HOME BANCORP, INC.
Form 10-Q
November 07, 2014

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: September 30, 2014

or

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

Commission File Number: 001-34190

HOME BANCORP, INC.

(Exact name of Registrant as specified in its charter)

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

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

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 October 31, 2014, the registrant had 7,114,516 shares of common stock, $0.01 par value, outstanding.

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HOME BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

	(Unaudited) September 30, 2014	(Audited) December 31, 2013
Assets		
Cash and cash equivalents	$ 54,620,690	$ 32,638,900
Interest-bearing deposits in banks	5,771,000	2,940,000
Investment securities available for sale, at fair value	181,238,080	149,632,153
Investment securities held to maturity (fair values of $11,363,641 and $9,275,158, respectively)	11,211,745	9,404,790
Mortgage loans held for sale	7,397,081	1,951,345
Loans covered by loss sharing agreements	18,492,286	21,673,808
Noncovered loans, net of unearned income	888,872,055	685,782,309
Total loans, net of unearned income	907,364,341	707,456,117
Allowance for loan losses	(7,418,243)	(6,918,009)
Total loans, net of unearned income and allowance for loan losses	899,946,098	700,538,108
Office properties and equipment, net	38,217,660	30,702,635
Cash surrender value of bank-owned life insurance	19,047,294	17,750,604
FDIC loss sharing receivable	6,449,226	12,698,077
Accrued interest receivable and other assets	35,847,211	25,984,346
Total Assets	$ 1,259,746,085	$ 984,240,958
Liabilities		
Deposits:		
Noninterest-bearing	$ 249,312,411	$ 174,475,044
Interest-bearing	734,074,472	566,837,372
Total deposits	983,386,883	741,312,416
Short-term Federal Home Loan Bank (FHLB) advances	78,500,875	87,000,000
Long-term Federal Home Loan Bank (FHLB) advances	16,500,000	10,000,000
Securities sold under repurchase agreements	20,540,654	
Accrued interest payable and other liabilities	9,699,673	4,019,013
Total Liabilities	1,108,628,085	842,331,429
Shareholders Equity		
Preferred stock, $0.01 par value - 10,000,000 shares authorized; none issued		
	89,968	89,585

Common stock, $0.01 par value - 40,000,000 shares authorized; 8,996,745 and 8,958,395 shares issued; 7,114,516 and 7,099,314 shares outstanding, respectively		
Additional paid-in capital	93,025,616	92,192,410
Treasury stock at cost - 1,882,229 and 1,859,081 shares, respectively	(28,502,198)	(28,011,398)
Unallocated common stock held by:		
Employee Stock Ownership Plan (ESOP)	(4,999,020)	(5,266,830)
Recognition and Retention Plan (RRP)	(224,114)	(1,018,497)
Retained earnings	90,791,742	83,729,144
Accumulated other comprehensive income	936,006	195,115
Total Shareholders Equity	151,118,000	141,909,529
Total Liabilities and Shareholders Equity	$ 1,259,746,085	$ 984,240,958

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

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HOME BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	**2013**	**2014**	**2013**
Interest Income				
Loans, including fees	$ 13,090,209	$ 10,438,505	$ 37,497,393	$ 30,578,885
Investment securities	936,379	754,902	2,957,544	2,278,112
Other investments and deposits	41,723	32,471	119,403	96,077
Total interest income	14,068,311	11,225,878	40,574,340	32,953,074
Interest Expense				
Deposits	718,367	729,941	2,044,983	2,410,621
Securities sold under repurchase agreement	18,838		54,147	
Short-term FHLB advances	30,655	12,060	99,897	27,146
Long-term FHLB advances	87,867	80,550	250,106	331,660
Total interest expense	855,727	822,551	2,449,133	2,769,427
Net interest income	13,212,584	10,403,327	38,125,207	30,183,647
Provision for loan losses	891,989	453,133	1,847,958	3,221,326
Net interest income after provision for loan losses	12,320,595	9,950,194	36,277,249	26,962,321
Noninterest Income				
Service fees and charges	1,008,416	741,983	2,781,487	1,984,049
Bank card fees	576,105	445,784	1,601,221	1,314,299
Gain on sale of loans, net	308,708	314,626	909,173	1,289,487
Income from bank-owned life insurance	116,513	114,473	342,347	351,575
Gain on sale of securities, net			1,826	428,200
Accretion of FDIC loss sharing receivable	54,873	111,066	205,749	334,913
Other income	96,000	52,215	226,938	170,351
Total noninterest income	2,160,615	1,780,147	6,068,741	5,872,874
Noninterest Expense				
Compensation and benefits	5,785,428	5,017,628	18,292,578	14,993,975
Occupancy	1,213,874	914,187	3,419,434	2,642,463
Marketing and advertising	244,364	152,270	695,823	563,793
Data processing and communication	964,541	574,364	3,396,596	1,842,036

Professional services	210,459	217,657	925,961	623,909
Forms, printing and supplies	135,840	86,965	499,060	329,762
Franchise and shares tax	184,385	272,960	553,156	819,540
Regulatory fees	306,724	225,175	790,763	668,059
Foreclosed assets, net	91,836	90,982	772,972	236,740
Other expenses	830,629	451,767	2,248,951	1,710,201
Total noninterest expense	9,968,080	8,003,955	31,595,294	24,430,478
Income before income tax expense	4,513,130	3,726,386	10,750,696	8,404,717
Income tax expense	1,636,613	1,243,639	3,688,098	2,816,445
Net Income	$ 2,876,517	$ 2,482,747	$ 7,062,598	$ 5,588,272
Earnings per share:				
Basic	$ 0.44	$ 0.38	$ 1.08	$ 0.84
Diluted	$ 0.41	$ 0.37	$ 1.02	$ 0.80

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

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HOME BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

	For the Three Months Ended September 30, 2014	For the Three Months Ended September 30, 2013	For the Nine Months Ended September 30, 2014	For the Nine Months Ended September 30, 2013
Net Income	$ 2,876,517	$ 2,482,747	$ 7,062,598	$ 5,588,272
Other Comprehensive (Loss) Income				
Unrealized (losses) gains on investment securities	$ (383,068)	$ (230,202)	$ 1,141,658	$ (3,331,197)
Reclassification adjustment for gains included in net income			(1,826)	(428,200)
Tax effect[(1)]	134,074	80,571	(398,941)	1,266,730
Other comprehensive (loss) income, net of taxes	$ (248,994)	$ (149,631)	$ 740,891	$ (2,492,667)
Comprehensive Income	$ 2,627,523	$ 2,333,116	$ 7,803,489	$ 3,095,605

(1) The tax effect for the three and nine months ended September 30, 2014 on the change in unrealized (losses) gains on investment securities was $134,074 and $399,580, respectively, compared to $80,571 and $1,116,860, respectively, for the three and nine months ended September 30, 2013. The tax effect for the three and nine months ended September 30, 2014 on the reclassification adjustment for gains included in net income had a tax effect of $0 and $639, respectively, compared to $0 and $149,870, respectively, for the three and nine months ended September 30, 2013.

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

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HOME BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY (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
alance, ecember 31, 012[1]	$ 89,506	$ 90,986,820	$ (21,719,954)	$ (5,623,910)	$ (1,831,759)	$ 76,435,222	$ 3,237,935	$ 141,573,860
omprehensive ncome:								
et income						5,588,272		5,588,272
ther omprehensive ncome							(2,492,667)	(2,492,667
reasury stock cquired at ost, 347,313 hares			(6,283,942)					(6,283,942
xercise of tock options	73	84,734						84,807
RP shares eleased for llocation		(652,717)			810,902			158,185
SOP shares eleased for llocation		220,977		267,810				488,787
hare-based ompensation ost		1,103,377						1,103,377
alance, eptember 30, 013	$ 89,579	$ 91,743,191	$ (28,003,896)	$ (5,356,100)	$ (1,020,857)	$ 82,023,494	$ 745,268	$ 140,220,679
alance, ecember 31, 013[1]	$ 89,585	$ 92,192,410	$ (28,011,398)	$ (5,266,830)	$ (1,018,497)	$ 83,729,144	$ 195,115	$ 141,909,529
omprehensive ncome:								
et income						7,062,598		7,062,598
ther omprehensive							740,891	740,891

ncome								
reasury stock cquired at ost, 23,148 hares			(490,800)					(490,800)
xercise of tock options	383	443,305						443,688
RP shares eleased for llocation		(565,552)			794,383			228,831
SOP shares eleased for llocation		295,634		267,810				563,444
hare-based ompensation ost		659,819						659,819
alance, eptember 30, 014	$ 89,968	$ 93,025,616	$ (28,502,198)	$ (4,999,020)	$ (224,114)	$ 90,791,742	$ 936,006	$ 151,118,000

(1) Balances as of December 31, 2012 and December 31, 2013 are audited.

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

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HOME BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	For the Nine Months Ended September 30, 2014	2013
Cash flows from operating activities, net of effects of acquisition in 2014:		
Net income	$ 7,062,598	$ 5,588,272
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	1,847,958	3,221,326
Depreciation	1,273,030	1,072,571
Amortization of purchase accounting valuations and intangibles	6,953,998	575,194
Net amortization of mortgage servicing asset	120,053	146,142
Federal Home Loan Bank stock dividends	(14,400)	(6,900)
Net amortization of premium on investments	965,267	832,966
Gain on sale of investment securities, net	(1,826)	(428,200)
Gain on loans sold, net	(909,173)	(1,289,487)
Proceeds, including principal payments, from loans held for sale	77,563,076	69,787,342
Originations of loans held for sale	(80,453,596)	(64,683,615)
Non-cash compensation	1,223,263	1,592,164
Deferred income tax (benefit) provision	(336,852)	473,020
Decrease in interest receivable and other assets	7,903,958	53,803
Increase in cash surrender value of bank-owned life insurance	(342,347)	(351,574)
(Decrease) increase in accrued interest payable and other liabilities	(590,751)	1,349,999
Net cash provided by operating activities	22,264,256	17,933,023
Cash flows from investing activities, net of effects of acquisition in 2014:		
Purchases of securities available for sale	(22,810,016)	(28,894,559)
Purchases of securities held to maturity	(2,442,105)	(7,793,964)
Proceeds from maturities, prepayments and calls on securities available for sale	22,629,218	22,865,281
Proceeds from maturities, prepayments and calls on securities held to maturity	466,470	456,395
Proceeds from sales of securities available for sale	66,905,382	7,704,863
Net increase in loans	(53,143,306)	(14,039,556)
Reimbursement from FDIC for covered assets	427,897	1,399,929
Decrease in certificates of deposit in other institutions	992,000	344,000
Proceeds from sale of repossessed assets	4,281,287	4,177,336
Purchases of office properties and equipment	(3,094,322)	(608,383)
Proceeds from sale of properties and equipment	61,008	
Net cash disbursed in business combination	(22,995,649)	
Purchases of Federal Home Loan Bank stock	(2,742,900)	(1,751,500)
Proceeds from redemption of Federal Home Loan Bank stock	3,118,300	1,533,600

Net cash used in investing activities	(8,346,736)	(14,606,558)
Cash flows from financing activities, net of effects of acquisition in 2014:		
Increase (decrease) in deposits	25,575,056	(5,554,642)
(Decrease) increase in Federal Home Loan Bank advances	(11,149,000)	4,840,980
Decrease in securities sold under repurchase agreements	(6,314,674)	
Purchase of treasury stock	(490,800)	(6,283,942)
Proceeds from exercise of stock options	443,688	84,807
Net cash provided by financing activities	8,064,270	(6,912,797)
Net change in cash and cash equivalents	21,981,790	(3,586,332)
Cash and cash equivalents at beginning of year	32,638,900	39,539,366
Cash and cash equivalents at end of period	$ 54,620,690	$ 35,953,034

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

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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 nine-month period ended September 30, 2014 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, 2013.

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. Accounting Developments

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

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

In January 2014, the FASB issued ASU No. 2014-04, Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure. The objective of this guidance is to clarify when an in substance repossession or foreclosure occurs, that is, when a creditor should be considered to have received physical possession of residential real estate collateralizing a consumer mortgage loan such that the loan receivable should be derecognized and the real estate recognized. ASU No. 2014-04 states that an in substance repossession or foreclosure occurs, and a creditor is considered to have received physical possession of residential real estate

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collateralizing a consumer mortgage loan, upon either (1) the creditor obtaining legal title to the residential real estate upon completion of a foreclosure or (2) the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. Additionally, ASU No. 2014-04 requires interim and annual disclosure of both (1) the amount of foreclosed residential real estate held by the creditor and (2) the recorded investment in consumer mortgage loans collateralized by residential real estate that are in the process of foreclosure according to local requirements of the applicable jurisdiction. ASU No. 2014-04 is effective for interim and annual reporting periods beginning after December 15, 2014. The adoption of ASU No. 2014-04 is not expected to have a material impact on the Company s Consolidated Financial Statements.

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

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

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

3. Acquisition Activity

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

The acquisition was accounted for under the purchase method of accounting in accordance with ASC 805, *Business Combinations*. In accordance with ASC 805, the Company recorded goodwill totaling $258,000 from the acquisition as a result of consideration transferred over net assets acquired. Both the assets acquired and liabilities assumed were recorded at their respective acquisition date fair values. Identifiable intangible assets, including core deposit intangible assets, were recorded at fair value.

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

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

(dollars in thousands)	As Acquired	Fair Value Adjustments	As recorded by Home Bancorp
Assets			
Cash and cash equivalents	$ 15,342	$	$ 15,342
Investment securities	96,952	1,033[(a)]	97,985
Loans	170,083	(7,867)[(b)]	162,216
Repossessed assets	2,699	(871)[(c)]	1,828
Office properties and equipment, net	6,566	(811)[(d)]	5,755
Core deposit intangible		3,030[(e)]	3,030
Other assets	9,212	3,303[(f)]	12,515
Total assets acquired	$ 300,854	$ (2,183)	$ 298,671
Liabilities			
Interest-bearing deposits	$ 156,839	$ 186[(g)]	$ 157,025
Noninterest-bearing deposits	59,575		59,575
FHLB advances	9,149	103[(h)]	9,252
Other borrowings	26,315	976[(i)]	27,291
Other liabilities	11,125	146	11,271
Total liabilities assumed	$ 263,003	$ 1,411	$ 264,414
Excess of assets acquired over liabilities assumed			34,257
Cash consideration paid			(34,515)
Total goodwill recorded			$ 258

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

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

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

Adjustment of $5.8 million for loans within the scope of ASC 310-30. As a result of an analysis by management of all impaired loans, $20.1 million of loans were determined to be within the scope of, and were evaluated under, ASC 310-30. The contractually required payments receivable related to ASC 310-30 loans is approximately $34.0 million with expected cash flow to be collected of $17.3 million. The estimated fair value of such loans is $15.0 million, with a nonaccretable difference of $3.6 million and an accretable yield of $2.3 million; and

Adjustment of $4.1 million for all remaining loans determined not to be within the scope of ASC 310-30. Loans which are not within the scope of ASC 310-30 totaled $151.5 million. In determining the fair value of the loans which are not within the scope of ASC 310-30, the acquired loan portfolio was evaluated based on risk characteristics and other credit and market criteria to determine a credit quality adjustment to the fair value of the loans acquired. The acquired loan balance was reduced by the aggregate amount of the credit quality adjustment in determining the fair value of the loans.

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

The following pro forma information for the nine months ended September 30, 2014 and 2013 reflects the Company s estimated consolidated results of operations as if the acquisition of Britton & Koontz occurred at January 1, 2013, unadjusted for potential cost savings.

(dollars in thousands except per share information)	**2014**	**2013**
Net interest income	$ 38,580	$ 38,496
Noninterest income	6,318	8,442
Noninterest expense	31,014	33,383
Net income	7,907	6,872
Earnings per share basic	$ 1.21	$ 1.04
Earnings per share diluted	1.14	0.99

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

4. Investment Securities

Summary information regarding the Company s investment securities classified as available for sale and held to maturity as of September 30, 2014 and December 31, 2013 is as follows.

(dollars in thousands)			Gross Unrealized Losses		
September 30, 2014	Amortized Cost	Gross Unrealized Gains	Less Than 1 Year	Over 1 Year	Fair Value
Available for sale:					
U.S. agency mortgage-backed	$ 125,726	$ 1,734	$ 71	$ 750	$ 126,639
Non-U.S. agency mortgage-backed	8,262	92	13	22	8,319
Municipal bonds	25,071	597	3	77	25,588
U.S. government agency	20,739	200		247	20,692
Total available for sale	$ 179,798	$ 2,623	$ 87	$ 1,096	$ 181,238
Held to maturity:					
Municipal bonds	$ 11,212	$ 181	$ 10	$ 19	$ 11,364
Total held to maturity	$ 11,212	$ 181	$ 10	$ 19	$ 11,364

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

Total held to maturity	$	9,405	$	68	$	198	$		$	9,275

The estimated fair value and amortized cost by maturity of the Company s investment securities as of September 30, 2014 are shown in the following tables. Securities are classified according to their contractual maturities

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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	$	$ 160	$ 27,330	$ 99,149	$ 126,639
Non-U.S. agency mortgage-backed				8,319	8,319
Municipal bonds	1,167	7,579	12,426	4,416	25,588
U.S. government agency		14,051	1,936	4,705	20,692
Total available for sale	$ 1,167	$ 21,790	$ 41,692	$ 116,589	$ 181,238
Securities held to maturity:					
U.S. agency mortgage-backed	$	$	$	$	$
Municipal bonds		662	9,241	1,461	11,364
Total held to maturity		662	9,241	1,461	11,364
Total investment securities	$ 1,167	$ 22,452	$ 50,933	$ 118,050	$ 192,602

(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	$	$ 150	$ 27,312	$ 98,264	$ 125,726
Non-U.S. agency mortgage-backed				8,262	8,262
Municipal bonds	1,150	7,344	12,305	4,272	25,071
U.S. government agency		14,153	2,000	4,586	20,739
Total available for sale	$ 1,150	$ 21,647	$ 41,617	$ 115,384	$ 179,798
Securities held to maturity:					
U.S. agency mortgage-backed	$	$	$	$	$
Municipal bonds		636	9,122	1,454	11,212
Total held to maturity		636	9,122	1,454	11,212
Total investment securities	$ 1,150	$ 22,283	$ 50,739	$ 116,838	$ 191,010

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.

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As of September 30, 2014 and December 31, 2013, the Company had $80,934,000 and $43,977,000, respectively, of securities pledged to secure public deposits. As of September 30, 2014, the Company had $21,563,000 of securities pledged to securities sold under repurchase agreements.

As of September 30, 2014, 47 of the Company s debt securities had unrealized losses totaling 1.9% of the individual securities amortized cost basis and 0.6% of the Company s total amortized cost basis of the investment securities portfolio. 29 of the 47 securities had been in a continuous loss position for over 12 months at such date. The 29 securities had an aggregate amortized cost basis of $36.8 million and unrealized loss of $1.1 million at September 30, 2014. Management has the intent and ability to hold these debt securities until maturity, or until anticipated recovery; hence, no declines in these 47 securities were deemed to be other-than-temporary.

5. Earnings Per Share

Earnings per common share were computed based on the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands, except per share data)	**2014**	**2013**	**2014**	**2013**
Numerator:				
Net income available to common shareholders	$ 2,877	$ 2,483	$ 7,063	$ 5,588
Denominator:				
Weighted average common shares outstanding	6,577	6,482	6,534	6,627
Effect of dilutive securities:				
Restricted stock	5	36	32	60
Stock options	369	251	349	257
Weighted average common shares outstanding assuming dilution	6,951	6,769	6,915	6,944
Earnings per common share	$ 0.44	$ 0.38	$ 1.08	$ 0.84
Earnings per common share assuming dilution	$ 0.41	$ 0.37	$ 1.02	$ 0.80

Options on 9,500 and 54,000 shares of common stock were not included in the computation of diluted earnings per share for the three months ended September 30, 2014 and September 30, 2013, respectively, because the effect of these shares was anti-dilutive. Options on 34,833 and 51,496 shares of common stock were not included in the computation of diluted earnings per share for the nine months ended September 30, 2014 and September 30, 2013, respectively, because the effect of these shares was anti-dilutive.

6. Credit Quality and Allowance for Loan Losses

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

Originated Loans

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

Non-covered Acquired Loans

Non-covered acquired loans are those collectively associated with our acquisitions of 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. These loans were recorded at estimated fair value at the acquisition date with no carryover of the related allowance for loan losses. The non-covered acquired loans were segregated between those considered to be performing (acquired performing) and those with

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evidence of credit deterioration (acquired impaired), and then further segregated into loan pools designed to facilitate the estimation of expected cash flows. The fair value estimate for each pool of acquired performing and acquired impaired loans was based on the estimate of expected cash flows, both principal and interest, from that pool, discounted at prevailing market interest rates.

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

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

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

Covered Loans and the Related Loss Share Receivable

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

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

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

	As of September 30, 2014				
	Originated Loans		Acquired Loans		
(dollars in thousands)	Collectively Evaluated for Impairment	Individually Evaluated for Impairment	Non-covered Acquired Loans(1)	Covered Loans	Total
Allowance for loan losses:					
One- to four-family first mortgage	$ 1,121	$	$ 174	$	$ 1,295
Home equity loans and lines	437		111		548
Commercial real estate	2,596	107			2,703
Construction and land	1,178		133		1,311
Multi-family residential	145				145
Commercial and industrial	885		17		902
Consumer	514				514
Total allowance for loan losses	$ 6,876	$ 107	$ 435	$	$ 7,418

	As of September 30, 2014				
	Originated Loans		Acquired Loans		
(dollars in thousands)	Collectively Evaluated for Impairment	Individually Evaluated for Impairment	Non-covered Acquired Loans(1)	Covered Loans	Total
Loans:					
One- to four-family first mortgage	$ 161,591	$ 78	$ 69,068	$ 3,579	$ 234,316
Home equity loans and lines	33,804		20,531	1,873	56,208
Commercial real estate	254,275	777	64,962	9,607	329,621
Construction and land	104,120	64	17,570	1,499	123,253
Multi-family residential	11,258		10,099	1,108	22,465
Commercial and industrial	79,319	531	15,248	437	95,535
Consumer	42,905		2,672	389	45,966
Total loans	$ 687,272	$ 1,450	$ 200,150	$ 18,492	$ 907,364

	As of December 31, 2013				
	Originated Loans		Acquired Loans		
(dollars in thousands)	Collectively Evaluated for Impairment	Individually Evaluated for Impairment	Non-covered Acquired Loans(1)	Covered Loans	Total
Allowance for loan losses:					
One- to four-family first mortgage	$ 904	$	$ 184	$	$ 1,088
Home equity loans and lines	366		58		424

Commercial real estate	2,528				2,528
Construction and land	977				977
Multi-family residential	90				90
Commercial and industrial	850	482	6		1,338
Consumer	473				473
Total allowance for loan losses	$ 6,188	$ 482	$ 248	$	$ 6,918

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

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(1) $14.3 million and $4.6 million in non-covered acquired loans were accounted for under ASC 310-30 at September 30, 2014 and December 31, 2013, respectively.

A summary of activity in the allowance for loan losses during the nine months ended September 30, 2014 and September 30, 2013 is as follows.

	For the Nine Months Ended September 30, 2014				
(dollars in thousands)	**Beginning Balance**	**Charge-offs**	**Recoveries**	**Provision**	**Ending Balance**
Originated loans:					
Allowance for loan losses:					
One- to four-family first mortgage	$ 904	$ (99)	$	$ 316	$ 1,121
Home equity loans and lines	366		4	67	437
Commercial real estate	2,528			175	2,703
Construction and land	977	(20)		221	1,178
Multi-family residential	90			55	145
Commercial and industrial	1,332	(1,183)	79	657	885
Consumer	473	(18)	3	56	514
Total allowance for loan losses	$ 6,670	$ (1,320)	$ 86	$ 1,547	$ 6,983
Non-covered acquired loans:					
Allowance for loan losses:					
One- to four-family first mortgage	$ 184	$ (114)	$	$ 104	$ 174
Home equity loans and lines	58			53	111
Commercial real estate					
Construction and land				133	133
Multi-family residential					
Commercial and industrial	6			11	17
Consumer					
Total allowance for loan losses	$ 248	$ (114)	$	$ 301	$ 435
Covered loans:					
Allowance for loan losses:					
One- to four-family first mortgage	$	$	$	$	$
Home equity loans and lines					
Commercial real estate					
Construction and land					
Multi-family residential					
Commercial and industrial					
Consumer					
Total allowance for loan losses	$	$	$	$	$

Total loans:					
Allowance for loan losses:					
One- to four-family first mortgage	$ 1,088	$ (213)	$	$ 420	$ 1,295
Home equity loans and lines	424		4	120	548
Commercial real estate	2,528			175	2,703
Construction and land	977	(20)		354	1,311
Multi-family residential	90			55	145
Commercial and industrial	1,338	(1,183)	79	668	902
Consumer	473	(18)	3	56	514
Total allowance for loan losses	$ 6,918	$ (1,434)	$ 86	$ 1,848	$ 7,418

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(dollars in thousands)	Beginning Balance	Charge-offs	Recoveries	Provision	Ending Balance
	For the Nine Months Ended September 30, 2013				
Originated loans:					
Allowance for loan losses:					
One- to four-family first mortgage	$ 798	$ (76)	$	$ 126	$ 848
Home equity loans and lines	322		10	37	369
Commercial real estate	2,040			334	2,374
Construction and land	785	(25)	8	90	858
Multi-family residential	86			2	88
Commercial and industrial	683	(1,990)	18	2,406	1,117
Consumer	400	(8)	22	45	459
Total allowance for loan losses	$ 5,114	$ (2,099)	$ 58	$ 3,040	$ 6,113
Non-covered acquired loans:					
Allowance for loan losses:					
One- to four-family first mortgage	$ 184	$ (36)	$	$ 70	$ 218
Home equity loans and lines	21			100	121
Commercial real estate					
Construction and land					
Multi-family residential					
Commercial and industrial				11	11
Consumer					
Total allowance for loan losses	$ 205	$ (36)	$	$ 181	$ 350
Covered loans:					
Allowance for loan losses:					
One- to four-family first mortgage	$	$	$	$	$
Home equity loans and lines					
Commercial real estate					
Construction and land					
Multi-family residential					
Commercial and industrial					
Consumer					
Total allowance for loan losses	$	$	$	$	$
Total loans:					
Allowance for loan losses:					
One- to four-family first mortgage	$ 982	$ (112)	$	$ 196	$ 1,066
Home equity loans and lines	343		10	137	490
Commercial real estate	2,040			334	2,374
Construction and land	785	(25)	8	90	858
Multi-family residential	86			2	88

Commercial and industrial	683	(1,990)	18	2,417	1,128
Consumer	400	(8)	22	45	459
Total allowance for loan losses	$ 5,319	$ (2,135)	$ 58	$ 3,221	$ 6,463

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

	September 30, 2014				
(dollars in thousands)	Pass	Special Mention	Substandard	Doubtful	Total
Originated loans:					
One- to four-family first mortgage	$ 159,548	$ 231	$ 1,890	$	$ 161,669
Home equity loans and lines	33,030	258	516		33,804
Commercial real estate	249,566	3,732	1,754		255,052
Construction and land	103,200	109	875		104,184
Multi-family residential	10,389	869			11,258
Commercial and industrial	78,532	731	587		79,850
Consumer	42,468	6	431		42,905
Total loans	$ 676,733	$ 5,936	$ 6,053	$	$ 688,722
Non-covered acquired loans:					
One- to four-family first mortgage	$ 63,642	$ 1,178	$ 4,248	$	$ 69,068
Home equity loans and lines	20,031	25	475		20,531
Commercial real estate	54,722	1,159	9,081		64,962
Construction and land	10,923		6,647		17,570
Multi-family residential	8,296	27	1,776		10,099
Commercial and industrial	11,849	23	3,376		15,248
Consumer	2,633	11	28		2,672
Total loans	$ 172,096	$ 2,423	$ 25,631	$	$ 200,150
Covered:					
One- to four-family first mortgage	$ 2,570	$ 80	$ 929	$	$ 3,579
Home equity loans and lines	1,707	14	152		1,873
Commercial real estate	8,179	204	1,224		9,607
Construction and land	1,393	1	105		1,499
Multi-family residential	203	905			1,108
Commercial and industrial	238		199		437
Consumer	346	22	21		389
Total loans	$ 14,636	$ 1,226	$ 2,630	$	$ 18,492
Total:					
One- to four-family first mortgage	$ 225,760	$ 1,489	7,067	$	$ 234,316
Home equity loans and lines	54,768	297	1,143		56,208
Commercial real estate	312,467	5,095	12,059		329,621
Construction and land	115,516	110	7,627		123,253
Multi-family residential	18,888	1,801	1,776		22,465

Commercial and industrial	90,619	754	4,162		95,535
Consumer	45,447	39	480		45,966
Total loans	$ 863,465	$ 9,585	$ 34,314	$	$ 907,364

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

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

Pass loans are of satisfactory quality.

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

Substandard loans have an existing specific and well-defined weakness that may include poor liquidity and deterioration of financial 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.

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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.

	September 30, 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	$ 1,917	$ 248	$ 669	$ 2,834	$ 158,835	$ 161,669
Home equity loans and lines	214	4	67	285	33,519	33,804
Commercial real estate	1,138		619	1,757	253,295	255,052
Construction and land	668		64	732	103,452	104,184
Multi-family residential					11,258	11,258
Total real estate loans	3,937	252	1,419	5,608	560,359	565,967
Other loans:						
Commercial and industrial	1,161	577	58	1,796	78,054	79,850
Consumer	530	62	430	1,022	41,883	42,905
Total other loans	1,691	639	488	2,818	119,937	122,755
Total loans	$ 5,628	$ 891	$ 1,907	$ 8,426	$ 680,296	$ 688,722
Non-covered acquired loans:						
Real estate loans:						
One- to four-family first mortgage	$ 1,645	$ 620	$ 2,141	$ 4,406	$ 64,662	$ 69,068
Home equity loans and lines	61	36	74	171	20,360	20,531
Commercial real estate	130	825	634	1,589	63,373	64,962
Construction and land	888		1,343	2,231	15,339	17,570
Multi-family residential	282		302	584	9,515	10,099
Total real estate loans	3,006	1,481	4,494	8,981	173,249	182,230
Other loans:						
Commercial and industrial	250		1,135	1,385	13,863	15,248
Consumer	23	6	28	57	2,615	2,672
Total other loans	273	6	1,163	1,442	16,478	17,920

Total loans	$ 3,279	$ 1,487	$ 5,657	$ 10,423	$ 189,727	$ 200,150
Covered loans:						
Real estate loans:						
One- to four-family first mortgage	$ 520	$ 205	$ 759	$ 1,484	$ 2,095	$ 3,579
Home equity loans and lines	110	38	152	300	1,573	1,873
Commercial real estate	204	79	525	808	8,799	9,607
Construction and land	67	14	17	98	1,401	1,499
Multi-family residential					1,108	1,108
Total real estate loans	901	336	1,453	2,690	14,976	17,666
Other loans:						
Commercial and industrial	12		170	182	255	437
Consumer	17	1	13	31	358	389
Total other loans	29	1	183	213	613	826
Total loans	$ 930	$ 337	$ 1,636	$ 2,903	$ 15,589	$ 18,492
Total loans:						
Real estate loans:						
One- to four-family first mortgage	$ 4,082	$ 1,073	$ 3,569	$ 8,724	$ 225,592	$ 234,316
Home equity loans and lines	385	78	293	756	55,452	56,208
Commercial real estate	1,472	904	1,778	4,154	325,467	329,621
Construction and land	1,623	14	1,424	3,061	120,192	123,253
Multi-family residential	282		302	584	21,881	22,465
Total real estate loans	7,844	2,069	7,366	17,279	748,584	765,863
Other loans:						
Commercial and industrial	1,423	577	1,363	3,363	92,172	95,535
Consumer	570	69	471	1,110	44,856	45,966
Total other loans	1,993	646	1,834	4,473	137,028	141,501
Total loans	$ 9,837	$ 2,715	$ 9,200	$ 21,752	$ 885,612	$ 907,364

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

Commercial real estate	459		701	1,160	10,028	11,188
Construction and land	11	27	10	48	1,356	1,404
Multi-family residential					1,122	1,122
Total real estate loans	1,219	397	1,721	3,337	17,066	20,403
Other loans:						
Commercial and industrial	5	109	62	176	1,095	1,271
Consumer						
Total other loans	5	109	62	176	1,095	1,271
Total loans	$ 1,224	$ 506	$ 1,783	$ 3,513	$ 18,161	$ 21,674
Total loans:						
Real estate loans:						
One- to four-family first mortgage	$ 3,198	$ 1,249	$ 4,611	$ 9,058	$ 170,448	$ 179,506
Home equity loans and lines	247	162	386	795	39,766	40,561
Commercial real estate	1,269	241	4,711	6,221	263,628	269,849
Construction and land	425	28	1,145	1,598	81,673	83,271
Multi-family residential	879		987	1,866	14,712	16,578
Total real estate loans	6,018	1,680	11,840	19,538	570,227	589,765
Other loans:						
Commercial and industrial	2,031	3,352	244	5,627	71,906	77,533
Consumer	514	262	277	1,053	39,105	40,158
Total other loans	2,545	3,614	521	6,680	111,011	117,691
Total loans	$ 8,563	$ 5,294	$ 12,361	$ 26,218	$ 681,238	$ 707,456

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Excluding non-covered acquired and covered loans (collectively referred to as Acquired Loans) with deteriorated credit quality, as of September 30, 2014 and December 31, 2013, the Company did not have any loans greater than 90 days past due and accruing.

The following is a summary of information pertaining to impaired loans excluding Acquired Loans, as of the dates indicated.

	As of Period Ended September 30, 2014				
(dollars in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
One- to four-family first mortgage	$ 78	$ 78	$	$ 255	$
Home equity loans and lines					
Commercial real estate				84	
Construction and land	64	64		19	
Multi-family residential					
Commercial and industrial	531	531		482	
Consumer					
Total	$ 673	$ 673	$	$ 840	$
With an allowance recorded:					
One- to four-family first mortgage	$	$	$	$	$
Home equity loans and lines					
Commercial real estate	777	777	107	78	8
Construction and land					
Multi-family residential					
Commercial and industrial				1,126	
Consumer					
Total	$ 777	$ 777	$ 107	$ 1,204	$ 8
Total impaired loans:					
One- to four-family first mortgage	$ 78	$ 78	$	$ 255	$
Home equity loans and lines					
Commercial real estate	777	777	107	162	8
Construction and land	64	64		19	
Multi-family residential					
Commercial and industrial	531	531		1,608	
Consumer					
Total	$ 1,450	$ 1,450	$ 107	$ 2,044	$ 8

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	As of Period Ended December 31, 2013				
(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	$ 386	$ 386	$	$ 782	$ 12
Home equity loans and lines	3	3		26	
Commercial real estate	360	360		1,336	
Construction and land				80	
Multi-family residential				325	
Commercial and industrial	584	584		743	17
Consumer					
Total	$ 1,333	$ 1,333	$	$ 3,292	$ 29
With an allowance recorded:					
One- to four-family first mortgage	$	$	$	$ 126	$
Home equity loans and lines					
Commercial real estate				102	
Construction and land				5	
Multi-family residential					
Commercial and industrial	1,247	1,247	482	987	38
Consumer					
Total	$ 1,247	$ 1,247	$ 482	$ 1,220	$ 38
Total impaired loans:					
One- to four-family first mortgage	$ 386	$ 386	$	$ 908	$ 12
Home equity loans and lines	3	3		26	
Commercial real estate	360	360		1,438	
Construction and land				85	
Multi-family residential				325	
Commercial and industrial	1,831	1,831	482	1,730	55
Consumer					
Total	$ 2,580	$ 2,580	$ 482	$ 4,512	$ 67

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

	September 30, 2014				December 31, 2013			
(dollars in thousands)	Originated	Non-covered Acquired[(1)]	Covered	Total	Originated	Non-covered Acquired[(1)]	Covered	Total
Nonaccrual loans:								
One- to four-family first mortgage	$ 961	$ 2,698	$ 1,864	$ 5,523	$ 689	$ 4,744	$ 2,184	$ 7,617

Home equity loans and lines	67	278	184	529	66	487	170	723
Commercial real estate	619	1,662	865	3,146	1,939	3,957	1,221	7,117
Construction and land	64	1,526	171	1,761	84	1,307	440	1,831
Multi-family residential		1,564		1,564		2,248		2,248
Commercial and industrial	589	1,297	269	2,155	3,881		954	4,835
Consumer	430	30	79	539	277		111	388
Total	$ 2,730	$ 9,055	$ 3,432	$ 15,217	$ 6,936	$ 12,743	$ 5,080	$ 24,759

(1) Nonaccrual non-covered acquired loans accounted for under ASC 310-30 totaled $4.4 million and $5.5 million as of September 30, 2014 and December 31, 2013, respectively.

As of September 30, 2014, the Company was not committed to lend additional funds to any customer whose loan was classified as impaired.

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.

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

	As of September 30, 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	$	$	$ 292	$ 292
Home equity loans and lines				
Commercial real estate	111			111
Construction and land	109			109
Multi-family residential				
Total real estate loans	220		292	512
Other loans:				
Commercial and industrial				
Consumer				
Total other loans				
Total loans	$ 220	$	$ 292	$ 512
Non-covered acquired loans:				
Real estate loans:				
One- to four-family first mortgage	$ 512	$	$ 54	$ 566
Home equity loans and lines				
Commercial real estate			985	985
Construction and land				
Multi-family residential				
Total real estate loans	512		1,039	1,551
Other loans:				
Commercial and industrial				
Consumer				
Total other loans				
Total loans	$ 512	$	$ 1,039	$ 1,551
Covered loans:				
Real estate loans:				

One- to four-family first mortgage	$	$	$	$
Home equity loans and lines				
Commercial real estate				
Construction and land			123	123
Multi-family residential				
Total real estate loans			123	123
Other loans:				
Commercial and industrial				
Consumer	3		3	6
Total other loans	3		3	6
Total loans	$ 3	$	$ 126	$ 129
Total loans:				
Real estate loans:				
One- to four-family first mortgage	$ 512	$	$ 346	$ 858
Home equity loans and lines				
Commercial real estate	111		985	1,096
Construction and land	109		123	232
Multi-family residential				
Total real estate loans	732		1,454	2,186
Other loans:				
Commercial and industrial				
Consumer	3		3	6
Total other loans	3		3	6
Total loans	$ 735	$	$ 1,457	$ 2,192

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	As of December 31, 2013			
(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	$	$	$ 296	$ 296
Home equity loans and lines				
Commercial real estate	275		111	386
Construction and land	147			147
Multi-family residential				
Total real estate loans	422		407	829
Other loans:				
Commercial and industrial				
Consumer	3			3
Total other loans	3			3
Total loans	$ 425	$	$ 407	$ 832
Non-covered acquired loans:				
Real estate loans:				
One- to four-family first mortgage	$	$	$ 586	$ 586
Home equity loans and lines				
Commercial real estate			1,046	1,046
Construction and land				
Multi-family residential			676	676
Total real estate loans			2,308	2,308
Other loans:				
Commercial and industrial				
Consumer				
Total other loans				
Total loans	$	$	$ 2,308	$ 2,308
Covered loans:				
Real estate loans:				
One- to four-family first mortgage	$	$	$	$
Home equity loans and lines				
Commercial real estate				
Construction and land			392	392

Multi-family residential				
Total real estate loans			392	392
Other loans:				
Commercial and industrial			830	830
Consumer	5		31	36
Total other loans	5		861	866
Total loans	$ 5	$	$ 1,253	$ 1,258
Total loans:				
Real estate loans:				
One- to four-family first mortgage	$	$	$ 882	$ 882
Home equity loans and lines				
Commercial real estate	275		1,157	1,432
Construction and land	147		392	539
Multi-family residential			676	676
Total real estate loans	422		3,107	3,529
Other loans:				
Commercial and industrial			830	830
Consumer	8		31	39
Total other loans	8		861	869
Total loans	$ 430	$	$ 3,968	$ 4,398

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None of the TDRs defaulted subsequent to the restructuring through the date the financial statements were issued. The Company did not restructure any loans as a TDR during the third quarter of 2014.

7. Fair Value Disclosures

The Company groups its financial assets and liabilities measured 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 of inputs 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 of input 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.

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,

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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 September 30, 2014, 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 September 30, 2014 and December 31, 2013.

		Fair Value Measurements Using		
(dollars in thousands)	**September 30, 2014**	**Level 1**	**Level 2**	**Level 3**
Available for sale securities:				
U.S. agency mortgage-backed	$ 126,639	$	$ 126,639	$
Non-U.S. agency mortgage-backed	8,319		8,319	
Municipal bonds	25,588		25,588	
U.S. government agency	20,692		20,692	
Total	$ 181,238	$	$ 181,238	$

		Fair Value Measurements Using		
(dollars in thousands)	**December 31, 2013**	**Level 1**	**Level 2**	**Level 3**
Available for sale securities:				
U.S. agency mortgage-backed	$ 96,785	$	$ 96,785	$
Non-U.S. agency mortgage-backed	9,749		9,749	
Municipal bonds	19,799		19,799	
U.S. government agency	23,299		23,299	
Total	$ 149,632	$	$ 149,632	$

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

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, the FDIC loss sharing receivable, acquired FHLB advances, and acquired interest-bearing deposit liabilities are measured on a nonrecurring basis using significant unobservable inputs (Level 3).

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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)	**September 30, 2014**	**Level 1**	**Level 2**	**Level 3**
Assets				
Acquired loans with deteriorated credit quality	$ 32,677	$	$	$ 32,677
Acquired loans without deteriorated credit quality	185,531			185,531
Impaired loans, excluding acquired loans	1,343			1,343
Repossessed assets	7,346			7,346
FDIC loss sharing receivable	6,449			6,449
Total	$ 233,346	$	$	$ 233,346
Liabilities				
Deposits acquired through business combinations	$ 72,426	$	$	$ 72,426
FHLB advances acquired through business combinations	2,001			2,001
Securities sold under repurchase agreement	20,541			20,541
Total	$ 94,968	$	$	$ 94,968

		Fair Value Measurements Using		
(dollars in thousands)	**December 31, 2013**	**Level 1**	**Level 2**	**Level 3**
Assets				
Acquired loans with deteriorated credit quality	$ 26,220	$	$	$ 26,220
Acquired loans without deteriorated credit quality	85,732			85,732
Impaired loans, excluding acquired loans	2,099			2,099
Repossessed assets	4,566			4,566
FDIC loss sharing receivable	12,698			12,698
Total	$ 131,315	$	$	$ 131,315
Liabilities				
Deposits acquired through business combinations	$ 39,010	$	$	$ 39,010
FHLB advances acquired through business combinations				
Total	$ 39,010	$	$	$ 39,010

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.

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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 using the rates currently offered for advances of similar maturities.

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

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

		Fair Value Measurements at September 30, 2014			
(dollars in thousands)	**Carrying Amount**	**Total**	**Level 1**	**Level 2**	**Level 3**
Financial Assets					
Cash and cash equivalents	$ 54,621	$ 54,621	$ 54,621	$	$
Interest-bearing deposits in banks	5,771	5,771	5,771		
Investment securities available for sale	181,238	181,238		181,238	

Investment securities held to maturity	11,212	11,364		11,364	
Mortgage loans held for sale	7,397	7,397		7,397	
Loans, net	899,946	906,932			906,932
Cash surrender value of BOLI	19,047	19,047	19,047		
FDIC loss sharing receivable	6,449	6,449			6,449
Financial Liabilities					
Deposits	$ 983,387	$ 983,885	$	$ 911,459	$ 72,426
Short-term FHLB advances	78,501	78,501	76,500		2,001
Long-term FHLB advances	16,500	16,890		16,890	
Securities sold under repurchase agreement	20,541	20,541			20,541

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(dollars in thousands)	Carrying Amount	Fair Value Measurements at December 31, 2013 Total	Level 1	Level 2	Level 3
Financial Assets					
Cash and cash equivalents	$ 32,639	$ 32,639	$ 32,639	$	$
Interest-bearing deposits in banks	2,940	2,940	2,940		
Investment securities available for sale	149,632	149,632		149,632	
Investment securities held to maturity	9,405	9,275		9,275	
Mortgage loans held for sale	1,951	1,951		1,951	
Loans, net	700,538	708,863			708,863
Cash surrender value of BOLI	17,751	17,751	17,751		
FDIC loss sharing receivable	12,698	12,698			12,698
Financial Liabilities					
Deposits	$ 741,312	$ 741,510	$	$ 702,500	$ 39,010
Short-term FHLB advances	87,000	87,000	87,000		
Long-term FHLB advances	10,000	10,613		10,613	

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. and its wholly owned subsidiary, Home Bank, from December 31, 2013 through September 30, 2014 and on its results of operations for the three and nine months ended September 30, 2014 and September 30, 2013. 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 future 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, 2013. 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.

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EXECUTIVE OVERVIEW

During the third quarter of 2014, the Company earned $2.9 million, an increase of $394,000, or 15.9%, compared to the third quarter of 2013. Diluted earnings per share for the third quarter of 2014 were $0.41, an increase of $0.04, or 10.8%, compared to the third quarter of 2013. During the nine months ended September 30, 2014, the Company earned $7.1 million, an increase $1.5 million, or 26.4%, compared to the nine months ended September 30, 2013. Diluted earnings per share for the nine months ended September 30, 2014 were $1.02, an increase of $0.22, or 27.5%, compared to the nine months ended September 30, 2013.

The Company s financial condition and income as of and for the period ended September 30, 2014 was impacted by the acquisition of Britton & Koontz Capital Corporation (Britton & Koontz), the holding company for Britton & Koontz Bank, N.A. (Britton & Koontz Bank) of Natchez, Mississippi, on February 14, 2014. As a result of the acquisition, five former Britton & Koontz Bank branches in west Mississippi were added to Home Bank s branch office network. Two former Britton & Koontz Bank locations in Baton Rouge were consolidated into existing Home Bank locations. The Company acquired assets of $298.7 million, which included loans of $162.2 million, and $264.4 million in deposits and other liabilities. Shareholders of Britton and Koontz received $16.14 per share in cash, yielding an aggregate purchase price of $34.5 million. The Company incurred $2.3 million in pre-tax merger-related expenses during the first nine months of 2014. See Note 3 to the Unaudited Consolidated Financial Statements for additional information regarding the acquisition.

Key components of the Company s performance during the three months and nine months ended September 30, 2014 are summarized below.

Assets totaled $1.3 billion as of September 30, 2014, up $275.5 million, or 28.0%, from December 31, 2013. The increase was primarily the result of the Britton & Koontz acquisition.

Loans as of September 30, 2014 were $907.4 million, an increase of $199.9 million, or 28.3%, from December 31, 2013. The increase in loans was primarily driven by $162.2 million in loans acquired from Britton & Koontz at the acquisition date. During 2014, organic loan growth was related primarily to construction and land (up $19.7 million), one-to four-family first mortgage (up $13.1 million) and commercial real estate (up $4.8 million) loans. As of September 30, 2014, Covered Loans totaled $18.5 million, a decrease of $3.2 million, or 14.7%, from December 31, 2013.

Deposits as of September 30, 2014 were $983.4 million, an increase of $242.1 million, or 32.7%, from December 31, 2013. The Britton & Koontz acquisition added $216.6 million in deposits at the acquisition date. Core deposits (i.e., checking, savings, and money market accounts) totaled $759.1 million as of September 30, 2014, an increase of $210.2 million, or 38.3%, from December 31, 2013. The increase in core deposits was primarily driven by $151.9 million in core deposits acquired from Britton & Koontz.

Interest income increased $2.8 million, or 25.3%, in the third quarter of 2014 compared to the third quarter of 2013. For the nine months ended September 30, 2014, interest income increased $7.6 million, or 23.1%, compared to the nine months ended September 30 2013. The increases in the three and nine month periods were primarily due to the addition of the interest-earning assets acquired from Britton & Koontz.

Interest expense increased $33,000, or 4.0%, for the third quarter of 2014 compared to the third quarter of 2013. For the nine months ended September 30, 2014, interest expense decreased $320,000, or 11.6%, compared to the nine months ended September 30, 2013. The increase in the third quarter 2014 compared to the third quarter 2014 was primarily due to interest-bearing liabilities added through the Britton & Koontz acquisition. The decrease in the nine month period comparison of 2014 and 2013 was primarily the result of changes in our funding mix and lower interest rates.

The provision for loan losses totaled $892,000 for the third quarter of 2014, an increase of $439,000, or 96.8%, compared to the third quarter of 2013. For the nine months ended September 30, 2014, the provision for loan losses decreased $1.4 million, or 42.6%, from the nine months ended September 30, 2013. At September 30, 2014, the Company s ratio of allowance for loan losses to total loans was 0.82%, compared to 0.95% at September 30, 2013. Excluding acquired loans, the ratio of the allowance for loan losses to total

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loans was 1.01% at September 30, 2014, compared to 1.09% at September 30, 2013. Net loan charge-offs for the first nine months of 2014 were $1.3 million compared to net loan charge-offs of $2.1 million during the first nine months of 2013.

Noninterest income for the third quarter of 2014 increased $380,000, or 21.4%, compared to the third quarter of 2013, due primarily to increases in service fees and charges (up $266,000) and bank card fees (up $130,000). For the nine months ended September 30, 2014, noninterest income increased $196,000, or 3.3%, compared to the nine months ended September 30, 2013. The increase resulted primarily from higher service fees and charges (up $797,000) and bank card fees (up $287,000) due to the impact of the Britton & Koontz acquisition and increased customer transactions, which were partially offset by lower gains on the sale of mortgage loans (down $380,000) and gain on sale of securities (down $426,000).

Noninterest expense for the third quarter of 2014 increased $2.0 million, or 24.5%, compared to the third quarter of 2013. The increase primarily relates to the growth of the Company due to the addition of Britton & Koontz branches and employees. For the nine months ended September 30, 2014, noninterest expense increased $7.2 million, or 29.3%, compared to the nine months ended September 30, 2013. Noninterest expense for the first nine months of 2014 includes $2.3 million of merger-related expenses associated with the Britton & Koontz acquisition. Excluding merger-related expenses, noninterest expense for the nine months ended September 30, 2014 totaled $29.3 million, an increase of $4.9 million, or 20.0%, compared to the nine months ended September 30, 2013. The increase in noninterest expense resulted primarily from higher compensation and benefits expenses (up $1.7 million), data processing and communication expenses (up $1.3 million), occupancy expenses (up $770,000), and foreclosed asset expenses (up $536,000) 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

	For the Nine Months Ended	
(dollars in thousands)	**September 30, 2014**	**September 30, 2013**
Reported noninterest expense	$ 31,595	$ 24,430
Less: Merger-related expenses	(2,290)	
Non-GAAP noninterest expense	$ 29,305	$ 24,430
Reported net income	$ 7,063	$ 5,588
Add: Merger-related expenses (after tax)	1,505	
Non-GAAP net income	$ 8,567	$ 5,588
Diluted EPS	$ 1.02	$ 0.80

Add: Merger-related expenses		0.22		
Non-GAAP EPS	$	1.24	$	0.80

FINANCIAL CONDITION

Loans, Asset Quality and Allowance for Loan Losses

Loans Loans totaled $907.4 million as of September 30, 2014, an increase of $199.9 million, or 28.3%, from December 31, 2013. Growth in the loan portfolio was primarily driven by the acquisition of Britton & Koontz, which added $162.2 million in loans at acquisition date. During the first nine months of 2014, organic loan growth was related primarily to construction and land (up $19.7 million), one-to four-family first mortgage (up $13.1 million) and commercial real estate (up $4.8 million) loans. Covered Loans totaled $18.5 million as of September 30, 2014, a decrease of $3.2 million, or 14.7%, compared to December 31, 2013.

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

(dollars in thousands)	September 30, 2014	December 31, 2013	Increase/(Decrease) Amount	Increase/(Decrease) Percent
Real estate loans:				
One- to four-family first mortgage	$ 234,316	$ 179,506	$ 54,810	30.5%
Home equity loans and lines	56,208	40,561	15,647	38.6
Commercial real estate	329,621	269,849	59,772	22.2
Construction and land	123,253	83,271	39,982	48.0
Multi-family residential	22,465	16,578	5,887	35.5
Total real estate loans	765,863	589,765	176,098	29.9
Other loans:				
Commercial and industrial	95,535	77,533	18,002	23.2
Consumer	45,966	40,158	5,808	14.5
Total other loans	141,501	117,691	23,810	20.2
Total loans	$ 907,364	$ 707,456	$ 199,908	28.3%

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 September 30, 2014 and December 31, 2013, loans individually evaluated for impairment, excluding Acquired Loans, amounted to $1.4

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million and $2.6 million, respectively. As of September 30, 2014 and December 31, 2013, substandard loans, excluding Acquired Loans, amounted to $6.1 million and $13.5 million, respectively. The amount of the allowance for loan losses allocated to impaired or substandard loans originated by Home Bank totaled $107,000 as of September 30, 2014 compared to $482,000 as of December 31, 2013. There were no assets classified as doubtful or loss as of September 30, 2014 and December 31, 2013.

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

A savings institution s determination as to the classification of its assets and the amount of its valuation allowances is subject to review by Federal bank regulators which can order the establishment of additional general or specific loss allowances. The Federal banking agencies have adopted an interagency policy statement on the allowance for loan and lease losses. The policy statement provides guidance for financial institutions on both the responsibilities of management for the assessment and establishment of allowances and guidance for banking agency examiners to use in determining the adequacy of general valuation guidelines. Generally, the policy statement recommends that institutions have effective systems and controls to identify, monitor and address asset quality problems; that management 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.

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

	September 30, 2014				December 31, 2013			
		Acquired Loans				Acquired Loans		
(dollars in thousands)	**Originated**	**Non-covered Acquired[1]**	**Covered**	**Total**	**Originated**	**Non-covered Acquired[1]**	**Covered**	**Total**

Nonaccrual loans:								
Real estate loans:								
One- to four-family first mortgage	$ 961	$ 2,698	$ 1,864	$ 5,523	$ 689	$ 4,744	$ 2,184	$ 7,617
Home equity loans and lines	67	278	184	529	66	487	170	723
Commercial real estate	619	1,662	865	3,146	1,939	3,957	1,221	7,117
Construction and land	64	1,526	171	1,761	84	1,307	440	1,831
Multi-family residential		1,564		1,564		2,248		2,248
Other loans:								
Commercial and industrial	589	1,297	269	2,155	3,881		954	4,835
Consumer	430	30	79	539	277		111	388
Total nonaccrual loans	2,730	9,055	3,432	15,217	6,936	12,743	5,080	24,759
Accruing loans 90 days or more past due								
Total nonperforming loans	2,730	9,055	3,432	15,217	6,936	12,743	5,080	24,759
Foreclosed assets	1,867	3,284	2,195	7,346	75	1,331	3,160	4,566
Total nonperforming assets	4,597	12,339	5,627	22,563	7,011	14,074	8,240	29,325
Performing troubled debt restructurings	220	512	3	735	424		6	430
Total nonperforming assets and troubled debt restructurings	$ 4,817	$ 12,851	$ 5,630	$ 23,298	$ 7,435	$ 14,074	$ 8,246	$ 29,755
Nonperforming loans to total loans				1.68%				3.50%
Nonperforming loans to total assets				1.21%				2.52%
Nonperforming assets to total assets				1.79%				2.98%

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(1) Includes $4.4 million and $5.5 million in non-covered acquired loans accounted for under ASC 310-30 at September 30, 2014 and December 31, 2013, 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 0.40%, 0.26% and 0.44%, respectively, at September 30, 2014.

Net loan charge-offs for the third quarter of 2014 were $1.2 million, compared to net loan charge-offs of $84,000 for the third quarter of 2013. The increase in net loan charge-offs for the third quarter of 2014 resulted primarily from deterioration in a single commercial and industrial loan relationship. Net loan charge-offs for the nine months ended September 30, 2014 were $1.3 million compared to $2.1 million for the nine months ended September 30, 2013.

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.

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Acquired loans were recorded as of their acquisition date fair value, which was based on expected cash flows and included an estimation of expected future loan losses. Under current accounting principles, if the Company determines that losses arose after the acquisition date, the additional losses will be reflected as a provision to the allowance for loan losses. As of September 30, 2014, $435,000 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 nine months of 2014.

(dollars in thousands)	**Originated**	**Non-covered Acquired**	**Covered**	**Total**
Balance, December 31, 2013	$ 6,670	$ 248	$	$ 6,918
Provision charged to operations	1,547	301		1,848
Loans charged off	(1,320)	(114)		(1,434)
Recoveries on charged off loans	86			86
Balance, September 30, 2014	$ 6,983	$ 435	$	$ 7,418

At September 30, 2014, the Company s ratio of allowance for loan losses to total loans was 0.82%, compared to 0.98% and 0.95% at December 31, 2013 and September 30, 2013, respectively. Excluding acquired loans, the ratio of allowance for loan losses to total loans was 1.01% at September 30, 2014, compared to 1.12% and 1.09% at December 31, 2013 and September 30, 2013, respectively.

Investment Securities

The Company s investment securities portfolio totaled $192.5 million as of September 30, 2014, an increase of $33.4 million, or 21.0%, from December 31, 2013. The increase resulted primarily from securities acquired from Britton & Koontz. The Company acquired $98.0 million at the acquisition date, and subsequently sold $65.1 million of the acquired investments during the first quarter. As of September 30, 2014, the Company had a net unrealized gain on its available for sale investment securities portfolio of $1.4 million, compared to $300,000 as of December 31, 2013. The investment securities portfolio had a modified duration of 3.8 and 4.2 years at September 30, 2014 and December 31, 2013, respectively.

The following table summarizes activity in the Company s investment securities portfolio during the first nine months of 2014.

(dollars in thousands)	**Available for Sale**	**Held to Maturity**
Balance, December 31, 2013	$ 149,632	$ 9,405
Purchases	22,810	2,442

Sales		(66,903)		
Principal payments and calls		(22,630)		(466)
Acquired from Britton & Koontz, at fair value		97,985		
Accretion of discounts and amortization of premiums, net		(796)		(169)
Increase in market value		1,140		
Balance, September 30, 2014	$	181,238	$	11,212

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Funding Sources

Deposits Deposits totaled $983.4 million as of September 30, 2014, an increase of $242.1 million, or 32.7%, compared to December 31, 2013. The acquisition of Britton & Koontz added $216.6 million in deposits. Core deposits totaled $759.1 million as of September 30, 2014, an increase of $210.2 million, or 38.3%, compared to December 31, 2013. Core deposits acquired from Britton & Koontz totaled $151.9 million at the acquisition date.

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

(dollars in thousands)	September 30, 2014	December 31, 2013	Increase (Decrease) Amount	Percent
Demand deposit	$ 249,312	$ 174,475	$ 74,837	42.9%
Savings	79,870	56,694	23,176	40.9
Money market	224,721	192,303	32,418	16.9
NOW	205,182	125,391	79,791	63.6
Certificates of deposit	224,302	192,449	31,853	16.6
Total deposits	$ 983,387	$ 741,312	$ 242,075	32.7%

Federal Home Loan Bank Advances Short-term FHLB advances totaled $78.5 million as of September 30, 2014, compared to $87.0 million as of December 31, 2013. Long-term FHLB advances totaled $16.5 million as of September 30, 2014 compared to $10.0 million as of December 31, 2013.

Securities Sold Under Repurchase Agreement The acquisition of Britton & Koontz added $20.5 million as of September 30, 2014 in securities sold under repurchase agreement with a July 2015 maturity date and an effective interest rate of 0.36%. Britton & Koontz sold various investment securities with an agreement to repurchase those securities at various times. The underlying securities are U.S. Government obligations and obligations of other U.S. Government agencies. At September 30, 2014, these securities had coupon rates ranging from 1.25% to 3.75% and maturity dates ranging from 2016 to 2028.

Shareholders Equity Shareholders equity provides a source of permanent funding that allows for future growth and provides the Company with a cushion to withstand unforeseen adverse developments. Shareholders equity increased $9.2 million, or 6.5%, from $141.9 million as of December 31, 2013 to $151.1 million as of September 30, 2014. The increase was primarily the result of retained earnings (up $7.1 million) and other comprehensive income (up $741,000).

As of September 30, 2014, the Bank had regulatory capital that was well in excess of regulatory requirements. The following table details the Bank s actual levels and current regulatory capital requirements as of September 30, 2014.

	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	$ 142,043	16.66%	$ 34,104	4.00%	$ 51,156	6.00%
Total risk-based capital	149,461	17.53	68,207	8.00	85,259	10.00
Tier 1 leverage capital	142,043	11.34	50,117	4.00	62,646	5.00
Tangible capital	142,043	11.34	18,794	1.50	N/A	N/A

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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 September 30, 2014, cash and cash equivalents totaled $54.6 million. At such date, investment securities available for sale totaled $181.2 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 September 30, 2014, certificates of deposit maturing within the next 12 months totaled $144.0 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 September 30, 2014, the average balance of our outstanding FHLB advances was $92.3 million. As of September 30, 2014, the Company had $95.0 million in outstanding FHLB advances and had $369.4 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.

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 September 30, 2014.

Shift in Interest Rates (in bps)	% Change in Projected Net Interest Income

+300	(1.3)%
+200	(0.7)
+100	(0.2)

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.

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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 September 30, 2014 and December 31, 2013.

	Contract Amount	
(dollars in thousands)	**September 30, 2014**	**December 31, 2013**
Standby letters of credit	$ 5,519	$ 1,253
Available portion of lines of credit	101,845	60,755
Undisbursed portion of loans in process	57,259	72,333
Commitments to originate loans	81,893	48,854

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

Unfunded commitments under commercial lines of credit, 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 third quarter of 2014, the Company earned $2.9 million, an increase of $394,000, or 15.9%, compared to the third quarter of 2013. Diluted earnings per share for the third quarter of 2014 were $0.41, an increase of $0.04, or 10.8%, compared to the third quarter of 2013.

For the nine months ended September 30, 2014, the Company s net income was $7.1 million, an increase of $1.5 million, or 26.4%, compared to the nine months ended September 30, 2013. The nine-month period ended September 30, 2014 includes $2.3 million of pre-tax merger expenses related to the acquisition of Britton & Koontz. Excluding merger-related expenses, net income for the nine-months ended September 30, 2014 was $8.6 million, an increase of 53.3% compared to nine months ended September 30, 2013. Diluted earnings per share for the nine months ended September 30, 2014 were $1.02, an increase of $0.22, or 27.5%, compared to the nine months ended

September 30, 2013. Excluding merger-related expenses, diluted earnings per share were $1.24 for the nine months ended September 30, 2014, an increase of 55.0% compared to the nine months ended September 30, 2013.

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 4.53% and 4.66% for the three months

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ended September 30, 2014 and September 30, 2013, respectively, and 4.56% and 4.53% for the nine months ended September 30, 2014 and September 30, 2013, respectively. The Company s tax-equivalent net interest margin, which is net interest income as a percentage of average interest-earning assets, was 4.63% and 4.79% for the three months ended September 30, 2014 and September 30, 2013, respectively, and 4.66% and 4.67% for the nine months ended September 30, 2014 and September 30, 2013, respectively. The increase in the net interest spread and net interest margin related primarily to the addition of Britton & Koontz s interest-earning assets and interest-bearing liabilities.

Net interest income totaled $13.2 million for the three months ended September 30, 2014, an increase of $2.8 million, or 27.0%, compared to the three months ended September 30, 2013. For the nine months ended September 30, 2014, net interest income totaled $38.1 million, an increase of $7.9 million, or 26.3%, compared to the nine months ended September 30, 2013. The addition of Britton & Koontz s earning assets accounted for the vast majority of the increase.

Interest income increased $2.8 million, or 25.3%, in the third quarter of 2014, compared to the third quarter of 2013. For the nine months ended September 30, 2014, interest income increased $7.6 million, or 23.1%, compared to the nine months ended September 30, 2013. Higher interest income in the 2014 periods was due largely to the addition of Britton & Koontz s interest-earning assets.

Interest expense increased $33,000, or 4.0%, in the third quarter of 2014 compared to the third quarter of 2013. For the nine months ended September 30, 2014, interest expense decreased $320,000, or 11.6%, compared to the nine months ended September 30, 2013. The decrease in the nine month comparison was due largely to the addition of Britton and Koontz s customer deposits and changes in our funding mix over the past year.

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 September 30,					
	2014			**2013**		
(dollars in thousands)	**Average Balance**	**Interest**	**Average Yield/ Rate(1)**	**Average Balance**	**Interest**	**Average Yield/ Rate(1)**
Interest-earning assets:						
Loans receivable(1)	$ 904,216	$ 13,090	5.70%	$ 676,639	$ 10,439	6.07%
Investment securities (TE)	187,201	936	2.20	157,352	755	2.10
Other interest-earning assets	40,094	42	0.41	27,293	32	0.47
Total interest-earning assets (TE)	1,131,511	14,068	4.93	861,284	11,226	5.17
Noninterest-earning assets	110,859			97,276		
Total assets	$ 1,242,370			$ 958,560		
Interest-bearing liabilities:						

Deposits:						
Savings, checking and money market	$ 505,458	$ 297	0.23%	$ 389,773	$ 240	0.24%
Certificates of deposit	228,446	421	0.73	215,745	490	0.90
Total interest-bearing deposits	733,904	718	0.39	605,518	730	0.48
Securities sold under repurchase agreement	20,643	19	0.36			
FHLB advances	92,324	119	0.51	41,083	93	0.90
Total interest-bearing liabilities	846,871	856	0.40	646,601	823	0.51
Noninterest-bearing liabilities	245,412			172,899		
Total liabilities	1,092,283			819,500		
Shareholders equity	150,087			139,060		
Total liabilities and shareholders equity	$ 1,242,370			$ 958,560		
Net interest-earning assets	$ 284,640			$ 214,683		
Net interest spread (TE)		$ 13,212	4.53%		$ 10,403	4.66%
Net interest margin (TE)			4.63%			4.79%

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	Nine Months Ended September 30, 2014			2013		
(dollars in thousands)	**Average Balance**	**Interest**	**Average Yield/ Rate[(1)]**	**Average Balance**	**Interest**	**Average Yield/ Rate[(1)]**
Interest-earning assets:						
Loans receivable[(1)]	$ 865,283	$ 37,497	5.74%	$ 678,483	$ 30,579	5.97%
Investment securities (TE)	189,650	2,958	2.29	155,277	2,278	2.12
Other interest-earning assets	37,362	119	0.43	28,067	96	0.46
Total interest-earning assets (TE)	1,092,295	40,574	4.96	861,827	32,953	5.10
Noninterest-earning assets	110,048			100,767		
Total assets	$ 1,202,343			$ 962,594		
Interest-bearing liabilities:						
Deposits:						
Savings, checking and money market	$ 474,187	$ 817	0.23%	$ 377,326	$ 749	0.27%
Certificates of deposit	229,593	1,228	0.72	230,997	1,661	0.96
Total interest-bearing deposits	703,780	2,045	0.39	608,323	2,410	0.53
Securities sold under repurchase agreement	18,498	54	0.39			
FHLB advances	99,373	350	0.47	44,354	359	1.08
Total interest-bearing liabilities	821,651	2,449	0.40	652,677	2,769	0.57
Noninterest-bearing liabilities	234,618			167,958		
Total liabilities	1,056,269			820,635		
Shareholders equity	146,074			141,959		
Total liabilities and shareholders equity	$ 1,202,343			$ 962,594		
Net interest-earning assets	$ 270,644			$ 209,150		
Net interest spread (TE)		$ 38,125	4.56%		$ 30,184	4.53%
Net interest margin (TE)			4.66%			4.67%

(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.

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(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 September 30, 2014 Compared to 2013 Change Attributable To			For the Nine Months Ended September 30, 2014 Compared to 2013 Change Attributable To		
(dollars in thousands)	**Rate**	**Volume**	**Total Increase (Decrease)**	**Rate**	**Volume**	**Total Increase (Decrease)**
Interest income:						
Loans receivable	$ (737)	$ 3,388	$ 2,651	$ (1,526)	$ 8,444	$ 6,918
Investment securities (TE)	24	157	181	93	587	680
Other interest-earning assets	(4)	14	10	(8)	31	23
Total interest income	(717)	3,559	2,842	(1,441)	9,062	7,621
Interest expense:						
Savings, checking and money market accounts	(7)	64	57	(98)	166	68
Certificates of deposit	(94)	25	(69)	(423)	(10)	(433)
Securities sold under repurchase agreement		19	19		54	54
FHLB advances	(26)	52	26	67	(76)	(9)
Total interest expense	(127)	160	33	(454)	134	(320)
Increase (decrease) in net interest income	$ (590)	$ 3,399	$ 2,809	$ (987)	$ 8,928	$ 7,941

Provision for Loan Losses For the quarter ended September 30, 2014, the Company recorded a provision for loan losses of $892,000, $439,000 or 96.8% higher than the $453,000 recorded for the same period in 2013. For the nine months ended September 30, 2014, the provision for loan losses totaled $1.8 million, a decrease of $1.4 million, or 42.6%, compared to the nine months ended September 30, 2013. The provision for loan losses for the third quarter of 2014 relates primarily to the deterioration of a single commercial and industrial loan relationship.

As of September 30, 2014, the Company s ratio of allowance for loan losses to total loans was 0.82%, compared to 0.98% and 0.95% at December 31, 2013 and September 30, 2013, respectively. Excluding acquired loans, the ratio of the allowance for loan losses to total loans was 1.01% at September 30, 2014, compared to 1.12% at December 31, 2013 and 1.09% at September 30, 2013, respectively.

Noninterest Income The Company s noninterest income was $2.2 million for the three months ended September 30, 2014, $380,000, or 21.4%, higher than the $1.8 million earned for the same period in 2013. Noninterest income was $6.1 million for the nine months ended September 30, 2014, $196,000, or 3.3%, higher than the $5.9 million earned for the same period of 2013.

The increase in noninterest income in the third quarter of 2014 compared to the third quarter of 2013 resulted primarily from increases in service fees and charges (up $266,000) and bank card fees (up $130,000) due to the impact of the Britton & Koontz acquisition and increased customer transactions.

The increase in noninterest income for the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013 resulted primarily from increases in service fees and charges (up $797,000) and bank card fees (up $287,000) due to the impact of the Britton & Koontz acquisition and increased customer transactions, which were partially offset by lower gains on the sale of securities (down $426,000) and the sale of mortgage loans (down $380,000).

Noninterest Expense The Company s noninterest expense was $10.0 million for the three months ended September 30, 2014, $2.0 million, or 24.5%, higher than the $8.0 million recorded for the same period in 2013. Noninterest expense was $31.6 million for the nine months ended September 30, 2014, $7.2 million, or 29.3% higher than the $24.4 million for the same period of 2013. For the nine months ended September 30, 2014, noninterest expense includes $2.3 million of merger expenses related to the acquisition of Britton & Koontz. Such merger-related expenses include professional fees, data conversion costs, contract cancellation cost included in other expenses and severance and other employee costs associated with the merger and related systems conversion. Excluding merger-related expenses, noninterest expense for the nine months ended September 30, 2014 totaled $29.3 million, an increase of $4.9 million, or 20.0%, compared to the same period of 2013. The increases primarily relate to the growth of the Company due to the addition of Britton & Koontz branches and employees.

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Income Taxes For the quarters ended September 30, 2014 and September 30, 2013, the Company incurred income tax expense of $1.6 million and $1.2 million, respectively. The Company s effective tax rate was 36.3% and 33.4% during the third quarters of 2014 and 2013, respectively. For the nine months ended September 30, 2014 and September 30, 2013, the Company incurred income tax expense of $3.7 million and $2.8 million, respectively. The Company s effective tax rate amounted to 34.3% and 33.5% during the nine months ended September 30, 2014 and September 30, 2013, 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, tax credits, 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, 2013, under the heading Management s Discussion and Analysis of Financial Condition and Results of Operations Asset/ Liability Management and Market Risk . Additional information at September 30, 2014 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 third quarter of 2014 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, 2013 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 Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Plan or Programs(1)
July 1 July 30, 2014	503	$ 22.23	223,474	146.526
August 1 August 31, 2014	1,827	21.79	225,301	144,699
September 1 September 30, 2014	124	22.32	225,425	144,575
Total	2,454	$ 21.91	225,425	144,575

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(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.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosure.

None.

Item 5. Other Information.

None.

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

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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.
November 7, 2014	By: /s/ John W. Bordelon John W. Bordelon *President, Chief Executive Officer and Director*
November 7, 2014	By: /s/ Joseph B. Zanco Joseph B. Zanco *Executive Vice President and Chief Financial Officer*
November 7, 2014	By: /s/ Mary H. Hopkins Mary H. Hopkins *Home Bank First Vice President and Director of Financial Reporting*