HOME BANCORP, INC.
Form 10-Q
August 08, 2014
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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: June 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	**(I.R.S. Employer**
Incorporation or Organization)	**Identification Number)**
503 Kaliste Saloom Road, Lafayette, Louisiana	**70508**
(Address of Principal Executive Offices)	**(Zip Code)**

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

Not Applicable

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. YES x NO ¨

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES x NO ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

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

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

At August 1, 2014, the registrant had 7,096,767 shares of common stock, $0.01 par value, outstanding.

HOME BANCORP, INC. and SUBSIDIARY

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HOME BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

	(Unaudited) June 30, 2014	(Audited) December 31, 2013
Assets		
Cash and cash equivalents	$ 56,326,293	$ 32,638,900
Interest-bearing deposits in banks	5,771,000	2,940,000
Investment securities available for sale, at fair value	179,201,896	149,632,153
Investment securities held to maturity (fair values of $11,090,383 and $9,275,158, respectively)	10,983,829	9,404,790
Mortgage loans held for sale	5,700,222	1,951,345
Loans covered by loss sharing agreements	19,335,355	21,673,808
Noncovered loans, net of unearned income	888,277,680	685,782,309
Total loans, net of unearned income	907,613,035	707,456,117
Allowance for loan losses	(7,757,944)	(6,918,009)
Total loans, net of unearned income and allowance for loan losses	899,855,091	700,538,108
Office properties and equipment, net	37,538,630	30,702,635
Cash surrender value of bank-owned life insurance	18,930,780	17,750,604
FDIC loss sharing receivable	8,142,745	12,698,077
Accrued interest receivable and other assets	36,558,809	25,984,346
Total Assets	$ 1,259,009,295	$ 984,240,958
Liabilities		
Deposits:		
Noninterest-bearing	$ 248,540,569	$ 174,475,044
Interest-bearing	733,200,063	566,837,372
Total deposits	981,740,632	741,312,416
Short-term Federal Home Loan Bank (FHLB) advances	90,531,304	87,000,000
Long-term Federal Home Loan Bank (FHLB) advances	12,000,000	10,000,000
Securities sold under repurchase agreements	20,710,415	
Accrued interest payable and other liabilities	5,951,204	4,019,013
Total Liabilities	1,110,933,555	842,331,429
Shareholders Equity		
Preferred stock, $0.01 par value - 10,000,000 shares authorized; none issued		
	89,771	89,585

Common stock, $0.01 par value - 40,000,000 shares authorized; 8,977,045 and 8,958,395 shares issued; 7,097,270 and 7,099,314 shares outstanding, respectively		
Additional paid-in capital	92,667,831	92,192,410
Treasury stock at cost - 1,879,775 and 1,859,081 shares, respectively	(28,448,439)	(28,011,398)
Unallocated common stock held by:		
Employee Stock Ownership Plan (ESOP)	(5,088,290)	(5,266,830)
Recognition and Retention Plan (RRP)	(245,358)	(1,018,497)
Retained earnings	87,915,225	83,729,144
Accumulated other comprehensive income	1,185,000	195,115
Total Shareholders Equity	148,075,740	141,909,529
Total Liabilities and Shareholders Equity	$ 1,259,009,295	$ 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 June 30,		For the Six Months Ended June 30,	
	2014	2013	2014	2013
Interest Income				
Loans, including fees	$ 12,922,738	$ 10,067,629	$ 24,407,184	$ 20,140,379
Investment securities	970,319	752,159	2,021,166	1,523,210
Other investments and deposits	46,522	32,299	77,680	63,606
Total interest income	13,939,579	10,852,087	26,506,030	21,727,195
Interest Expense				
Deposits	704,051	799,667	1,326,616	1,680,680
Securities sold under repurchase agreement	18,634		35,309	
Short-term FHLB advances	33,581	11,452	69,242	15,086
Long-term FHLB advances	81,689	111,065	162,239	251,110
Total interest expense	837,955	922,184	1,593,406	1,946,876
Net interest income	13,101,624	9,929,903	24,912,624	19,780,319
Provision for loan losses	810,953	2,247,802	955,969	2,768,193
Net interest income after provision for loan losses	12,290,671	7,682,101	23,956,655	17,012,126
Noninterest Income				
Service fees and charges	976,977	659,524	1,773,070	1,242,066
Bank card fees	569,132	454,123	1,025,116	868,515
Gain on sale of loans, net	438,604	426,442	600,465	974,861
Income from bank-owned life insurance	115,193	117,551	225,834	237,102
Gain on sale of securities, net		428,200	1,826	428,200
Accretion of FDIC loss sharing receivable	65,708	111,649	150,875	223,848
Other income	86,532	78,766	130,939	118,133
Total noninterest income	2,252,146	2,276,255	3,908,125	4,092,725
Noninterest Expense				
Compensation and benefits	5,712,343	4,880,129	12,507,150	9,976,347
Occupancy	1,191,230	897,023	2,205,560	1,728,276
Marketing and advertising	244,218	172,327	451,459	411,523
Data processing and communication	1,060,231	626,156	2,432,054	1,267,671

Professional services	228,392	193,506	715,502	406,252
Forms, printing and supplies	201,299	136,023	363,220	242,796
Franchise and shares tax	184,385	272,960	368,771	546,580
Regulatory fees	255,662	219,635	484,039	442,884
Foreclosed assets, net	319,251	(32,185)	681,136	145,758
Other expenses	973,156	728,434	1,418,323	1,258,434
Total noninterest expense	10,370,167	8,094,008	21,627,214	16,426,521
Income before income tax expense	4,172,650	1,864,348	6,237,566	4,678,330
Income tax expense	1,420,025	620,757	2,051,485	1,572,805
Net Income	$ 2,752,625	$ 1,243,591	$ 4,186,081	$ 3,105,525
Earnings per share:				
Basic	$ 0.42	$ 0.19	$ 0.64	$ 0.46
Diluted	$ 0.40	$ 0.18	$ 0.61	$ 0.44

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 June 30,		For the Six Months Ended June 30,	
	2014	2013	2014	2013
Net Income	$ 2,752,625	$ 1,243,591	$ 4,186,081	$ 3,105,525
Other Comprehensive (Loss) Income				
Unrealized (losses) gains on investment securities	$ 778,188	$ (2,844,260)	$ 1,524,726	$ (3,100,995)
Reclassification adjustment for gains included in net income		(428,200)	(1,826)	(428,200)
Tax effect (1)	(272,366)	1,145,361	(533,015)	1,186,159
Other comprehensive (loss) income, net of taxes	$ 505,822	$ (2,127,099)	$ 989,885	$ (2,343,036)
Comprehensive Income	$ 3,258,447	$ (883,508)	$ 5,175,966	$ 762,489

(1) The tax effect for the three and six months ended June 30, 2014 on the change in unrealized (losses) gains on investment securities was $272,366 and $533,654, respectively, compared to $995,491 and $1,036,289, respectively, for the three and six months ended June 30, 2013. The tax effect for the three and six months ended June 30, 2014 on the reclassification adjustment for gains included in net income had a tax effect of $0 and $639, respectively, compared to $149,870 and $149,870, respectively, for the three and six months ended June 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
Balance, December 31, 2012[1]	$ 89,506	$ 90,986,820	$ (21,719,954)	$ (5,623,910)	$ (1,831,759)	$ 76,435,222	$ 3,237,935	$ 141,573,860
Comprehensive income:								
Net income						3,105,525		3,105,525
Other comprehensive income							(2,343,036)	(2,343,036)
Treasury stock acquired at cost, 303,136 shares			(5,467,891)					(5,467,891)
Exercise of stock options	57	65,858						65,915
RRP shares released for allocation		(633,711)			789,662			155,951
ESOP shares released for allocation		150,260		178,540				328,800
Share-based compensation cost		740,010						740,010
Balance, June 30, 2013	$ 89,563	$ 91,309,237	$ (27,187,845)	$ (5,445,370)	$ (1,042,097)	$ 79,540,747	$ 894,899	$ 138,159,134
Balance, December 31, 2013[1]	$ 89,585	$ 92,192,410	$ (28,011,398)	$ (5,266,830)	$ (1,018,497)	$ 83,729,144	$ 195,115	$ 141,909,529
Comprehensive income:								
Net income						4,186,081		4,186,081
Other comprehensive income							989,885	989,885

Treasury stock acquired at cost, 20,694 shares			(437,041)					(437,041)
Exercise of stock options	186	213,356						213,542
RRP shares released for allocation		(549,091)			773,139			224,048
ESOP shares released for allocation		187,326		178,540				365,866
Share-based compensation cost		623,830						623,830
Balance, June 30, 2014	$ 89,771	$ 92,667,831	$ (28,448,439)	$ (5,088,290)	$ (245,358)	$ 87,915,225	$ 1,185,000	$ 148,075,740

(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 Six Months Ended June 30,	
	2014	**2013**
Cash flows from operating activities, net of effects of acquisition in 2014:		
Net income	$ 4,186,081	$ 3,105,525
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	955,969	2,768,193
Depreciation	812,261	721,627
Amortization of purchase accounting valuations and intangibles	4,890,508	(53,200)
Net amortization of mortgage servicing asset	80,035	96,346
Federal Home Loan Bank stock dividends	(9,100)	(4,300)
Net amortization of premium on investments	614,323	549,384
Gain on sale of investment securities, net	(1,826)	(428,200)
Gain on loans sold, net	(600,465)	(974,861)
Proceeds, including principal payments, from loans held for sale	49,254,922	49,803,695
Originations of loans held for sale	(50,757,291)	(47,532,308)
Non-cash compensation	989,696	1,068,810
Deferred income tax (benefit) provision	(123,073)	233,532
Increase (decrease) in interest receivable and other assets	5,310,368	(945,308)
Increase in cash surrender value of bank-owned life insurance	(225,834)	(237,102)
(Increase) decrease in accrued interest payable and other liabilities	(4,304,739)	253,051
Net cash provided by operating activities	11,071,835	8,424,884
Cash flows from investing activities, net of effects of acquisition in 2014:		
Purchases of securities available for sale	(13,511,970)	(19,993,714)
Purchases of securities held to maturity	(2,150,774)	(4,184,932)
Proceeds from maturities, prepayments and calls on securities available for sale	16,038,337	15,514,917
Proceeds from maturities, prepayments and calls on securities held to maturity	466,470	336,680
Proceeds from sales on securities available for sale	66,904,999	7,704,863
Net increase in loans	(47,603,668)	(6,112,822)
Reimbursement from FDIC for covered assets	342,928	704,086
Decrease in certificates of deposit in other institutions	992,000	245,000
Proceeds from sale of repossessed assets	2,998,116	4,155,233
Purchases of office properties and equipment	(2,009,409)	(417,960)
Net cash disbursed in business combination	(22,995,649)	
Purchases of Federal Home Loan Bank stock	(2,582,100)	(1,582,700)
Proceeds from redemption of Federal Home Loan Bank stock	2,011,400	727,100
Net cash used in investing activities	(1,099,320)	(2,904,249)

Cash flows from financing activities, net of effects of acquisition in 2014:		
Increase in deposits	23,902,051	5,858,879
(Decrease) increase in Federal Home Loan Bank advances	(3,649,000)	6,440,980
Decrease in securities sold under repurchase agreements	(6,314,675)	
Purchase of treasury stock	(437,041)	(5,467,891)
Proceeds from exercise of stock options	213,542	65,915
Net cash provided by financing activities	13,714,877	6,897,883
Net change in cash and cash equivalents	23,687,393	12,418,518
Cash and cash equivalents at beginning of year	32,638,900	39,539,366
Cash and cash equivalents at end of period	$ 56,326,293	$ 51,957,884

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 six-month period ended June 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 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 Accounting Standards Update (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.

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 $114,000 from the acquisition as a result of consideration transferred over net assets acquired. Both the assets acquired and liabilities assumed were recorded at their respective acquisition date fair values. Identifiable intangible assets, including core deposit intangible assets, were recorded at fair value.

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

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

(dollars in thousands)	**As Acquired**	**Fair Value Adjustments**	**As recorded by Home Bancorp**
Assets			
Cash and cash equivalents	$ 15,342	$	$ 15,342
Investment securities	96,952	1,033 (a)	97,985
Loans	170,083	(7,107) (b)	162,976
Repossessed assets	2,699	(871) (c)	1,828
Office properties and equipment, net	6,566	(927) (d)	5,639

Core deposit intangible		3,030 (e)	3,030
Other assets	9,212	2,769 (f)	11,981
Total assets acquired	$ 300,854	$ (2,073)	$ 298,781
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	112	11,237
Total liabilities assumed	$ 263,003	$ 1,377	$ 264,380
Excess of assets acquired over liabilities assumed			34,401
Cash consideration paid			(34,515)
Total goodwill recorded			$ 114

(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 $5.1 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 $2.8 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 six months ended June 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	$ 25,764	$ 25,350
Noninterest income	4,158	5,674
Noninterest expense	21,186	22,654
Net income	5,221	3,719
Earnings per share basic	$ 0.80	$ 0.55
Earnings per share diluted	0.76	0.53

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 June 30, 2014 and December 31, 2013 is as follows.

(dollars in thousands) June 30, 2014	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses Less Than 1 Year	Gross Unrealized Losses Over 1 Year	Fair Value
Available for sale:					
U.S. agency mortgage-backed	$ 122,448	$ 1,941	$ 4	$ 632	$ 123,753
Non-U.S. agency mortgage-backed	8,856	93	11	22	8,916
Municipal bonds	25,234	538	2	116	25,654
U.S. government agency	20,841	258		220	20,879
Total available for sale	$ 177,379	$ 2,830	$ 17	$ 990	$ 179,202
Held to maturity:					
U.S. agency mortgage-backed	$	$	$	$	$
Municipal bonds	10,984	152	22	24	11,090
Total held to maturity	$ 10,984	$ 152	$ 22	$ 24	$ 11,090

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(dollars in thousands) December 31, 2013	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses Less Than 1 Year	Gross Unrealized Losses 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 June 30, 2014 are shown in the following tables. Securities are classified according to their contractual maturities without consideration of principal amortization, potential prepayments or call options. The expected maturity of a security may differ from its contractual maturity because of 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	$	$ 181	$ 24,205	$ 99,367	$ 123,753
Non-U.S. agency mortgage-backed				8,916	8,916
Municipal bonds	1,173	7,665	12,137	4,679	25,654
U.S. government agency		10,171	5,889	4,819	20,879
Total available for sale	$ 1,173	$ 18,017	$ 42,231	$ 117,781	$ 179,202
Securities held to maturity:					
U.S. agency mortgage-backed	$	$	$	$	$
Municipal bonds		667	9,270	1,153	11,090
Total held to maturity		667	9,270	1,153	11,090
Total investment securities	$ 1,173	$ 18,684	$ 51,501	$ 118,934	$ 190,292

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(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	$	$ 169	$ 24,037	$ 98,242	$ 122,448
Non-U.S. agency mortgage-backed				8,856	8,856
Municipal bonds	1,160	7,436	12,081	4,557	25,234
U.S. government agency		10,183	5,991	4,667	20,841
Total available for sale	$ 1,160	$ 17,788	$ 42,109	$ 116,322	$ 177,379
Securities held to maturity:					
U.S. agency mortgage-backed	$	$	$	$	$
Municipal bonds		636	9,176	1,172	10,984
Total held to maturity		636	9,176	1,172	10,984
Total investment securities	$ 1,160	$ 18,424	$ 51,285	$ 117,494	$ 188,363

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

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

As of June 30, 2014 and December 31, 2013, the Company had $78,893,000 and $43,977,000, respectively, of securities pledged to secure public deposits. As of June 30, 2014, the Company had $22,373,000 of securities pledged to securities sold under repurchase agreements.

As of June 30, 2014, 47 of the Company s debt securities had unrealized losses totaling 2.0% of the individual securities amortized cost basis and 0.6% of the Company s total amortized cost basis of the investment securities portfolio. 34 of the 47 securities had been in a continuous loss position for over 12 months at such date. The 34 securities had an aggregate amortized cost basis of $39.1 million and unrealized loss of $1.0 million at June 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:

(in thousands, except per share data)	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
Numerator:				
Net income available to common shareholders	$ 2,753	$ 1,244	$ 4,186	$ 3,106
Denominator:				
Weighted average common shares outstanding	6,533	6,652	6,512	6,700
Effect of dilutive securities:				
Restricted stock	32	58	46	72
Stock options	338	254	339	260
Weighted average common shares outstanding assuming dilution	6,903	6,964	6,897	7,032
Earnings per common share	$ 0.42	$ 0.19	$ 0.64	$ 0.46
Earnings per common share assuming dilution	$ 0.40	$ 0.18	$ 0.61	$ 0.44

Options on 47,500 and 51,170 shares of common stock were not included in the computation of diluted earnings per share for the three months ended June 30, 2014 and June 30, 2013, respectively, because the effect of these shares was anti-dilutive. Options on 47,500 and 50,243 shares of common stock were not included in the computation of diluted earnings per share for the six months ended June 30, 2014 and June 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 acquisition 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 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.

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

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

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

	As of June 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	$ 1,036	$	$ 176	$	$ 1,212
Home equity loans and lines	429		111		540
Commercial real estate	2,750				2,750

Construction and land	1,208		133		1,341
Multi-family residential	121				121
Commercial and industrial	820	482			1,302
Consumer	492				492
Total allowance for loan losses	$ 6,856	$ 482	$ 420	$	$ 7,758

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	As of June 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	$ 153,924	$ 323	$ 72,568	$ 3,600	$ 230,415
Home equity loans and lines	33,927		21,086	2,120	57,133
Commercial real estate	250,630		72,580	10,577	333,787
Construction and land	100,443		20,882	1,233	122,558
Multi-family residential	9,612		11,564	1,109	22,285
Commercial and industrial	75,590	1,670	19,112	393	96,765
Consumer	41,108		3,259	303	44,670
Total loans	$ 665,234	$ 1,993	$ 221,051	$ 19,335	$ 907,613

	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

(1) $14.7 million and $4.6 million in non-covered acquired loans were accounted for under ASC 310-30 at June 30, 2014 and December 31, 2013, respectively.

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

	For the Six Months Ended June 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	$	(96)	$		$	228	$	1,036
Home equity loans and lines		366				3		60		429
Commercial real estate		2,528						222		2,750
Construction and land		977		(19)				250		1,208
Multi-family residential		90						31		121
Commercial and industrial		1,332				76		(106)		1,302
Consumer		473		(18)		2		35		492
Total allowance for loan losses	$	6,670	$	(133)	$	81	$	720	$	7,338
Non-covered acquired loans:										
Allowance for loan losses:										
One- to four-family first mortgage	$	184	$	(64)	$		$	56	$	176
Home equity loans and lines		58						53		111
Commercial real estate										
Construction and land								133		133
Multi-family residential										
Commercial and industrial		6						(6)		
Consumer										
Total allowance for loan losses	$	248	$	(64)	$		$	236	$	420
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	$ (160)	$	$ 284	$ 1,212
Home equity loans and lines	424		3	113	540
Commercial real estate	2,528			222	2,750
Construction and land	977	(19)		383	1,341
Multi-family residential	90			31	121
Commercial and industrial	1,338		76	(112)	1,302
Consumer	473	(18)	2	35	492
Total allowance for loan losses	$ 6,918	$ (197)	$ 81	$ 956	$ 7,758

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(dollars in thousands)	For the Six Months Ended June 30, 2013 Beginning Balance	Charge-offs	Recoveries	Provision	Ending Balance
Originated loans:					
Allowance for loan losses:					
One- to four-family first mortgage	$ 798	$	$	$ 56	$ 854
Home equity loans and lines	322		5	1	328
Commercial real estate	2,040			238	2,278
Construction and land	785	(26)		(11)	748
Multi-family residential	86				86
Commercial and industrial	683	(1,962)	14	2,375	1,110
Consumer	400	(7)	18	16	427
Total allowance for loan losses	$ 5,114	$ (1,995)	$ 37	$ 2,675	$ 5,831
Non-covered acquired loans:					
Allowance for loan losses:					
One- to four-family first mortgage	$ 184	$ (35)	$	$ (18)	$ 131
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	$ (35)	$	$ 93	$ 263
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	$ (35)	$	$ 38	$ 985
Home equity loans and lines	343		5	101	449
Commercial real estate	2,040			238	2,278
Construction and land	785	(26)		(11)	748
Multi-family residential	86				86

Commercial and industrial	683	(1,962)	14	2,386	1,121
Consumer	400	(7)	18	(16)	427
Total allowance for loan losses	$ 5,319	$ (2,030)	$ 37	$ 2,768	$ 6,094

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

	June 30, 2014				
(dollars in thousands)	**Pass**	**Special Mention**	**Substandard**	**Doubtful**	**Total**
Originated loans:					
One- to four-family first mortgage	$ 152,443	$ 55	$ 1,749	$	$ 154,247
Home equity loans and lines	32,945	241	741		33,927
Commercial real estate	245,301	1,455	3,874		250,630
Construction and land	99,037	134	1,272		100,443
Multi-family residential	8,743	869			9,612
Commercial and industrial	72,460	2,832	1,968		77,260
Consumer	40,786	37	285		41,108
Total loans	$ 651,715	$ 5,623	$ 9,889	$	$ 667,227
Non-covered acquired loans:					
One- to four-family first mortgage	$ 66,475	$ 514	$ 5,579	$	$ 72,568
Home equity loans and lines	20,506	38	542		21,086
Commercial real estate	62,347	1,225	9,008		72,580
Construction and land	14,600		6,282		20,882
Multi-family residential	9,750	29	1,785		11,564
Commercial and industrial	15,753	28	3,331		19,112
Consumer	3,232	16	11		3,259
Total loans	$ 192,663	$ 1,850	$ 26,538	$	$ 221,051
Covered:					
One- to four-family first mortgage	$ 2,432	$ 127	$ 1,041	$	$ 3,600
Home equity loans and lines	1,848	15	257		2,120
Commercial real estate	9,329	255	993		10,577
Construction and land	1,097	56	80		1,233
Multi-family residential	204	905			1,109
Commercial and industrial	244		149		393
Consumer	266	16	21		303
Total loans	$ 15,420	$ 1,374	$ 2,541	$	$ 19,335
Total:					
One- to four-family first mortgage	$ 221,350	$ 696	8,369	$	$ 230,415
Home equity loans and lines	55,299	294	1,540		57,133
Commercial real estate	316,977	2,935	13,875		333,787
Construction and land	114,734	190	7,634		122,558
Multi-family residential	18,697	1,803	1,785		22,285

Commercial and industrial	88,457	2,860	5,448		96,765
Consumer	44,284	69	317		44,670
Total loans	$ 859,798	$ 8,847	$ 38,968	$	$ 907,613

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	December 31, 2013				
(dollars in thousands)	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.

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.

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

	June 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	$ 2,317	$ 1,067	$ 801	$ 4,185	$ 150,062	$ 154,247
Home equity loans and lines	429	55	40	524	33,403	33,927
Commercial real estate	209	109	963	1,281	249,349	250,630
Construction and land	623		64	687	99,756	100,443
Multi-family residential					9,612	9,612
Total real estate loans	3,578	1,231	1,868	6,677	542,182	548,859
Other loans:						
Commercial and industrial	512	20	430	962	76,298	77,260
Consumer	286	172	285	743	40,365	41,108
Total other loans	798	192	715	1,705	116,663	118,368
Total loans	$ 4,376	$ 1,423	$ 2,583	$ 8,382	$ 658,845	$ 667,227
Non-covered acquired loans:						
Real estate loans:						
One- to four-family first mortgage	$ 1,644	$ 566	$ 2,513	$ 4,723	$ 67,845	$ 72,568
Home equity loans and lines	187	79	90	356	20,730	21,086
Commercial real estate	2,103	917	1,634	4,654	67,926	72,580
Construction and land	1,805		1,264	3,069	17,813	20,882
Multi-family residential	1,189		302	1,491	10,073	11,564
Total real estate loans	6,928	1,562	5,803	14,293	184,387	198,680
Other loans:						
Commercial and industrial	200	322	882	1,404	17,708	19,112
Consumer	43	17	10	70	3,189	3,259
Total other loans	243	339	892	1,474	20,897	22,371
Total loans	$ 7,171	$ 1,901	$ 6,695	$ 15,767	$ 205,284	$ 221,051
Covered loans:						

Real estate loans:						
One- to four-family first mortgage	$ 578	$ 191	$ 855	$ 1,624	$ 1,976	$ 3,600
Home equity loans and lines	84	68	257	409	1,711	2,120
Commercial real estate	842		847	1,689	8,888	10,577
Construction and land	17		13	30	1,203	1,233
Multi-family residential					1,109	1,109
Total real estate loans	1,521	259	1,972	3,752	14,887	18,639
Other loans:						
Commercial and industrial	2	2	126	130	263	393
Consumer		4	15	19	284	303
Total other loans	2	6	141	149	547	696
Total loans	$ 1,523	$ 265	$ 2,113	$ 3,901	$ 15,434	$ 19,335
Total loans:						
Real estate loans:						
One- to four-family first mortgage	$ 4,539	$ 1,824	$ 4,169	$ 10,532	$ 219,883	$ 230,415
Home equity loans and lines	700	202	387	1,289	55,844	57,133
Commercial real estate	3,154	1,026	3,444	7,624	326,163	333,787
Construction and land	2,445		1,341	3,786	118,772	122,558
Multi-family residential	1,189		302	1,491	20,794	22,285
Total real estate loans	12,027	3,052	9,643	24,722	741,456	766,178
Other loans:						
Commercial and industrial	714	344	1,438	2,496	94,269	96,765
Consumer	329	193	310	832	43,838	44,670
Total other loans	1,043	537	1,748	3,328	138,107	141,435
Total loans	$ 13,070	$ 3,589	$ 11,391	$ 28,050	$ 879,563	$ 907,613

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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 June 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 June 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	$ 324	$ 324	$	$ 333	$
Home equity loans and lines				1	
Commercial real estate				89	
Construction and land					
Multi-family residential					
Commercial and industrial	504	504		538	
Consumer					
Total	$ 828	$ 828	$	$ 961	$
With an allowance recorded:					
One- to four-family first mortgage	$	$	$	$	$
Home equity loans and lines					
Commercial real estate					
Construction and land					
Multi-family residential					
Commercial and industrial	1,165	1,165	482	1,200	
Consumer					
Total	$ 1,165	$ 1,165	$ 482	$ 1,200	$
Total impaired loans:					
One- to four-family first mortgage	$ 324	$ 324	$	$ 333	$
Home equity loans and lines				1	
Commercial real estate				89	
Construction and land					
Multi-family residential					
Commercial and industrial	1,669	1,669	482	1,738	
Consumer					
Total	$ 1,993	$ 1,993	$ 482	$ 2,161	$

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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.

	June 30, 2014				December 31, 2013			
(dollars in thousands)	**Originated**	**Non-covered Acquired**[(1)]	**Covered**	**Total**	**Originated**	**Non-covered Acquired**[(1)]	**Covered**	**Total**
Nonaccrual loans:								
	$ 1,172	$ 3,627	$ 2,145	$ 6,944	$ 689	$ 4,744	$ 2,184	$ 7,617

One- to four-family first mortgage								
Home equity loans and lines	40	293	305	638	66	487	170	723
Commercial real estate	1,074	2,750	1,406	5,230	1,939	3,957	1,221	7,117
Construction and land	64	1,415	174	1,653	84	1,307	440	1,831
Multi-family residential		1,570		1,570		2,248		2,248
Commercial and industrial	1,967	954	236	3,157	3,881		954	4,835
Consumer	285	11	110	406	277		111	388
Total	$ 4,602	$ 10,620	$ 4,376	$ 19,598	$ 6,936	$ 12,743	$ 5,080	$ 24,759

(1) Nonaccrual non-covered acquired loans accounted for under ASC 310-30 totaled $4.0 million and $5.5 million as of June 30, 2014 and December 31, 2013, respectively.

As of June 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. Effective January 1, 2011, 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

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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 June 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	$	$	$ 293	$ 293
Home equity loans and lines				
Commercial real estate			111	111
Construction and land	111	23		134
Multi-family residential				
Total real estate loans	111	23	404	538
Other loans:				
Commercial and industrial				
Consumer				
Total other loans				
Total loans	$ 111	$ 23	$ 404	$ 538
Non-covered acquired loans:				
Real estate loans:				
One- to four-family first mortgage	$ 78	$	$ 495	$ 573
Home equity loans and lines				
Commercial real estate			1,001	1,001
Construction and land				
Multi-family residential				
Total real estate loans	78		1,496	1,574
Other loans:				
Commercial and industrial				
Consumer				
Total other loans				
Total loans	$ 78	$	$ 1,496	$ 1,574
Covered loans:				
Real estate loans:				

One- to four-family first mortgage	$	$	$	$
Home equity loans and lines				
Commercial real estate				
Construction and land			126	126
Multi-family residential				
Total real estate loans			126	126
Other loans:				
Commercial and industrial				
Consumer	3		27	30
Total other loans	3		27	30
Total loans	$ 3	$	$ 153	$ 156
Total loans:				
Real estate loans:				
One- to four-family first mortgage	$ 78	$	$ 788	$ 866
Home equity loans and lines				
Commercial real estate			1,112	1,112
Construction and land	111	23	126	260
Multi-family residential				
Total real estate loans	189	23	2,026	2,238
Other loans:				
Commercial and industrial				
Consumer	3		27	30
Total other loans	3		27	30
Total loans	$ 192	$ 23	$ 2,053	$ 2,268

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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

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 second quarter of 2014.

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

		Fair Value Measurements Using		
(dollars in thousands)	**June 30, 2014**	**Level 1**	**Level 2**	**Level 3**
Available for sale securities:				
U.S. agency mortgage-backed	$ 123,753	$	$ 123,753	$
Non-U.S. agency mortgage-backed	8,916		8,916	
Municipal bonds	25,654		25,654	
U.S. government agency	20,879		20,879	
Total	$ 179,202	$	$ 179,202	$

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(dollars in thousands)	December 31, 2013	Fair Value Measurements Using 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).

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.

(dollars in thousands)	June 30, 2014	Fair Value Measurements Using Level 1	Level 2	Level 3
Assets				
Acquired loans with deteriorated credit quality	$ 33,715	$	$	$ 33,715
Acquired loans without deteriorated credit quality	206,251			206,251
Impaired loans, excluding acquired loans	1,511			1,511
Repossessed assets	6,931			6,931
FDIC loss sharing receivable	8,143			8,143
Total	$ 256,551	$	$	$ 256,551
Liabilities				

Deposits acquired through business combinations	$	77,814	$		$		$	77,814
FHLB advances acquired through business combinations		5,031						5,031
Securities sold under repurchase agreement		20,710						20,710
Total	$	103,555	$		$		$	103,555

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(dollars in thousands)	December 31, 2013	Fair Value Measurements Using 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.

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.

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The fair value of loans are 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 June 30, 2014			
(dollars in thousands)	**Carrying Amount**	**Total**	**Level 1**	**Level 2**	**Level 3**
Financial Assets					
Cash and cash equivalents	$ 56,326	$ 56,326	$ 56,326	$	$
Interest-bearing deposits in banks	5,771	5,771	5,771		
Investment securities available for sale	179,202	179,202		179,202	
Investment securities held to maturity	10,984	11,090		11,090	
Mortgage loans held for sale	5,700	5,700		5,700	
Loans, net	899,855	907,216			907,216
Cash surrender value of BOLI	18,931	18,931	18,931		
FDIC loss sharing receivable	8,143	8,143			8,143
Financial Liabilities					
Deposits	$ 981,741	$ 982,533	$	$ 904,719	$ 77,814
Short-term FHLB advances	90,531	90,531	85,500		5,031
Long-term FHLB advances	12,000	12,529		12,529	
Securities sold under repurchase agreement	20,710	20,710			20,710

		Fair Value Measurements at December 31, 2013			
(dollars in thousands)	**Carrying Amount**	**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	

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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 to June 30, 2014 and on its results of operations for the three and six months ended June 30, 2014 and June 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 futur conditional terms such as will , would , should , could , may , likely , probably , or possibly . The Company actual strategies and results in future periods may differ materially from those currently expected due to various risks and uncertainties. Factors that may cause actual results to differ materially from these forward-looking statements include, but are not limited to, the risk factors described under the heading Risk Factors in the Company s Annual Report on Form 10-K filed with the Securities Exchange Commission (SEC) for the year ended December 31, 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.

EXECUTIVE OVERVIEW

During the second quarter of 2014, the Company earned $2.8 million, an increase of $1.5 million, or 121.3%, compared to the second quarter of 2013. Diluted earnings per share for the second quarter of 2014 were $0.40, an increase of $0.22, or 122.2%, compared to the second quarter of 2013. During the six months ended June 30, 2014, the Company earned $4.2 million, an increase $1.1 million, or 34.8%, compared to the six months ended June 30, 2013. Diluted earnings per share for the six months ended June 30, 2014 were $0.61, an increase of $0.17, or 38.6%, compared to the six months ended June 30, 2013.

The Company s financial condition and income as of and for the period ended June 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 $298.8 million, which included loans of $163.0 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 $207,000 and $2.2 million, respectively, in pre-tax merger-related expenses during the second quarter and first six 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 six months ended June 30, 2014 are summarized below.

Assets totaled $1.3 billion as of June 30, 2014, up $274.8 million, or 27.9%, from December 31, 2013. The increase was primarily the result of the acquisition of Britton & Koontz.

Loans as of June 30, 2014 were $907.6 million, an increase of $200.2 million, or 28.3%, from December 31, 2013. The increase in loans was primarily driven by $163.0 million in loans acquired from Britton & Koontz at the acquisition date. During 2014, organic loan growth was related primarily to construction and land (up $18.7 million), one-to four-family first mortgage (up $9.1 million) and commercial real estate (up $8.5 million) loans. As of June 30, 2014, Covered Loans totaled $19.3 million, a decrease of $2.3 million, or 10.8%, from December 31, 2013.

Total customer deposits as of June 30, 2014 were $981.7 million, an increase of $240.4 million, or 32.4%, from December 31, 2013. The acquisition of Britton & Koontz added $216.6 million in deposits at the acquisition date. Core deposits (i.e., checking, savings, and money market accounts) totaled $744.0 million as of June 30, 2014, an increase of $195.2 million, or 35.6%, 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 $3.1 million, or 28.5%, in the second quarter of 2014 compared to the second quarter of 2013. For the six months ended June 30, 2014, interest income increased $4.8 million, or 22.0%, compared to the six months ended June 30 2013. The increases in the three and six month periods were primarily due to the addition of the interest-earning assets acquired from Britton & Koontz.

Interest expense decreased $84,000, or 9.1%, for the second quarter of 2014 compared to the second quarter of 2013. For the six months ended June 30, 2014, interest expense decreased $353,000, or 18.2%, compared to the six months ended June 30, 2013. The decrease was primarily the result of changes in our funding mix and reduced market interest rates.

The provision for loan losses totaled $811,000 for the second quarter of 2014, a decrease of $1.4 million, or 63.9%, compared to the second quarter of 2013. For the six months ended June 30, 2014, the provision for loan losses decreased $1.8 million, or 65.5%, from the six months ended June 30, 2013. At June 30, 2014, the Company s ratio of allowance for loan losses to total loans was 0.85%, compared to 0.90% at June 30, 2013. Excluding acquired loans, the ratio of the allowance for loan losses to total organic loans was 1.10% at June 30, 2014, compared to 1.08% at June 30, 2013. Net loan charge-offs for the first six months of 2014 were $116,000 compared to net loan charge-offs of $2.0 million during the first six months of 2013.

Noninterest income for the second quarter of 2014 decreased $24,000, or 1.1%, compared to the second quarter of 2013, due primarily to the absence of gains on the sale of securities (down $428,000), which was partially offset by increases in service fees and charges (up $317,000) and bank card fees (up $115,000). For the six months ended June 30, 2014, noninterest income decreased $185,000, or 4.5%, compared to the six months ended June 30, 2013. The decrease resulted primarily from lower gains on the sale of mortgage loans (down $374,000) and gain on sale of securities (down $426,000), which were partially offset by higher service fees and charges (up $531,000) and bank card fees (up $157,000) due to the impact of the Britton & Koontz acquisition and increased customer transactions.

Noninterest expense for the second quarter of 2014 increased $2.3 million, or 28.1%, compared to the second quarter of 2013. Noninterest expense in the second quarter of 2014 includes $207,000 of expenses related to the acquisition of Britton & Koontz. Such merger-related expenses include professional fees, data conversion, contract cancellation fees included in other expenses, severance and other employee costs associated with the merger and related systems conversion. Excluding merger-related expenses, noninterest expense for the second quarter of 2014 totaled $10.2 million, an increase of $2.1 million, or 25.6%, compared to the second 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 six months ended June 30, 2014, noninterest expense increased $5.2 million, or 31.7%, compared to the six months ended June 30, 2013. Noninterest expense for the first six months of 2014 includes $2.2 million of expenses related to the acquisition of Britton & Koontz. Excluding merger-related expenses, noninterest expense for the six months ended June 30, 2014 totaled $19.5 million, an increase of $3.0 million, or 18.5%, compared to the six months

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ended June 30, 2013. The increase in noninterest expense resulted primarily from higher compensation and benefits expenses (up $1.7 million), foreclosed asset expense (up $535,000), occupancy expense (up $469,000) and data processing and communication expense (up $330,000) 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 are included in the table below.

Non-GAAP Reconciliation

(dollars in thousands)	**For the Three Months Ended June 30, 2014**	**For the Three Months Ended June 30, 2013**	**For the Six Months Ended June 30, 2014**	**For the Six Months Ended June 30, 2013**
Reported noninterest expense	$ 10,370	$ 8,094	$ 21,627	$ 16,427
Less: Merger-related expenses	(207)		(2,162)	
Non-GAAP noninterest expense	$ 10,163	$ 8,094	$ 19,465	$ 16,427
Reported net income	$ 2,753	$ 1,244	$ 4,186	$ 3,106
Add: Merger-related expenses (after tax)	136		1,451	
Non-GAAP net income	$ 2,889	$ 1,244	$ 5,637	$ 3,106
Diluted EPS	$ 0.40	$ 0.18	$ 0.61	$ 0.44
Add: Merger-related expenses	0.02		0.21	
Non-GAAP EPS	$ 0.42	$ 0.18	$ 0.82	$ 0.44

FINANCIAL CONDITION

Loans, Asset Quality and Allowance for Loan Losses

Loans Loans totaled $907.6 million as of June 30, 2014, an increase of $200.2 million, or 28.3%, from December 31, 2013. Growth in the loan portfolio was primarily driven by the acquisition of Britton & Koontz, which added $163.0 million in loans at acquisition date. During the first six months of 2014, organic loan growth was related primarily to construction and land (up $18.7 million), one- to four-family first mortgage (up $9.1 million) and commercial real estate (up $8.5 million) loans. Covered Loans totaled $19.3 million as of June 30, 2014, a decrease of $2.3 million, or 10.8%, compared to December 31, 2013.

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

	June 30,	**December 31,**	**Increase/(Decrease)**

(dollars in thousands)	2014	2013	Amount	Percent
Real estate loans:				
One- to four-family first mortgage	$ 230,415	$ 179,506	$ 50,909	28.4%
Home equity loans and lines	57,133	40,561	16,572	40.9
Commercial real estate	333,787	269,849	63,938	23.7
Construction and land	122,558	83,271	39,287	47.2
Multi-family residential	22,285	16,578	5,707	34.4
Total real estate loans	766,178	589,765	176,413	29.9
Other loans:				
Commercial and industrial	96,765	77,533	19,232	24.8
Consumer	44,670	40,158	4,512	11.2
Total other loans	141,435	117,691	23,744	20.2
Total loans	$ 907,613	$ 707,456	$ 200,157	28.3%

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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 June 30, 2014 and December 31, 2013, loans individually evaluated for impairment, excluding Acquired Loans, amounted to $2.0 million and $2.6 million, respectively. As of June 30, 2014 and December 31, 2013, substandard loans, excluding Acquired Loans, amounted to $9.8 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 $482,000 as of June 30, 2014 and December 31, 2013. There were no assets classified as doubtful or loss as of June 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.

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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.

	June 30, 2014				**December 31, 2013**			
		Acquired Loans				**Acquired Loans**		
		Non-covered				**Non-covered**		
(dollars in thousands)	**Originated**	**Acquired[(1)]**	**Covered**	**Total**	**Originated**	**Acquired[(1)]**	**Covered**	**Total**
Nonaccrual loans:								
Real estate loans:								
One- to four-family first mortgage	$ 1,172	$ 3,627	$ 2,145	$ 6,944	$ 689	$ 4,744	$ 2,184	$ 7,617
Home equity loans and lines	40	293	305	638	66	487	170	723
Commercial real estate	1,074	2,750	1,406	5,230	1,939	3,957	1,221	7,117
Construction and land	64	1,415	174	1,653	84	1,307	440	1,831
Multi-family residential		1,570		1,570		2,248		2,248
Other loans:								
Commercial and industrial	1,967	954	236	3,157	3,881		954	4,835
Consumer	285	11	110	406	277		111	388
Total nonaccrual loans	4,602	10,620	4,376	19,598	6,936	12,743	5,080	24,759
Accruing loans 90 days or more past due								
Total nonperforming loans	4,602	10,620	4,376	19,598	6,936	12,743	5,080	24,759
Foreclosed assets	16	4,239	2,677	6,932	75	1,331	3,160	4,566

Total nonperforming assets	4,618	14,859	7,053	26,530	7,011	14,074	8,240	29,325
Performing troubled debt restructurings	134	78	3	215	424		6	430
Total nonperforming assets and troubled debt restructurings	$ 4,752	$ 14,937	$ 7,056	$ 26,745	$ 7,435	$ 14,074	$ 8,246	$ 29,755
Nonperforming loans to total loans				2.16%				3.50%
Nonperforming loans to total assets				1.56%				2.52%
Nonperforming assets to total assets				2.11%				2.98%

(1) Includes $4.0 million and $5.5 million in non-covered acquired loans accounted for under ASC 310-30 at June 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 0.69%, 0.45% and 0.45%, respectively, at June 30, 2014.

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Net loan charge-offs for the second quarter of 2014 were $157,000, compared to net loan charge-offs of $1.8 million for the second quarter of 2013. Net loan charge-offs for the six months ended June 30, 2014 were $116,000 compared to $2.0 million for the six months ended June 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.

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 June 30, 2014, $420,000 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 six 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	719	237		956
Loans charged off	(132)	(65)		(197)
Recoveries on charged off loans	81			81
Balance, June 30, 2014	$ 7,338	$ 420	$	$ 7,758

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At June 30, 2014, the Company s ratio of allowance for loan losses to total loans was 0.85%, compared to 0.98% and 0.90% at December 31, 2013 and June 30, 2013, respectively. Excluding acquired loans, the ratio of allowance for loan losses to total loans was 1.10% at June 30, 2014, compared to 1.12% and 1.08% at December 31, 2013 and June 30, 2013, respectively.

Investment Securities

The Company s investment securities portfolio totaled $190.2 million as of June 30, 2014, an increase of $31.1 million, or 19.6%, 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 June 30, 2014, the Company had a net unrealized gain on its available for sale investment securities portfolio of $1.8 million, compared to $300,000 as of December 31, 2013. The investment securities portfolio had a modified duration of 4.1 and 4.2 years at June 30, 2014 and December 31, 2013, respectively.

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

(dollars in thousands)	**Available for Sale**	**Held to Maturity**
Balance, December 31, 2013	$ 149,632	$ 9,405
Purchases	13,512	2,151
Sales	(66,904)	
Principal payments and calls	(16,038)	(467)
Acquired from Britton & Koontz, at fair value	97,985	
Accretion of discounts and amortization of premiums, net	(508)	(105)
Increase in market value	1,523	
Balance, June 30, 2014	$ 179,202	$ 10,984

Funding Sources

Deposits Deposits totaled $981.7 million as of June 30, 2014, an increase of $240.4 million, or 32.4%, compared to December 31, 2013. The acquisition of Britton & Koontz added $216.6 million in deposits. Core deposits totaled $744.0 million as of June 30, 2014, an increase of $195.2 million, or 35.6%, 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)	**June 30, 2014**	**December 31, 2013**	**Increase (Decrease) Amount**	**Percent**
Demand deposit	$ 248,541	$ 174,475	$ 74,066	42.5%

Savings	78,947	56,694	22,253	39.3
Money market	227,029	192,303	34,726	18.1
NOW	189,515	125,391	64,124	51.1
Certificates of deposit	237,709	192,449	45,260	23.5
Total deposits	$ 981,741	$ 741,312	$ 240,429	32.4%

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Federal Home Loan Bank Advances Short-term FHLB advances totaled $90.5 million as of June 30, 2014, compared to $87.0 million as of December 31, 2013. Long-term FHLB advances totaled $12.0 million as of June 30, 2014 compared to $10.0 million as of December 31, 2013.

Securities Sold Under Repurchase Agreement The acquisition of Britton & Koontz added $20.7 million in securities sold under repurchase agreement with a July 2015 maturity date and an effective interest rate of 0.36%. Britton & Koontz sold various investment securities with an agreement to repurchase these securities at various times. The underlying securities are U.S. Government obligations and obligations of other U.S. Government agencies. At June 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 $6.2 million, or 4.3%, from $141.9 million as of December 31, 2013 to $148.1 million as of June 30, 2014. The increase was primarily the result of retained earnings (up $4.2 million) and other comprehensive income (up $1.0 million).

As of June 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 June 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	$ 139,063	16.29%	$ 34,151	4.00%	$ 51,226	6.00%
Total risk-based capital	146,821	17.20	68,302	8.00	85,377	10.00
Tier 1 leverage capital	139,063	11.11	50,070	4.00	62,588	5.00
Tangible capital	139,063	11.11	18,776	1.50	N/A	N/A

LIQUIDITY AND ASSET/LIABILITY MANAGEMENT

Liquidity Management

Liquidity management encompasses our ability to ensure that funds are available to meet the cash flow requirements of depositors and borrowers, while also ensuring adequate cash flow exists to meet the Company s needs, including operating, strategic and capital. The Company develops its liquidity management strategies as part of its overall asset/liability management process. Our primary sources of funds are from deposits, amortization of loans, loan prepayments and the maturity of loans, investment securities and other investments, and other funds provided from operations. While scheduled payments from the amortization of loans and investment securities and maturing investment securities are relatively predictable sources of funds, deposit flows and loan prepayments can be greatly influenced by general interest rates, economic conditions and competition. The Company also maintains excess funds in short-term, interest-bearing assets that provide additional liquidity. As of June 30, 2014, cash and cash equivalents totaled $56.3 million. At such date, investment securities available for sale totaled $179.2 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 June 30, 2014, certificates of deposit maturing within the next 12 months totaled $146.4 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 June 30, 2014, the average balance of our outstanding FHLB advances was $96.2 million. As of June 30, 2014, the Company had $102.5 million in outstanding FHLB advances and had $347.8 million in additional FHLB advances available.

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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 June 30, 2014.

Shift in Interest Rates (in bps)	% Change in Projected Net Interest Income
+300	(1.5)%
+200	(0.9)
+100	(0.3)

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

Off-Balance Sheet Activities

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

The following table summarizes our outstanding commitments to originate loans and to advance additional amounts pursuant to outstanding letters of credit, lines of credit and undisbursed construction loans as of June 30, 2014 and December 31, 2013.

	Contract Amount

(dollars in thousands)	**June 30, 2014**	**December 31, 2013**
Standby letters of credit	$ 4,035	$ 1,253
Available portion of lines of credit	97,818	60,755
Undisbursed portion of loans in process	62,228	72,333
Commitments to originate loans	77,834	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 second quarter of 2014, the Company earned $2.8 million, an increase of $1.5 million, or 121.3%, compared to the second quarter of 2013. The second quarter of 2014 includes $207,000 of pre-tax merger expenses related to the acquisition of Britton & Koontz. Excluding merger-related expenses, net income for the second quarter of 2014 was $2.9 million, an increase of 132.3% compared to second quarter of 2013. Diluted earnings per share for the second quarter of 2014 were $0.40, an increase of $0.22, or 122.2%, compared to the second quarter of 2013. Excluding merger-related expenses, diluted earnings per share were $0.42 for the second quarter of 2014, an increase of 133.3% compared to the second quarter of 2013.

For the six months ended June 30, 2014, the Company s net income was $4.2 million, an increase of $1.1 million, or 34.8%, compared to the six months ended June 30, 2013. The six-month period ended June 30, 2014 includes $2.2 million of pre-tax merger expenses related to the acquisition of Britton & Koontz. Excluding merger-related expenses, net income for the six-months ended June 30, 2014 was $5.6 million, an increase of 81.5% compared to six months ended June 30, 2013. Diluted earnings per share for the six months ended June 30, 2014 were $0.61, an increase of $0.17, or 38.6%, compared to the six months ended June 30, 2013. Excluding merger-related expenses, diluted earnings per share were $0.82 for the six months ended June 30, 2014, an increase of 86.4% compared to the six months ended June 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 4.55% and 4.45% for the three months ended June 30, 2014 and June 30, 2013, respectively, and 4.58% and 4.46% for the six months ended June 30, 2014 and June 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 4.64% and 4.59% for the three months ended June 30, 2014 and June 30, 2013, respectively, and 4.68% and 4.61% for the six months ended June 30, 2014 and June 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 $13.1 million for the three months ended June 30, 2014, an increase of $3.2 million, or 31.9%, compared to the three months ended June 30, 2013. For the six months ended June 30, 2014, net interest income totaled $24.9 million, an increase of $5.1 million, or 25.9%, compared to the six months ended June 30, 2013. The addition of Britton & Koontz s earning assets accounted for the vast majority of the increase.

Interest income increased $3.1 million, or 28.5%, in the second quarter of 2014, compared to the second quarter of 2013. For the six months ended June 30, 2014, interest income increased $4.8 million, or 22.0%, compared to the six months ended June 30, 2013. Higher interest income in the 2014 periods was due largely to the addition of Britton &

Koontz s interest-earning assets.

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Interest expense decreased $84,000, or 9.1%, in the second quarter of 2014 compared to the second quarter of 2013. For the six months ended June 30, 2014, interest expense decreased $353,000, or 18.2%, compared to the six months ended June 30, 2013. The decrease was due largely to the addition of Britton and Koontz s customer deposits and the change in 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 June 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)	$ 898,123	$ 12,923	5.72%	$ 683,394	$ 10,068	5.86%
Investment securities (TE)	191,732	970	2.22	154,523	752	2.11
Other interest-earning assets	40,828	47	0.46	28,153	32	0.46
Total interest-earning assets (TE)	1,130,683	13,940	4.94	866,070	10,852	5.01
Noninterest-earning assets	115,617			101,613		
Total assets	$ 1,246,300			$ 967,683		
Interest-bearing liabilities:						
Deposits:						
Savings, checking and money market	$ 493,892	$ 283	0.23%	$ 372,613	$ 240	0.26%
Certificates of deposit	241,107	421	0.70	231,824	560	0.97
Total interest-bearing deposits	734,999	704	0.38	604,437	800	0.53
Securities sold under repurchase agreement	20,819	19	0.36			
FHLB advances	96,169	115	0.48	50,734	122	0.96
Total interest-bearing liabilities	851,987	838	0.39	655,171	922	0.56
Noninterest-bearing liabilities	247,506			168,804		
Total liabilities	1,099,493			823,975		
Shareholders equity	146,807			143,708		
Total liabilities and shareholders equity	$ 1,246,300			$ 967,683		

Net interest-earning assets	$ 278,696			$ 210,899		
Net interest spread (TE)		$ 13,102	4.55%		$ 9,930	4.45%
Net interest margin (TE)			4.64%			4.59%

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	Six Months Ended June 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)	$ 845,816	$ 24,407	5.76%	$ 679,415	$ 20,140	5.92%
Investment securities (TE)	190,874	2,021	2.34	154,240	1,523	2.13
Other interest-earning assets	35,997	78	0.44	28,453	64	0.45
Total interest-earning assets (TE)	1,072,687	26,506	4.98	862,108	21,727	5.06
Noninterest-earning assets	109,643			102,505		
Total assets	$ 1,182,330			$ 964,613		
Interest-bearing liabilities:						
Deposits:						
Savings, checking and money market	$ 458,552	$ 520	0.23%	$ 371,103	$ 509	0.28%
Certificates of deposit	230,167	807	0.71	238,623	1,172	0.99
Total interest-bearing deposits	688,719	1,327	0.39	609,726	1,681	0.56
Securities sold under repurchase agreement	17,425	35	0.41			
FHLB advances	102,897	231	0.45	45,989	266	1.16
Total interest-bearing liabilities	809,041	1,593	0.40	655,715	1,947	0.60
Noninterest-bearing liabilities	229,221			165,487		
Total liabilities	1,038,262			821,202		
Shareholders equity	144,068			143,411		
Total liabilities and shareholders equity	$ 1,182,330			$ 964,613		
Net interest-earning assets	$ 263,646			$ 206,393		
Net interest spread (TE)		$ 24,913	4.58%		$ 19,780	4.46%
Net interest margin (TE)			4.68%			4.61%

(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.

(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 June 30, 2014 Compared to 2013 Change Attributable To			For the Six Months Ended June 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	$ (327)	$ 3,182	$ 2,855	$ (730)	$ 4,997	$ 4,267
Investment securities (TE)	14	204	218	66	432	498
Other interest-earning assets		15	15	(2)	16	14
Total interest income	(313)	3,401	3,088	(666)	5,445	4,779
Interest expense:						
Savings, checking and money market accounts	(26)	69	43	(89)	100	11
Certificates of deposit	(158)	19	(139)	(327)	(38)	(365)
Securities sold under repurchase agreement		19	19		35	35
FHLB advances	28	(35)	(7)	92	(127)	(35)
Total interest expense	(156)	72	(84)	(324)	(30)	(354)
Increase (decrease) in net interest income	$ (157)	$ 3,329	$ 3,172	$ (342)	$ 5,475	$ 5,133

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Provision for Loan Losses For the quarter ended June 30, 2014, the Company recorded a provision for loan losses of $811,000, or 63.9% lower than the $2.2 million recorded for the same period in 2013. For the six months ended June 30, 2014, the provision for loan losses totaled $956,000, a decrease of $1.8 million, or 65.5%, compared to the six months ended June 30, 2013. The provision for loan losses for the second quarter of 2014 relates primarily to loan growth and deterioration in certain acquired loans included in the GSFC loan portfolio.

As of June 30, 2014, the Company s ratio of allowance for loan losses to total loans was 0.85%, compared to 0.98% and 0.90% at December 31, 2013 and June 30, 2013, respectively. Excluding acquired loans, the ratio of the allowance for loan losses to total loans was 1.10% at June 30, 2014, compared to 1.12% at December 31, 2013 and 1.08% at June 30, 2013, respectively.

Noninterest Income The Company s noninterest income was $2.3 million for the three months ended June 30, 2014, $24,000, or 1.1%, lower than the $2.3 million earned for the same period in 2013. Noninterest income was $3.9 million for the six months ended June 30, 2013, $185,000, or 4.5%, lower than the $4.1 million earned for the same period of 2013.

The decrease in noninterest income in the second quarter of 2014 compared to the second quarter of 2013 resulted primarily from the absence of gains on the sale of securities (down $428,000), which was partially offset by increases in service fees and charges (up $317,000) and bank card fees (up $115,000).

The decrease in noninterest income for the six months ended June 30, 2014 compared to the six months ended June 30, 2013 resulted primarily from lower gains on the sale of securities (down $426,000) and the sale of mortgage loans (down $374,000), which were partially offset by increases in service fees and charges (up $531,000) and bank card fees (up $157,000).

Noninterest Expense The Company s noninterest expense was $10.4 million for the three months ended June 30, 2014, $2.3 million, or 28.1%, higher than the $8.1 million recorded for the same period in 2013. Noninterest expense was $21.6 million for the six months ended June 30, 2014, $5.2 million, or 31.7% higher than the $16.4 million for the same period of 2013. Noninterest expense includes $207,000 of merger expenses related to the acquisition of Britton & Koontz in the second quarter of 2014 and $2.2 million for the six months ended June 30, 2014. Such merger-related expenses include professional fees, data conversion, 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 second quarter of 2014 totaled $10.2 million, an increase of $2.1 million, or 25.6%, compared to the second quarter of 2013. Excluding merger-related expenses, noninterest expense for the six months ended June 30, 2014 totaled $19.5 million, an increase of $3.0 million, or 18.5%, compared to the same period of 2013. The increase primarily relates to the growth of the Company due to the addition of Britton & Koontz branches and employees.

Income Taxes For the quarters ended June 30, 2014 and June 30, 2013, the Company incurred income tax expense of $1.4 million and $621,000, respectively. The Company s effective tax rate was 34.0% and 33.3% during the second quarters of 2014 and 2013, respectively. For the six months ended June 30, 2014 and June 30, 2013, the Company incurred income tax expense of $2.1 million and $1.6 million, respectively. The Company s effective tax rate amounted to 32.9% and 33.6% during the six months ended June 30, 2014 and June 30, 2013, respectively. The decline in the effective tax rate during the first six months of 2014 is due primarily to the income earned on the tax-exempt securities acquired in the acquisition of Britton & Koontz. 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 June 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 .

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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 second 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]
April 1 April 30, 2014		$	202,477	167,523
May 1 May 31, 2014	18,494	21.24	220,971	149,029
June 1 June 30, 2014	2,000	20.00	222,971	147,029
Total	20,494	$ 21.12	222,971	147,029

(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.

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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.
August 8, 2014	By:	/s/ John W. Bordelon John W. Bordelon *President, Chief Executive Officer and Director*
August 8, 2014	By:	/s/ Joseph B. Zanco Joseph B. Zanco *Executive Vice President and Chief Financial Officer*
August 8, 2014	By:	/s/ Mary H. Hopkins Mary H. Hopkins *Home Bank First Vice President and Director of Financial Reporting*