HOME BANCORP, INC.
Form 10-Q
May 14, 2009
**Table of Contents**

# UNITED STATES

# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 10-Q

**(Mark One)**

**x Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
**For the quarterly period ended: March 31, 2009**

**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**

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

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

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

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

At May 11, 2009, the registrant had 8,926,875 shares of common stock, $0.01 par value, which were issued and outstanding.

Table of Contents

**HOME BANCORP, INC. and SUBSIDIARY**

**TABLE OF CONTENTS**

**Table of Contents**

**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

**HOME BANCORP INC. AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION**

| | (Unaudited) March 31, 2009 | December 31, 2008 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 25,592,391 | $ 20,150,248 |
| Interest-bearing deposits in banks | 1,388,000 | 1,685,000 |
| Cash invested at other ATM locations | 24,328,114 | 24,243,780 |
| Securities available for sale, at fair value | 112,296,397 | 114,235,261 |
| Securities held to maturity (fair values of $3,980,142 and $4,134,153, respectively) | 3,895,918 | 4,089,466 |
| Mortgage loans held for sale | 1,590,600 | 996,600 |
| Loans, net of unearned income | 336,389,803 | 335,568,071 |
| Allowance for loan losses | (2,780,698) | (2,605,889) |
| Loans, net | 333,609,105 | 332,962,182 |
| Office properties and equipment, net | 15,227,422 | 15,325,997 |
| Cash surrender value of bank-owned life insurance | 5,334,033 | 5,268,817 |
| Accrued interest receivable and other assets | 9,633,416 | 9,439,637 |
| **Total Assets** | $ 532,895,396 | $ 528,396,988 |
| **Liabilities** | | |
| Deposits: | | |
| Noninterest-bearing | $ 71,180,462 | $ 67,047,799 |
| Interest-bearing | 303,961,785 | 287,097,306 |
| Total deposits | 375,142,247 | 354,145,105 |
| Short-term FHLB borrowings | 1,300,000 | 21,500,000 |
| Long-term FHLB debt | 22,907,021 | 22,920,795 |
| Accrued interest payable and other liabilities | 4,246,421 | 2,868,362 |
| **Total Liabilities** | 403,595,689 | 401,434,262 |
| **Shareholders Equity** | | |
| Preferred stock, $0.01 par value 10,000,000 shares authorized; none issued | | |
| Common stock, $0.01 par value 40,000,000 shares authorized; 8,926,875 shares issued and outstanding | 89,270 | 89,270 |
| Additional paid-in capital | 87,165,161 | 87,182,281 |
| Unearned ESOP shares | (6,962,960) | (7,052,230) |
| Retained earnings | 53,778,603 | 52,055,071 |
| Accumulated other comprehensive income (loss) | (4,770,367) | (5,311,666) |
| **Total Shareholders Equity** | 129,299,707 | 126,962,726 |

| | | |
|---|---|---|
| **Total Liabilities and Shareholders Equity** | $ 532,895,396 | $ 528,396,988 |

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

Table of Contents

**HOME BANCORP INC. AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF INCOME (unaudited)**

| | For The Three Months Ended March 31, 2009 | 2008 |
|---|---|---|
| **Interest Income** | | |
| Loans, including fees | $ 5,521,750 | $ 5,407,337 |
| Investment securities | 1,702,796 | 785,409 |
| Other investments and deposits | 312,410 | 340,452 |
| Total interest income | 7,536,956 | 6,533,198 |
| **Interest Expense** | | |
| Deposits | 1,427,272 | 2,387,019 |
| Short-term borrowings | 34,527 | 32,305 |
| Long-term debt | 208,510 | 129,314 |
| Total interest expense | 1,670,309 | 2,548,638 |
| Net interest income | 5,866,647 | 3,984,560 |
| Provision for (reversal of) loan losses | 173,662 | (29,511) |
| Net interest income after provision for loan losses | 5,692,985 | 4,014,071 |
| **Noninterest Income** | | |
| Service fees and charges | 454,706 | 406,253 |
| Bank card fees | 260,724 | 207,481 |
| Gain on sale of loans, net | 140,387 | 69,879 |
| Income from bank-owned life insurance | 65,216 | 63,936 |
| Other income | 38,072 | 18,237 |
| Total noninterest income | 959,105 | 765,786 |
| **Noninterest Expense** | | |
| Compensation and benefits | 2,321,148 | 2,092,501 |
| Occupancy | 316,372 | 287,727 |
| Marketing and advertising | 167,653 | 158,050 |
| Data processing and communication | 345,266 | 337,760 |
| Professional services | 213,572 | 62,384 |
| Forms, printing and supplies | 101,287 | 67,901 |
| Franchise and shares tax | 226,250 | |
| Other expenses | 315,534 | 229,473 |
| Total noninterest expense | 4,007,082 | 3,235,796 |
| Income before income tax expense | 2,645,008 | 1,544,061 |
| Income tax expense | 921,476 | 524,981 |
| **Net Income** | $ 1,723,532 | $ 1,019,080 |

| | | | |
|---|---|---|---|
| **Earnings per share:** | | | |
| Basic | $ | 0.21 | N/A |
| Diluted | $ | 0.21 | N/A |

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

2

Table of Contents

**HOME BANCORP, INC. AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY (unaudited)**

| | Common Stock | Additional Paid-in Capital | Unearned ESOP Shares | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Total |
|---|---|---|---|---|---|---|
| **Balance, December 31, 2007** | $ | $ | $ | $ 49,339,479 | $ 43,641 | $ 49,383,120 |
| Comprehensive income: | | | | | | |
| Net income | | | | 1,019,080 | | 1,019,080 |
| Change in unrealized gain on securities available for sale, net of taxes | | | | | 968,538 | 968,538 |
| Total comprehensive income | | | | | | 1,987,618 |
| **Balance, March 31, 2008** | $ | $ | $ | $ 50,358,559 | $ 1,012,179 | $ 51,370,738 |
| **Balance, December 31, 2008** | $ 89,270 | $ 87,182,281 | $ (7,052,230) | $ 52,055,071 | $ (5,311,666) | $ 126,962,726 |
| Comprehensive income: | | | | | | |
| Net income | | | | 1,723,532 | | 1,723,532 |
| Change in unrealized gain/(loss) on securities available for sale, net of taxes | | | | | 541,299 | 541,299 |
| Total comprehensive income | | | | | | 2,264,831 |
| Cost of issuance of common stock | | (13,305) | | | | (13,305) |
| ESOP shares released for allocation | | (3,815) | 89,270 | | | 85,455 |
| **Balance, March 31, 2009** | $ 89,270 | $ 87,165,161 | $ (6,962,960) | $ 53,778,603 | $ (4,770,367) | $ 129,299,707 |

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

Table of Contents

**HOME BANCORP INC. AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)**

| | For the Three Months Ended March 31, 2009 | For the Three Months Ended March 31, 2008 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net income | $ 1,723,532 | $ 1,019,080 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Provision for (reversal of) loan losses | 173,662 | (29,511) |
| Depreciation | 219,859 | 202,042 |
| Mortgage servicing amortization | 3,249 | 5,499 |
| Federal Home Loan Bank stock dividends | (2,200) | (7,700) |
| Amortization of premium/discount on investments, net | 290,798 | 114,457 |
| Gains on loans sold, net | (140,387) | (69,879) |
| Proceeds, including principal payments, from loans held for sale | 21,371,255 | 10,009,986 |
| Originations of loans held for sale | (21,824,868) | (10,404,857) |
| Non-cash compensation | 85,455 | |
| Deferred income tax benefit | (63,079) | (19,424) |
| Increase in interest receivable | (49,927) | (148,731) |
| Increase in prepaid expenses and other assets | (360,675) | (30,834) |
| Increase in cash surrender value of bank-owned life insurance | (65,216) | (63,936) |
| Decrease in accrued expenses and other liabilities | 1,378,059 | 145,169 |
| Net cash provided by operating activities | 2,739,517 | 721,361 |
| **Cash flows from investing activities** | | |
| Purchases of available-for-sale investment securities | (3,744,488) | (7,833,590) |
| Proceeds from payments on available-for-sale investment securities | 6,213,850 | 4,131,306 |
| Proceeds from payments on held-to-maturity investment securities | 192,404 | 210,382 |
| Increase in cash invested at other ATM locations | (84,334) | (1,118,846) |
| Net (increase) decrease in loans | (820,585) | 482,224 |
| Decrease in certificates of deposit in other institutions | 297,000 | 297,000 |
| Proceeds from sale of real estate owned | | 3,290 |
| Purchases of office properties and equipment | (121,284) | (171,371) |
| Purchases of Federal Home Loan Bank stock | | (378,200) |
| Net cash provided by (used in) investing activities | 1,932,563 | (4,377,805) |
| **Cash flows from financing activities** | | |
| Increase (decrease) in deposits | 20,997,142 | (1,407,929) |
| Proceeds from Federal Home Loan Bank advances | 541,550,000 | 89,800,000 |
| Payments on Federal Home Loan Bank advances | (561,763,774) | (83,313,195) |
| Cost of issuance of common stock | (13,305) | |
| Net cash provided by financing activities | 770,063 | 5,078,876 |
| Net increase in cash and cash equivalents | 5,442,143 | 1,422,432 |
| Cash and cash equivalents at beginning of period | 20,150,248 | 11,746,082 |
| Cash and cash equivalents at end of period | $ 25,592,391 | $ 13,168,514 |

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

Table of Contents

**HOME BANCORP, INC. AND SUBSIDIARY**

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**1. Basis of Presentation**

Home Bancorp, Inc., a Louisiana corporation (the Company ), was organized by Home Bank (the Bank ) in May 2008 to facilitate the conversion of the Bank from the mutual to the stock form (the Conversion ) of ownership. The Conversion was completed on October 2, 2008, at which time the Company became the holding company for the Bank, with the Company owning all of the issued and outstanding shares of the Bank s common stock. Shares of the Company s common stock were issued and sold in an offering to certain depositors of the Bank and others. As a result of the offering, the Company raised $87,185,000 in net proceeds. The Company was newly organized and owned no assets during any period prior to October 2, 2008. Therefore, the financial information for any period prior to October 2, 2008 presented in this report is that of the Bank only.

The accompanying unaudited financial statements of 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, and cash flows in conformity with generally accepted accounting principles. However, in the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the financial statements have been included. The results of operations for the three month period ended March 31, 2009, 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, 2008.

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, changes in 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 equity or net income.

**2. Accounting Developments**

On April 9, 2009, the Financial Accounting Standards Board ( FASB ) issued three Staff Positions intended to provide additional guidance and enhance disclosures regarding fair value measurements and impairments of securities. FASB Staff Position No. FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*, provides guidelines for making fair value measurements more consistent with the principles presented in FASB Statement of Financial Accounting Standards ( SFAS ) No. 157, *Fair Value Measurements*, when the volume and level of activity for the asset or liability have decreased significantly. FASB Staff Position No. FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments*, enhances consistency in financial reporting by increasing the frequency of fair value disclosures. FASB Staff Position No. FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments*, provides additional guidance designed to create greater clarity and consistency in accounting for and presenting impairment losses on securities.

All three Staff Positions are effective for interim and annual periods ending after June 15, 2009. Entities were permitted to early adopt these Staff Positions for interim and annual periods ending after March 15, 2009, but had to adopt all three Staff Positions concurrently. The Company intends to adopt these Staff Positions for the quarterly period ending June 30, 2009, as required. Management is currently evaluating the effect the adoption of the Staff Positions will have on the financial condition and results of operations of the Company.

On April 1, 2009, the FASB issued FASB Staff Position No. FAS 141(R)-1, *Accounting for Assets Acquired and Liabilities*

*Assumed in a Business Combination That Arise from Contingencies* ( FSP 141(R)-1 ). FSP 141(R)-1 provides additional guidance regarding the recognition, measurement and disclosure of assets and liabilities arising from contingencies in a business combination. FSP 141(R)-1 is effective for assets or liabilities arising from contingencies in business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The impact of adopting FSP 141(R)-1 will depend on the timing of future acquisitions, as well as the nature and existence of contingencies associated with such acquisitions.

**3. Earnings Per Share**

Earnings per common share for the quarters ended March 31, 2009 and March 31, 2008 were computed based on the following:

| ***(in thousands, except per share data)*** | **March 31, 2009** | **March 31, 2008** |
|---|---|---|
| Numerator: | | |
| Income applicable to common shares | $ 1,724 | $ 1,019 |
| Denominator: | | |
| Weighted average common shares outstanding | 8,226 | N/A |
| Effect of dilutive securities | | N/A |
| Weighted average common shares outstanding assuming dilution | 8,226 | N/A |
| Earnings per common share | $ 0.21 | N/A |
| Earnings per common share assuming dilution | $ 0.21 | N/A |

The Company completed its initial public stock offering ( IPO ) on October 2, 2008 and began trading on the Nasdaq Global Market on October 3, 2008. Therefore, no shares were outstanding in the first quarter of 2008.

**4. Fair Value Disclosures**

The Company groups its financial assets and liabilities measured at fair value in three levels. SFAS No. 157 clarifies the principle that 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.

A description of the valuation methodologies used for instruments measured at fair value follows, as well as the classification of such instruments within the valuation hierarchy.

Securities are classified within Level 1 where quoted market prices are available in an active market. Inputs include securities that have quoted prices in active markets for identical assets. If quoted market prices are unavailable, fair value is estimated using pricing models or quoted prices of securities with similar characteristics, at which point the securities would be classified within Level 2 of the hierarchy. Examples may include certain collateralized mortgage obligations. The Company s investment portfolio does not include Level 3 securities as of March 31, 2009.

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

| | | Fair Value Measurements Using | | |
|---|---|---|---|---|
| *(dollars in thousands)* | March 31, 2009 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Available-for-sale securities | $ 112,296 | $ | $ 112,296 | $ |

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

Certain assets and liabilities are measured at fair value on a non-recurring basis and therefore are not included in the table above. Impaired loans are level 2 assets measured using appraisals from external parties of the collateral less any prior liens. As of March 31, 2009, the fair value of impaired loans was $2,510,000.

**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 subsidiary, Home Bank, from December 31, 2008 to March 31, 2009 and on its results of operations during the first quarters of 2009 and 2008. Home Bancorp, Inc. was newly organized and owned no assets during any period prior to October 2, 2008. Therefore, the financial information for any period prior to October 2, 2008 presented in this report is that of Home Bank only. This discussion and analysis is intended to highlight and supplement information presented elsewhere in this quarterly report on Form 10-Q, particularly the 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 the words plan , believe , expect , intend , anticipate , estimate , project or similar expressions. The Comp Bank s 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 SEC for the year ended December 31, 2008.

**EXECUTIVE OVERVIEW**

During the first quarter of 2009, the Company earned $1.7 million, representing a $704,000, or 69.1%, increase compared to the first quarter of 2008. Diluted earnings per share were $0.21 for the first quarter of 2009. No shares were outstanding during the first quarter of 2008. Key components of the Company s performance in the first quarter of 2009 are summarized below.

Total assets at March 31, 2009 were $532.9 million, up $4.5 million, or 0.9%, from December 31, 2008. The increase was primarily due to an increase in cash and cash equivalents, which totaled $25.6 million at March 31, 2009, an increase of $5.4 million, or 27.0%.

Loans at March 31, 2009 totaled $336.4 million, an increase of $822,000, or 0.2%, from December 31, 2008. While net loans were essentially unchanged, the Company s loan mix continued to shift to a more commercial emphasis as

Table of Contents

paydowns on 1-4 family mortgage loans were offset by commercial loan growth. Commercial loans (including commercial real estate, construction and land, multi-family residential, and other commercial loans) increased by an aggregate of $4.9 million, or 3.1%, during the first quarter of 2009.

Customer deposits totaled $375.1 million at March 31, 2009, an increase of $21.0 million, or 5.9%, from December 31, 2008. Core deposits (e.g., demand deposit, money market and savings accounts) experienced strong growth in the first quarter of 2009 increasing $13.4 million, or 6.8%. These increases provided liquidity for the Company resulting in decreased borrowings from the Federal Home Loan Bank of Dallas ( FHLB ).

Interest income increased $1.0 million, or 15.4%, in the first quarter of 2009 compared to the same period in 2008. The increase was primarily due to increases in the average balances of interest-earnings assets, particularly loans and investment securities, which more than offset decreases in the average yields earned on loans and other interest-earning assets.

Interest expense decreased $878,000, or 34.5%, for the first quarter of 2009 compared to the same period in 2008. The average rate paid on interest-bearing liabilities decreased 111 basis points in the first quarter of 2009 compared to the same period in 2008 due to reduced market rates.

The provision for loan losses totaled $174,000 for the first quarter of 2009, an increase of $204,000 compared to the first quarter of 2008. As of March 31, 2009, the allowance for loan losses as a percentage of total loans was 0.83% compared to 0.78% at December 31, 2008. Net recoveries for the first quarter of 2009 were $1,000 compared to net charge-offs of $1,000 for the first quarter of 2008.

Noninterest income increased $193,000, or 25.2%, in the first quarter of 2009 compared to the first quarter of 2008. The increase was primarily the result of increased gains on the sale of mortgage loans and higher levels of service fees and charges and bank card fees in the first quarter of 2009.

Noninterest expense increased $771,000, or 23.8%, in the first quarter of 2009 compared to the first quarter of 2008. Noninterest expense levels have increased over the past year due primarily to increased compensation and benefits expense resulting from our Baton Rouge expansion where we opened two full-service banking offices during the second half of 2008, as well as expense related to our employee stock ownership plan ( ESOP ), higher professional and other fees due to the increased cost of operating as a public company and the Louisiana bank shares tax. The Company was not required to pay the Louisiana bank shares tax prior to Home Bank s mutual to stock conversion in October 2008.

**FINANCIAL CONDITION**

***Loans, Asset Quality and Allowance for Loan Losses***

**Loans** The loan portfolio increased $822,000, or 0.2%, during the first three months of 2009. The following table shows the composition of the Company s loan portfolio as of the dates indicated.

| *(dollars in thousands)* | **March 31, 2009** | **December 31, 2008** | **Increase (Decrease) Amount** | **Percent** |
|---|---|---|---|---|
| Real estate loans: | | | | |
| One- to four-family first mortgage | $ 133,720 | $ 138,173 | $ (4,453) | (3.2)% |
| Home equity loans and lines | 22,793 | 23,127 | (334) | (1.4) |
| Commercial real estate | 86,388 | 84,096 | 2,292 | 2.7 |
| Construction and land | 37,203 | 35,399 | 1,804 | 5.1 |
| Multi-family residential | 6,481 | 7,142 | (661) | (9.3) |

| | | | | |
|---|---|---|---|---|
| Total real estate loans | 286,585 | 287,937 | (1,352) | (0.5) |
| Other loans: | | | | |
| Commercial | 35,928 | 34,434 | 1,494 | 4.3 |
| Consumer | 13,877 | 13,197 | 680 | 5.2 |
| Total other loans | 49,805 | 47,631 | 2,174 | 4.6 |
| Total loans | $ 336,390 | $ 335,568 | $ 822 | 0.2% |

Table of Contents

While net loans were essentially unchanged, the Company s loan mix continued to shift to a more commercial emphasis as paydowns on 1-4 family mortgage loans were offset by commercial loan growth. Commercial loans (including commercial real estate, construction and land, multi-family residential, and other commercial loans) increased $4.9 million, or 3.1%, during the first quarter of 2009.

**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 Company 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.

Real estate which is acquired as a result of foreclosure is classified as real estate owned until sold. Real estate owned is recorded at the lower of cost or fair value less estimated selling costs. 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 real estate owned 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 real estate loans, residential real estate loans and consumer loans. These loans are evaluated as a group because they have similar characteristics and performance experience. Larger commercial real estate, multi-family residential, construction and land loans and commercial business loans are individually evaluated for impairment. As of March 31, 2009 and December 31, 2008, impaired loans amounted to $2.5 million and $1.8 million, respectively. The amount of the allowance for loan losses allocated to impaired loans totaled $122,000 as of March 31, 2009 and December 31, 2008.

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

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

Table of Contents

identify, monitor and address asset quality problems; that management analyze all significant factors that affect the collectability of the portfolio in a reasonable manner; and that management establish acceptable allowance evaluation processes that meet the objectives set forth in the policy statement. Our management believes that, based on information currently available, our allowance for loan losses is maintained at a level which covers all known and inherent losses that are both probable and reasonably estimable at each reporting date. However, actual losses are dependent upon future events and, as such, further additions to the level of allowances for loan losses may become necessary.

We review and classify assets monthly. The Board of Directors is provided with monthly reports on our classified assets. We classify assets in accordance with the management guidelines described above. As of March 31, 2009, the Company had $2.9 million of assets classified as substandard, compared to $1.7 million as of December 31, 2008.

Nonperforming assets, defined as nonaccrual loans, accruing loans past due 90 days or more and foreclosed property, amounted to $2.5 million, or 0.5% of total assets, at March 31, 2009, compared to $1.5 million, or 0.3% of total assets, at December 31, 2008. The increase in classified and nonperforming assets during the first quarter of 2009 relates to three single family first mortgage loans which were placed on nonaccrual status during the quarter. The Company does not anticipate any principal loss on these three loans. We had no loans classified as doubtful or loss at March 31, 2009 or December 31, 2008. The following table sets forth the composition of the Company s nonperforming assets as of the dates indicated.

| *(dollars in thousands)* | **March 31, 2009** | **December 31, 2008** |
|---|---|---|
| Nonaccrual loans: | | |
| Real estate loans: | | |
| One- to four-family first mortgage | $ 1,913 | $ 871 |
| Home equity loans and lines | 150 | 156 |
| Commercial real estate and multi-family | 372 | 362 |
| Construction and land | 21 | |
| Other loans: | | |
| Commercial | | 9 |
| Consumer | 33 | 29 |
| Total nonaccrual loans | 2,489 | 1,427 |
| Accruing loans 90 days or more past due | | |
| Total nonperforming loans | 2,489 | 1,427 |
| Foreclosed property | 37 | 37 |
| Total nonperforming assets | 2,526 | 1,464 |
| Performing troubled debt restructurings | 441 | 449 |
| Total nonperforming assets and troubled debt restructurings | $ 2,967 | $ 1,913 |
| Nonperforming loans to total loans | 0.74% | 0.43% |
| Nonperforming loans to total assets | 0.47% | 0.27% |
| Nonperforming assets to total assets | 0.47% | 0.28% |

Net recoveries for the first quarter of 2009 were $1,000 compared to net charge-offs of $1,000 for the same quarter last year.

**Allowance for Loan Losses** The allowance for loan losses is established through a provision for loan losses. We maintain the allowance at a level believed, to the best of management s knowledge, to cover all known and inherent losses in the portfolio that are both probable and reasonable to estimate at each reporting date. Management reviews the allowance for loan losses at least quarterly in order to identify those inherent losses and to assess the overall collection probability for the loan portfolio. Our evaluation process includes, among other things, an analysis of delinquency trends, non-performing loan trends, the level of charge-offs and recoveries, prior loss experience, total loans outstanding, the volume of loan originations, the type, size and geographic concentration of our loans, the value of collateral securing loans, the borrower s ability to repay and repayment performance, the number of loans requiring heightened management oversight, local economic conditions and industry experience. Based on this evaluation, management assigns risk rankings to segments of the loan portfolio. Such risk ratings are periodically reviewed by management and revised as deemed appropriate. The establishment of the allowance for

Table of Contents

loan losses is significantly affected by management judgment and uncertainties and there is likelihood that different amounts would be reported under different conditions or assumptions. Various 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.

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

The following table presents the activity in the allowance for loan losses during the first three months of 2009.

| *(dollars in thousands)* | **Amount** |
|---|---|
| Balance, December 31, 2008 | $ 2,606 |
| Provision charged to operations | 174 |
| Loans charged off | 2 |
| Recoveries on charged off loans | 3 |
| Balance, March 31, 2009 | $ 2,781 |

The allowance for loan losses amounted to 0.83% of total loans and 111.7% of total nonperforming loans at March 31, 2009, compared to 0.78% and 182.6%, respectively, at December 31, 2008.

***Investment Securities***

The investment securities portfolio decreased by an aggregate of $2.1 million, or 1.8%, during the first quarter of 2009, as principal maturities, prepayments and calls of available-for-sale securities more than offset purchases. Securities available for sale made up the vast majority of the investment securities portfolio at March 31, 2009. The following table summarizes activity in the Company s investment securities portfolio during the first three months of 2009.

| *(dollars in thousands)* | **Available for Sale** | **Held to Maturity** |
|---|---|---|
| Balance, December 31, 2008 | $ 114,235 | $ 4,089 |
| Purchases | 3,744 | |
| Principal maturities, prepayments and calls | (6,213) | (192) |
| Amortization of premiums and accretion of discounts | (290) | (1) |
| Increase in market value | 820 | |
| Balance, March 31, 2009 | $ 112,296 | $ 3,896 |

At March 31, 2009, the Company had an unrealized loss position on its available-for-sale investment securities portfolio of $7.2 million, compared to an unrealized loss of $8.0 million at December 31, 2008. The loss position in the market value of the investment portfolio relates primarily to our non-agency (or private-label) mortgage-backed securities holdings. The non-agency mortgage-backed securities portfolio totaled $51.7 million, or 9.7% of total assets, at March 31, 2009. The unrealized loss position of these securities reflects, among other factors, the impact the illiquid market and distressed sales have had on the market value of non-agency mortgage-backed securities. No charge for the other-than-temporary impairment ( OTTI ) of investment securities was recorded during the first quarter of 2009.

The following table summarizes the Company s non-agency mortgage-backed securities portfolio as of March 31, 2009.

| Collateral | Number of Securities | Amortized Cost | Unrealized Gain/(Loss) | S&P Rating |
|---|---|---|---|---|
| Prime first mortgages | 16 | $ 39,222,000 | $ (6,723,000) | AAA |
| Prime first mortgages | 1 | 2,336,000 | (483,000) | A |
| Prime first mortgages | 1 | 2,128,000 | (31,000) | Not rated (1) |
| Prime first mortgages | 1 | 1,027,000 | (68,000) | BBB(2) |
| Prime first mortgages | 1 | 1,927,000 | (418,000) | BB(3) |
| Prime first mortgages | 1 | 586,000 | 21,000 (4) | B |
| Prime first mortgages | 1 | 1,142,000 | (651,000) | CCC(5) |
| Alt-A first mortgages | 1 | 1,422,000 | 47,000 | AAA |
| Alt-A first mortgages | 1 | 867,000 | (100,000)(6) | B |
| Alt-A first mortgages | 1 | 1,005,000 | 4,000 (7) | Not rated (8) |
| Total non-agency mortgage-backed securities | 25 | $ 51,662,000 | $ (8,402,000) | |

11

Table of Contents

(1) This security was rated Aaa by Moody s as of March 31, 2009.
(2) This security was downgraded from AAA to BBB by S&P during the first quarter of 2009. This security was rated AAA by Fitch as of March 31, 2009.
(3) This security was downgraded from AAA to BB by S&P during the first quarter of 2009. This security was rated AAA by Fitch as of March 31, 2009.
(4) The Company recorded an OTTI charge of $706,000 on this security during the fourth quarter of 2008.
(5) This security was downgraded from AA to CCC by S&P during the first quarter of 2009. This security was rated AAA by Fitch as of March 31, 2009.
(6) The Company recorded an OTTI charge of $762,000 on this security during the fourth quarter of 2008.
(7) The Company recorded an OTTI charge of $1.4 million on this security during the fourth quarter of 2008.
(8) This security was rated Caa2 by Moody s and CCC by Fitch as of March 31, 2009.

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

***Cash Invested at Other ATM Locations***

The Bank has entered into contracts with various counterparties to provide cash for ATMs at approximately 1,400 locations throughout the United States. The contracts range in terms up to two years and contain options to extend the contracts for certain periods. Under the terms of these agreements, the Bank retains ownership of the cash in the ATMs at all times. The balance of cash invested at other ATMs locations increased $84,000, or 0.3%, during the first three months of 2009.

The Bank s contracts with its ATM counterparties expire during the second quarter of 2009. The Bank does not intend to renew the contracts; thus, we expect to receive all cash invested at other ATMs locations back from the counterparties in 2009.

***Funding Sources***

**Deposits** At March 31, 2009, deposits increased $21.0 million, or 5.9%, compared to December 31, 2008. The following table sets forth the composition of the Company s deposits at the dates indicated.

| | March 31, | December 31, | Increase(Decrease) | |
|---|---|---|---|---|
| *(dollars in thousands)* | 2009 | 2008 | Amount | Percent |
| Demand deposit | $ 71,181 | $ 67,047 | $ 4,134 | 6.2% |
| Savings | 21,812 | 19,741 | 2,071 | 10.5 |
| Money market | 74,624 | 68,850 | 5,774 | 8.4 |
| NOW | 43,643 | 42,200 | 1,443 | 3.4 |
| Certificates of deposit | 163,882 | 156,307 | 7,575 | 4.8 |
| Total deposits | $ 375,142 | $ 354,145 | $ 20,997 | 5.9% |

The increase in deposits relates to several factors, including the Company s emphasis on growing core deposits.

Accrued interest payable and other liabilities totaled $4.2 million at March 31, 2009, an increase of $1.4 million, or 48.0%, from December 31, 2008. This increase resulted from the deposit growth experienced in the first quarter of 2009.

Table of Contents

**Federal Home Loan Bank Advances** Advances from FHLB decreased $20.2 million in the aggregate between March 31, 2009 and December 31, 2008 to $24.2 million in the aggregate. The average rates paid on FHLB advances were 2.67% and 3.93% for the quarters ended March 31, 2009 and March 31, 2008, respectively.

**Shareholders' Equity** Shareholders' equity provides a source of permanent funding, allows for future growth and provides the Company with a cushion to withstand unforeseen adverse developments. At March 31, 2009, shareholders' equity totaled $129.3 million, an increase of $2.3 million, or 1.8%, compared to $127.0 million at December 31, 2008. The ratio of the Company s shareholders equity to total assets was 24.3% at March 31, 2009.

At March 31, 2009, the Bank had regulatory capital that was in excess of regulatory requirements. The following table details the Bank s actual levels and current regulatory capital requirements as of March 31, 2009.

| | **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 (core) capital | $ 97,464 | 32.62% | $ 11,950 | 4.00% | $ 17,926 | 6.00% |
| Total risk-based capital | 100,123 | 33.51 | 23,901 | 8.00 | 29,876 | 10.00 |
| Tier 1 leverage capital | 97,464 | 19.19 | 20,312 | 4.00 | 25,391 | 5.00 |
| Tangible capital | 97,464 | 19.19 | 7,617 | 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. We also maintain excess funds in short-term, interest-bearing assets that provide additional liquidity. At March 31, 2009, cash and cash equivalents totaled $25.6 million. At such date, available-for-sale investment securities totaled $112.3 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. At March 31, 2009, certificates of deposit maturing within the next 12 months totaled $97.8 million. Based upon historical experience, we anticipate that a significant portion of the maturing certificates of deposit will be redeposited with us. For the three months ended March 31, 2009, the average balance of our outstanding FHLB advances was $36.4 million. At March 31, 2009, we had $24.2 million in outstanding FHLB advances and had $203.2 million in additional FHLB advances available to us.

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

### ***Asset/Liability Management***

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

Table of Contents

Our interest rate sensitivity also is monitored by management through the use of models which generate estimates of the change in its net portfolio value ( NPV ) over a range of interest rate scenarios. NPV is the present value of expected cash flows from assets, liabilities, and off-balance sheet contracts. The NPV ratio, under any interest rate scenario, is defined as the NPV in that scenario divided by the market value of assets in the same scenario. Based on the Company s interest rate risk model, the table below sets forth our NPV as of March 31, 2009 and reflects the changes to NPV as a result of immediate and sustained changes in interest rates as indicated.

| **Shift in Interest Rates (in bps)** | **% Change in Projected Net Portfolio Value** |
|---|---|
| +200 | (1)% |
| +100 | |
| -100 | (1) |

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 Bank 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 Bank 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, to fund additional amounts of cash at other ATM locations pursuant to existing agreements and to advance additional amounts pursuant to outstanding letters of credit, lines of credit and undisbursed construction loans at March 31, 2009 and December 31, 2008.

| | **Contract Amount** | |
|---|---|---|
| ***(dollars in thousands)*** | **March 31, 2009** | **December 31, 2008** |
| Letters of credit | $ 1,224 | $ 1,034 |
| Lines of credit | 24,190 | 24,493 |
| Cash invested in other ATM locations | 6,699 | 6,761 |
| Undisbursed portion of loans in process | 22,435 | 18,851 |
| Commitments to originate loans | 26,837 | 34,520 |

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 Bank is committed.

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

Table of Contents

**RESULTS OF OPERATIONS**

The Company reported net income for the first quarter of 2009 of $1.7 million, an increase of $704,000, or 69.1%, compared to the first quarter of 2008. Basic and diluted earnings per share were $0.21 for the first quarter of 2009. The Company completed its initial public stock offering ( IPO ) on October 2, 2008 and began trading on the Nasdaq Global Market on October 3, 2008. Therefore, no shares were outstanding in the first quarter of 2008.

**Net Interest Income** Net interest income is the difference between the interest income earned on interest-earning assets such as loans and investment securities and the interest expense paid on interest-bearing liabilities such as deposits and borrowings. Our net interest income is largely determined by our net interest spread, which is the difference between the average yield earned on interest-earning assets and the average rate paid on interest bearing liabilities, and the relative amounts of interest-earning assets and interest-bearing liabilities. The Company s net interest spread was 4.02% and 3.36% for the quarters ended March 31, 2009 and 2008, respectively. The Company s net interest margin, which is net interest income as a percentage of average interest-earning assets, was 4.72% and 3.97% for the first quarters of 2009 and 2008, respectively. The net interest spread and margin ratios increased in for the first quarter of 2009 compared to the same period in 2008 primarily due to the fall in short-term interest rates during the year and the associated repricing of the Company s assets and liabilities and changes in the mix of the Company s assets and liabilities.

Net interest income increased $1.9 million, or 47.2%, for the first quarter of 2009 to $5.9 million compared to $4.0 million in for the same period in 2008. This increase was due to a $1.0 million, or 15.4%, increase in interest income and an $878,000, or 34.5%, decrease in interest expense. The improvement in net interest income in the first quarter of 2009 compared to the first quarter of 2008 was primarily the result of increased volumes average of interest-earning assets in general.

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.

| | Three Months Ended March 31, | | | | | |
|---|---|---|---|---|---|---|
| *(dollars in thousands)* | 2009 | | | 2008 | | |
| | Average Balance | Interest | Average Yield/ Rate [(1)] | Average Balance | Interest | Average Yield/ Rate[(1)] |
| Earning assets: | | | | | | |
| Loans receivable[(1)] | $ 339,528 | $ 5,522 | 6.51% | $ 309,906 | $ 5,407 | 6.98% |
| Investment securities | 124,668 | 1,703 | 5.46 | 62,997 | 785 | 4.99 |
| Other interest-earning assets | 32,978 | 312 | 3.78 | 28,694 | 341 | 4.76 |
| Total earning assets | 497,174 | 7,537 | 6.06 | 401,597 | 6,533 | 6.51 |
| Noninterest-earning assets | 28,386 | | | 27,342 | | |
| Total assets | $ 525,560 | | | $ 428,939 | | |
| Interest-bearing liabilities: | | | | | | |
| Deposits: | | | | | | |
| Savings, checking and money market | $ 133,318 | $ 240 | 0.72% | $ 133,055 | $ 536 | 1.61% |
| Certificates of deposit | 157,272 | 1,187 | 3.02 | 174,390 | 1,851 | 4.25 |
| Total interest-bearing deposits | 290,590 | 1,427 | 1.96 | 307,445 | 2,387 | 3.11 |
| FHLB advances | 36,381 | 243 | 2.67 | 16,482 | 162 | 3.93 |
| Total interest-bearing liabilities | 326,971 | 1,670 | 2.04 | 323,927 | 2,549 | 3.15 |
| Noninterest-bearing liabilities | 69,724 | | | 54,325 | | |
| Total liabilities | 396,695 | | | 378,252 | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Shareholders equity | 128,865 | | | 50,687 | | |
| Total liabilities and shareholders equity | $ 525,560 | | | $ 428,939 | | |
| Net interest-earning assets | $ 170,203 | | | $ 77,670 | | |
| Net interest spread | | $ 5,867 | 4.02% | | $ 3,984 | 3.36% |
| Net interest margin(2) | | | 4.72% | | | 3.97% |

Table of Contents

(1) Includes nonaccrual loans during the respective periods. Calculated net of deferred fees and discounts and loans in process.
(2) Equals net interest income divided by average interest-earning assets.

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

**Provision for Loan Losses** For the quarter ended March 31, 2009, the Company recorded a provision of $174,000, compared to a reversal of $30,000 for the same period in 2008. The amount of provision for loan losses during the first quarter of 2009 primarily reflects growth in total loans from March 31, 2008 to March 31, 2009 as a result of new loan originations.

**Noninterest Income** The Company s noninterest income was $959,000 for the three months ended March 31, 2009, $193,000, or 25.2%, higher than the $766,000 in noninterest income earned for the same period in 2008. Gains on the sale of mortgage loans increased $71,000 as the result increased mortgage refinancing prompted by the current low interest rate environment. A higher volume of transactions processed in the first quarter of 2009 from the same period of 2008 resulted in a $48,000 increase in service fees and charges and a $53,000 increase in bank card fees in the first quarter of 2009 compared to the first quarter of 2008.

**Noninterest Expense** The Company s noninterest expense was $4.0 million for the three months ended March 31, 2009, $771,000, or 23.8%, higher than the $3.2 million incurred for the same period in 2008.

For the first quarter of 2009, compensation and benefit expenses increased $229,000 from the first quarter 2008 resulting primarily from our Baton Rouge expansion, where we opened two full-service banking offices during the second half of 2008. Professional and other fees increased $151,000 for the first quarter of 2009 from the same period in 2008 due to the increased cost of operating as a public company. For the same periods, franchise and shares tax expense increased $226,000 resulting primarily from Louisiana bank shares tax. The Company was not required to pay the Louisiana bank shares tax prior to Home Bank s mutual to stock conversion in October 2008.

**Income Taxes** For the quarters ended March 31, 2009 and March 31, 2008, the Company incurred income tax expense of $921,000 and $525,000, respectively. The Company's effective tax rate amounted to 34.8% and 34.0% during the first quarters of 2009 and 2008, respectively. The difference between the effective tax rate and the statutory tax rate primarily relates to variances in items that are non-taxable or non-deductible.

## 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, 2008, under the heading Management s Discussion and Analysis of Financial Condition and Results of Operations Asset/ Liability Management and Market Risk . Additional information at March 31, 2009 is included herein under Item 2, Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Asset/Liability Management .

## Item 4T. 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 .. 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.

Table of Contents

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15(d)-15(f) under the Securities Exchange Act of 1934) occurred during the first fiscal quarter of 2009 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, 2008 filed with the Securities and Exchange Committee.

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

None.

### Item 3. Defaults Upon Senior Securities.

None.

### Item 4. Submission of Matters to a Vote of Security Holders.

None.

### Item 5. Other Information.

None.

### Item 6. Exhibits and Financial Statement Schedules.

| No. | Description |
|---|---|
| 31.1 | Rule 13(a)-14(a) Certification of the Chief Executive Officer |
| 31.2 | Rule 13(a)-14(a) Certification of the Chief Financial Officer |
| 32.0 | Section 1350 Certification |

**Table of Contents**

## SIGNATURES

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

| | | |
|---|---|---|
| | | **HOME BANCORP, INC.** |
| May 14, 2009 | By: | /s/ John W. Bordelon<br>John W. Bordelon<br>*President and Chief Executive Officer* |
| May 14, 2009 | By: | /s/ Joseph B. Zanco<br>Joseph B. Zanco<br>*Executive Vice President and Chief Financial Officer* |
| May 14, 2009 | By: | /s/ Mary H. Hopkins<br>Mary H. Hopkins<br>*Home Bank First Vice President and Controller* |