 922,089	$ 908,968	$ 13,121	1.4%

Asset 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.

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 the lesser of the balance of the loan or 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.

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 (i.e., loans with balances of $100,000 or greater) 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 March 31, 2015 and December 31, 2014, loans individually evaluated for impairment, excluding acquired loans, amounted to $2.0 million. As of

March 31, 2015 and December 31, 2014, substandard loans, excluding acquired loans, amounted to $4.9 million and $7.2 million, respectively. The amount of the allowance for loan losses allocated to impaired or substandard loans originated by Home Bank totaled $140,000 as of March 31, 2015 and December 31, 2014. There were no assets classified as doubtful or loss as of March 31, 2015 and December 31, 2014.

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 bank 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 analyzes all significant factors that affect the collectability of the portfolio in a reasonable manner; and that management establishes 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 allowance for loan losses may become necessary.

Real estate, or other collateral, which is acquired as a result of foreclosure is classified as a foreclosed asset until sold. Foreclosed assets are recorded at the lesser of the balance of the loan or fair value less estimated selling costs, at the date acquired or upon receiving new property valuations. Holding costs are charged to expense. Gains and losses on the sale of real estate owned are charged to operations, as incurred.

Table of Contents

The following table sets forth the composition of the Company s nonperforming assets (NPAs) and troubled debt restructurings as of the dates indicated.

	March 31, 2015			December 31, 2014		
(dollars in thousands)	**Originated**	**Acquired**[(1)]	**Total**	**Originated**	**Acquired**[(1)]	**Total**
Nonaccrual loans:						
Real estate loans:						
One- to four-family first mortgage	$ 531	$ 4,518	$ 5,049	$ 1,429	$ 5,072	$ 6,501
Home equity loans and lines	31	523	554	65	482	547
Commercial real estate	777	5,940	6,717	829	5,498	6,327
Construction and land		1,462	1,462		5,356	5,356
Multi-family residential		1,332	1,332		1,770	1,770
Other loans:						
Commercial and industrial	1,143	864	2,007	1,191	1,168	2,359
Consumer	270	64	334	329	92	421
Total nonaccrual loans	2,752	14,703	17,455	3,843	19,438	23,281
Accruing loans 90 days or more past due						
Total nonperforming loans	2,752	14,703	17,455	3,843	19,438	23,281
Foreclosed assets	1,886	2,991	4,877	1,835	3,380	5,215
Total nonperforming assets	4,638	17,694	22,332	5,678	22,818	28,496
Performing troubled debt restructurings	496	508	1,004	214	510	724
Total nonperforming assets and troubled debt restructurings	$ 5,134	$ 18,202	$ 23,336	$ 5,892	$ 23,328	$ 29,220
Nonperforming loans to total loans			1.89%			2.56%
Nonperforming loans to total assets			1.41%			1.91%
Nonperforming assets to total assets			1.81%			2.33%

(1) Includes $11.0 million and $15.1 million in acquired loans accounted for under ASC 310-30 at March 31, 2015 and December 31, 2014, respectively. Excluding acquired loans and assets, ratios for nonperforming loans to total loans, nonperforming loans to total assets and nonperforming assets to total assets were 0.37%, 0.26% and 0.44%, respectively, at March 31, 2015.

Net loan charge-offs for the first quarter of 2015 were $26,000, compared to net loan recoveries of $41,000 for the first quarter of 2014.

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. The 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 ratings to segments of the loan portfolio. Such risk ratings are periodically reviewed by management and revised as deemed appropriate. These efforts are supplemented by reviews and validations performed by independent loan reviewers. The results of the reviews are reported to the Audit Committee of the Board of Directors. The establishment of the allowance for loan losses is significantly affected by management judgment. There is 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. See Note 6 to the Unaudited Consolidated Financial Statements for additional information concerning our allowance for Acquired loans.

Acquired loans were recorded at 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 to the allowance for loan losses. As of both March 31, 2015 and December 31, 2014, $124,000 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 warrant. 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 during the first three months of 2015.

(dollars in thousands)	**Originated**	**Acquired**	**Total**
Balance, December 31, 2014	$ 7,342	$ 418	$ 7,760
Provision charged to operations	538		538
Loans charged off	(59)		(59)
Recoveries on charged off loans	33		33
Balance, March 31, 2015	$ 7,854	$ 418	$ 8,272

At March 31, 2015, the Company s ratio of allowance for loan losses to total loans was 0.90%, compared to 0.85% and 0.81% at December 31, 2014 and March 31, 2014, respectively. Excluding acquired loans, the ratio of allowance for loan losses to total loans was 1.07% at March 31, 2015, compared to 1.04% and 1.10% at December 31, 2014 and March 31, 2014, respectively.

Investment Securities

The Company s investment securities portfolio totaled $185.4 million as of March 31, 2015, a decrease of $1.1 million, or 0.6%, from December 31, 2014. As of March 31, 2015, the Company had a net unrealized gain on its available for sale investment securities portfolio of $2.6 million, compared to $2.0 million as of December 31, 2014. The investment securities portfolio had a modified duration of 3.4 and 3.8 years at March 31, 2015 and December 31, 2014, respectively.

Table of Contents

The following table summarizes activity in the Company s investment securities portfolio during the first three months of 2015.

(dollars in thousands)	Available for Sale	Held to Maturity
Balance, December 31, 2014	$ 174,801	$ 11,705
Purchases	3,127	2,274
Sales		
Principal payments and calls	(6,768)	
Accretion of discounts and amortization of premiums, net	(287)	(66)
Increase in market value	616	
Balance, March 31, 2015	$ 171,489	$ 13,913

Funding Sources

Deposits Deposits totaled $1.0 billion as of March 31, 2015, an increase of $33.0 million, or 3.3%, compared to December 31, 2014. Core deposits totaled $810.6 million as of March 31, 2015, an increase of $37.8 million, or 4.9%, compared to December 31, 2014. The increase was related primarily to NOW accounts (up $24.3 million) and demand deposit accounts (up $8.7 million).

The following table sets forth the composition of the Company s deposits at the dates indicated.

(dollars in thousands)	March 31, 2015	December 31, 2014	Increase (Decrease) Amount	Percent
Demand deposit	$ 276,319	$ 267,660	$ 8,659	3.2%
Savings	83,568	81,145	2,423	3.0
Money market	221,949	219,456	2,493	1.1
NOW	228,806	204,536	24,270	11.9
Certificates of deposit	215,931	220,775	(4,844)	(2.2)
Total deposits	$ 1,026,573	$ 993,572	$ 33,001	3.3%

Federal Home Loan Bank Advances Short-term FHLB advances totaled $6.0 million as of March 31, 2015, compared to $31.0 million as of December 31, 2014. Long-term FHLB advances totaled $19.0 million as of March 31, 2015 compared to $16.5 million as of December 31, 2014.

Securities Sold Under Repurchase Agreements Securities sold under repurchase agreements totaled $20.2 million as of March 31, 2015 with a July 2015 maturity date and an effective interest rate of 0.36%. The underlying securities are U.S. Government obligations and obligations of other U.S. Government agencies. At March 31, 2015, these securities had coupon rates ranging from 1.25% to 3.75% and maturity dates ranging from 2016 to 2028

Shareholders Equity Shareholders equity increased $2.6 million, or 1.7%, from $154.1 million as of December 31, 2014 to $156.8 million as of March 31, 2015. The increase was primarily the result of retained earnings (up $2.3 million).

Table of Contents

As of March 31, 2015, the Company had regulatory capital that was well in excess of regulatory requirements. The following table details the Company s actual levels and current regulatory capital requirements as of March 31, 2015.

	Actual		Required for Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
(dollars in thousands)	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
Tier 1 risk-based capital	$ 151,323	17.37%	$ 34,846	4.00%	$ 52,268	6.00%
Common equity tier 1 capital	151,323	17.37	39,201	4.50	56,624	6.50
Total risk-based capital	159,595	18.32	69,691	8.00	87,114	10.00
Tier 1 leverage capital	151,323	12.38	48,899	4.00	61,123	5.00
Tangible capital	151,323	12.38	18,337	1.50	N/A	N/A

LIQUIDITY AND ASSET/LIABILITY MANAGEMENT

Liquidity Management

Liquidity management encompasses our ability to ensure that funds are available to meet the cash flow requirements of depositors and borrowers, while also ensuring adequate cash flow exists to meet the Company s needs, including operating, strategic and capital. The Company develops its liquidity management strategies as part of its overall asset/liability management process. 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. The Company also maintains excess funds in short-term, interest-bearing assets that provide additional liquidity. As of March 31, 2015, cash and cash equivalents totaled $30.2 million. At such date, investment securities available for sale totaled $171.5 million.

The Company uses its 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 March 31, 2015, certificates of deposit maturing within the next 12 months totaled $155.2 million. Based upon historical experience, the Company anticipates that a significant portion of the maturing certificates of deposit will be redeposited with us. For the three months ended March 31, 2015, the average balance of our outstanding FHLB advances was $35.4 million. As of March 31, 2015, the Company had $25.0 million in total outstanding FHLB advances and had $419.7 million in additional FHLB advances available.

In addition to cash flow from loan and securities payments and prepayments as well as from sales of securities available for sale, the Company has significant borrowing capacity available to fund liquidity needs. In recent years, the Company has utilized borrowings as a cost efficient addition to deposits as a source of funds. Our borrowings consist of advances from the FHLB of Dallas, of which the Company is a member. Under terms of the collateral agreement with the FHLB, the Company pledges residential mortgage loans and investment securities as well as the Company s stock in the FHLB as collateral for such advances.

Asset/Liability Management

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.

Table of Contents

Our interest rate sensitivity also is monitored by management through the use of a model which generates 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 March 31, 2015.

Shift in Interest Rates (in bps)	% Change in Projected Net Interest Income
+300	0.4%
+200	0.5
+100	0.4

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 earning assets and maintain a desired mix of 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.

Off-Balance Sheet Activities

To meet the financing needs of its customers, the Bank 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 undisbursed construction loans as of March 31, 2015 and December 31, 2014.

	Contract Amount	
(dollars in thousands)	March 31, 2015	December 31, 2014
Standby letters of credit	$ 5,125	$ 5,405
Available portion of lines of credit	110,814	107,242
Undisbursed portion of loans in process	46,030	54,200
Commitments to originate loans	87,908	96,506

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, revolving credit lines and overdraft protection agreements 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 condition or results of operations of the Company.

RESULTS OF OPERATIONS

During the first quarter of 2015, the Company earned $2.8 million, an increase of $1.4 million, or 98.7%, compared to the first quarter of 2014. Diluted earnings per share for the first quarter of 2015 were $0.41, an increase of $0.20 per share, or 95.2%, compared to the first quarter of 2014. Excluding merger-related expenses from the first quarter of 2014, net income for the first quarter of 2015 increased 2% compared to the first quarter of 2014. Excluding merger-related expenses, diluted earnings per share for the first quarter of 2015 were virtually identical to the first quarter of 2014.

Table of Contents

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. The Company s 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. The Company s tax-equivalent net interest spread was 4.40% and 4.62% for the three months ended March 31, 2015 and March 31, 2014, respectively. The Company s tax-equivalent net interest margin, which is net interest income as a percentage of average interest-earning assets, was 4.51% and 4.72% for the three months ended March 31, 2015 and March 31, 2014, respectively. The decrease in the net interest spread and net interest margin related primarily to lower yields on loans and investment securities.

Net interest income totaled $12.5 million for the three months ended March 31, 2015, an increase of $681,000, or 5.8%, compared to the three months ended March 31, 2014. Interest income increased $738,000, or 5.9%, in the first quarter of 2015 compared to the first quarter of 2014. The increase in interest income was primarily due to increased average loan volume. Interest expense increased $57,000, or 7.6%, for the first quarter of 2015 compared to the first quarter of 2014. The increase in the first quarter of 2015 compared to the first quarter of 2014 was primarily due to increases in average volume and in the cost of funds of interest bearing liabilities.

The following table sets forth, for the periods indicated, information regarding (i) the total dollar amount of interest income of 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 are calculated using a marginal tax rate of 35%.

	Three Months Ended March 31,					
	2015			2014		
(dollars in thousands)	**Average Balance**	**Interest**	**Average Yield/ Rate (1)**	**Average Balance**	**Interest**	**Average Yield/ Rate(1)**
Interest-earning assets:						
Loans receivable(1)	$ 919,109	$ 12,361	5.40%	$ 793,509	$ 11,484	5.81%
Investment securities (TE)	184,331	910	2.18	190,016	1,051	2.47
Other interest-earning assets	15,044	34	0.91	31,166	31	0.41
Total interest-earning assets (TE)	1,118,484	13,305	4.81	1,014,691	12,566	5.02
Noninterest-earning assets	107,736			103,670		
Total assets	$ 1,226,220			$ 1,118,361		
Interest-bearing liabilities:						
Deposits:						
Savings, checking and money market	$ 523,535	$ 291	0.23%	$ 423,213	$ 237	0.23%
Certificates of deposit	219,066	394	0.73	219,226	385	0.71

Total interest-bearing deposits	742,601	685	0.37	642,439	622	0.39
Securities sold under repurchase agreement	20,295	19	0.37	14,031	17	0.48
FHLB advances	35,441	109	1.23	109,625	116	0.42
Total interest-bearing liabilities	798,337	813	0.41	766,095	755	0.40
Noninterest-bearing liabilities	271,822			210,939		
Total liabilities	1,070,159			977,034		
Shareholders equity	156,061			141,327		
Total liabilities and shareholders equity	$ 1,226,220			$ 1,118,361		
Net interest-earning assets	$ 320,147			$ 248,596		
Net interest spread (TE)		$ 12,492	4.40%		$ 11,811	4.62%
Net interest margin (TE)			4.51%			4.72%

(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 lives of the respective loans.

Table of Contents

(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).

	For the Three Months Ended March 31, 2015 Compared to 2014 Change Attributable To		
(dollars in thousands)	**Rate**	**Volume**	**Total Increase (Decrease)**
Interest income:			
Loans receivable	$ (670)	$ 1,547	$ 877
Investment securities (TE)	(115)	(26)	(141)
Other interest-earning assets	29	(26)	3
Total interest income	(756)	1,495	739
Interest expense:			
Savings, checking and money market accounts		54	54
Certificates of deposit	11	(2)	9
Securities sold under repurchase agreement	(4)	6	2
FHLB advances	(36)	29	(7)
Total interest expense	(29)	87	58
Increase (decrease) in net interest income	$ (727)	$ 1,408	$ 681

Provision for Loan Losses For the quarter ended March 31, 2015, the Company recorded a provision for loan losses of $538,000, $393,000, or 271.3% higher than the $145,000 recorded for the same period in 2014. As of March 31, 2015, the Company s ratio of allowance for loan losses to total loans was 0.90%, compared to 0.85% and 0.81% at December 31, 2014 and March 31, 2014, respectively. Excluding acquired loans, the ratio of the allowance for loan losses to total loans was 1.07% at March 31, 2015, compared to 1.04% at December 31, 2014 and 1.10% at March 31, 2014, respectively.

Noninterest Income The Company s noninterest income was $2.1 million for the three months ended March 31, 2015, $423,000, or 25.5%, higher than the $1.7 million earned for the same period in 2014. The increase in noninterest income in the first quarter of 2015 compared to the first quarter of 2014 resulted primarily from increases in gain on sale of loans (up $211,000), bank card fees (up $110,000) and service fees and charges (up $96,000).

Noninterest Expense The Company s noninterest expense for the first quarter of 2015 decreased $1.5 million, or 13.7%, compared to the first quarter of 2014. Noninterest expense for the first three months of 2014 included $2.2 million of merger-related expenses associated with the acquisition of Britton & Koontz. Excluding merger-related expenses, noninterest expense for the first quarter of 2015 totaled $9.7 million, an increase of $417,000, or 4.5%, compared to the first quarter of 2014. The increase in noninterest expense resulted primarily due to the addition of Britton & Koontz branches and employees.

Table of Contents

Income Taxes For the quarters ended March 31, 2015 and March 31, 2014, the Company incurred income tax expense of $1.5 million and $631,000, respectively. The Company s effective tax rate was 34.0% and 30.6% during the first quarters of 2015 and 2014, respectively. Differences between the effective tax rate and the statutory tax rate primarily relate to variances in items that are non-taxable or non-deductible (e.g., state tax, tax-exempt income, etc.).

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Quantitative and qualitative disclosures about market risk are presented in the Company s Annual Report on Form 10-K filed with the SEC for the year ended December 31, 2014, under the heading Management s Discussion and Analysis of Financial Condition and Results of Operations Asset/ Liability Management and Market Risk . Additional information at March 31, 2015 is included herein under Item 2, Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Asset/Liability Management .

Item 4. Controls and Procedures.

Our management evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and regulations and are operating in an effective manner.

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15(d)-15(f) under the Securities Exchange Act of 1934) occurred during the first quarter of 2015 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

Not applicable.

Item 1A. Risk Factors.

There have been no material changes from the risk factors previously disclosed in the Company s Annual Report on Form 10-K for December 31, 2014 filed with the Securities and Exchange Commission.

Item 2. Unregistered Sales of Equity Securities and the Use of Proceeds.

The Company s purchases of its common stock made during the quarter consisted of stock repurchases under the Company s approved plan and are set forth in the following table.

Period	Total Number of Shares	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly	Maximum Number of Shares that May Yet

	Purchased		Announced Plans or Programs	be Purchased Under the Plan or Programs[1]
January 1 - January 31, 2015	15,700	$ 22.67	15,700	125,801
February 1 February 28, 2015	30,780	21.53	30,780	95,021
March 1 March 31, 2015	36,713	21.28	9,771	85,250
Total	83,193	$ 21.64	56,251	85,250

(1) On June 7, 2013, the Company announced the commencement of a new stock repurchase program. Under the plan, the Company can repurchase up to 370,000 shares, or approximately 5% of its common stock outstanding, through open market or privately negotiated transactions.

Table of Contents

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

None.

Item 5. Other Information.

None.

Table of Contents

Item 6. Exhibits and Financial Statement Schedules.

No.	Description
31.1	Rule 13(a)-14(a) Certification of the Chief Executive Officer
31.2	Rule 13(a)-14(a) Certification of the Chief Financial Officer
32.0	Section 1350 Certification
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definitions Linkbase Document

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

		HOME BANCORP, INC.
May 11, 2015	By:	/s/ John W. Bordelon John W. Bordelon *President, Chief Executive Officer and Director*
May 11, 2015	By:	/s/ Joseph B. Zanco Joseph B. Zanco *Executive Vice President and Chief Financial Officer*