UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended: June 30, 2018

or

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

Commission File Number: 001-34190

HOME BANCORP, INC.

(Exact name of Registrant as specified in its charter)

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

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

Not Applicable

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. YES 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, smaller reporting company or an emerging growth company. See the definitions of large accelerated filer, accelerated filer, smaller reporting company and emerging growth company in Rule 12b-2 of the Exchange Act.

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

At July 31, 2018, the registrant had 9,460,512 shares of common stock, $0.01 par value, outstanding.

HOME BANCORP, INC. and SUBSIDIARY

TABLE OF CONTENTS

Table of Contents

HOME BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

	(Unaudited) June 30, 2018	(Audited) December 31, 2017
Assets		
Cash and cash equivalents	$ 80,489,229	$ 150,417,829
Interest-bearing deposits in banks	1,429,000	2,421,000
Investment securities available for sale, at fair value	264,258,591	234,993,436
Investment securities held to maturity (fair values of $12,849,714 and $13,055,073, respectively)	12,869,388	13,033,590
Mortgage loans held for sale	9,710,992	5,873,132
Loans, net of unearned income	1,625,679,017	1,657,794,751
Allowance for loan losses	(14,972,574)	(14,807,278)
Total loans, net of unearned income and allowance for loan losses	1,610,706,443	1,642,987,473
Office properties and equipment, net	45,191,944	45,604,752
Cash surrender value of bank-owned life insurance	29,228,142	28,903,913
Goodwill and core deposit intangibles	67,035,203	68,033,472
Accrued interest receivable and other assets	39,056,995	35,852,241
Total Assets	$ 2,159,975,927	$ 2,228,120,838
Liabilities		
Deposits:		
Noninterest-bearing	$ 455,676,218	$ 461,999,611
Interest-bearing	1,332,868,982	1,404,227,717
Total deposits	1,788,545,200	1,866,227,328
Short-term Federal Home Loan Bank advances	3,578,172	3,642,422
Long-term Federal Home Loan Bank advances	66,395,569	68,183,173
Accrued interest payable and other liabilities	12,096,106	12,197,189
Total Liabilities	1,870,615,047	1,950,250,112
Shareholders Equity		
Preferred stock, $0.01 par value - 10,000,000 shares authorized; none issued		
Common stock, $0.01 par value - 40,000,000 shares authorized; 9,437,654 and 9,395,488 shares issued and outstanding, respectively	94,377	93,955
Additional paid-in capital	166,897,088	165,341,415
Unallocated common stock held by:		
Employee Stock Ownership Plan (ESOP)	(3,659,970)	(3,838,510)
Recognition and Retention Plan (RRP)	(77,450)	(83,903)

Retained earnings	129,645,221	117,312,630
Accumulated other comprehensive loss	(3,538,386)	(954,861)
Total Shareholders Equity	289,360,880	277,870,726
Total Liabilities and Shareholders Equity	$ 2,159,975,927	$ 2,228,120,838

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

1

Table of Contents

HOME BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	**2017**	**2018**	**2017**
Interest Income				
Loans, including fees	$ 23,527,220	$ 16,167,363	$ 46,330,848	$ 32,410,631
Investment securities:				
Taxable interest	1,530,688	958,583	2,839,639	1,824,496
Tax-exempt interest	179,113	156,297	365,221	319,017
Other investments and deposits	338,259	116,526	765,198	207,891
Total interest income	25,575,280	17,398,769	50,300,906	34,762,035
Interest Expense				
Deposits	1,926,555	1,149,489	3,828,752	2,141,929
Short-term Federal Home Loan Bank advances	16,409	30,628	32,985	94,606
Long-term Federal Home Loan Bank advances	295,719	321,201	596,024	658,848
Total interest expense	2,238,683	1,501,318	4,457,761	2,895,383
Net interest income	23,336,597	15,897,451	45,843,145	31,866,652
Provision for loan losses	580,621	150,000	1,544,878	456,832
Net interest income after provision for loan losses	22,755,976	15,747,451	44,298,267	31,409,820
Noninterest Income				
Service fees and charges	1,519,743	990,432	3,174,488	1,927,361
Bank card fees	1,196,082	766,607	2,294,632	1,450,121
Gain on sale of loans, net	200,864	327,549	407,901	615,612
Income from bank-owned life insurance	163,610	121,649	324,229	240,365
Gain (loss) on sale of assets, net	69	(460,029)	145,275	(104,489)
Other income	263,665	417,739	478,459	860,784
Total noninterest income	3,344,033	2,163,947	6,824,984	4,989,754
Noninterest Expense				
Compensation and benefits	9,222,132	6,892,412	18,163,605	13,667,861
Occupancy	1,719,081	1,272,246	3,393,950	2,492,129
Marketing and advertising	306,434	287,807	565,989	514,403
Data processing and communication	2,344,224	1,073,303	4,023,270	2,148,510
Professional services	305,569	181,517	591,623	412,887
Forms, printing and supplies	273,995	155,144	630,599	290,443

Franchise and shares tax	363,248	191,816	728,548	393,782
Regulatory fees	342,947	312,437	722,284	635,275
Foreclosed assets, net	86,643	(101,096)	189,641	(159,871)
Other expenses	1,357,355	785,290	2,902,081	1,686,170
Total noninterest expense	16,321,628	11,050,876	31,911,590	22,081,589
Income before income tax expense	9,778,381	6,860,522	19,211,661	14,317,985
Income tax expense	2,002,631	2,374,725	3,972,364	4,826,487
Net Income	$ 7,775,750	$ 4,485,797	$ 15,239,297	$ 9,491,498
Earnings per share:				
Basic	$ 0.86	$ 0.64	$ 1.69	$ 1.36
Diluted	$ 0.84	$ 0.62	$ 1.64	$ 1.31
Cash dividends declared per common share	$ 0.17	$ 0.14	$ 0.32	$ 0.27

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

2

Table of Contents

HOME BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	**2017**	**2018**	**2017**
Net Income	$ 7,775,750	$ 4,485,797	$ 15,239,297	$ 9,491,498
Other Comprehensive (Loss) Income				
Unrealized (losses) gains on investment securities	(1,012,656)	57,467	(3,009,953)	162,647
Tax effect	212,657	(20,113)	632,090	(56,926)
Other comprehensive (loss) income, net of taxes	(799,999)	37,354	(2,377,863)	105,721
Comprehensive Income	$ 6,975,751	$ 4,523,151	$ 12,861,434	$ 9,597,219

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

3

Table of Contents

HOME BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY (Unaudited)

	Common Stock	Additional Paid-in Capital	Unallocated Common Stock Held by ESOP	Unallocated Common Stock Held by RRP	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2016	$ 73,502	$ 79,425,604	$ (4,195,590)	$ (119,633)	$ 104,647,375	$ 11,766	$ 179,843,024
Net income					9,491,498		9,491,498
Other comprehensive income						105,721	105,721
Purchase of Company s common stock at cost, 91 shares	(1)	(539)			(1,684)		(2,224)
Cash dividends declared, $0.27 per share					(1,991,459)		(1,991,459)
Common stock issued under incentive plans, net of shares surrendered in payment, including tax benefit 7,805 shares	78	17,055			(35,036)		(17,903)
Exercise of stock options	436	508,205					508,641
RRP shares released for allocation		(3,553)		7,648			4,095
ESOP shares released for allocation		578,954	178,540				757,494
Share-based compensation cost		239,978					239,978

Balance, June 30, 2017	$ 74,015	$ 80,765,704	$ (4,017,050)	$ (111,985)	$ 112,110,694	$ 117,487	$ 188,938,865
Balance, December 31, 2017	$ 93,955	$ 165,341,415	$ (3,838,510)	$ (83,903)	$ 117,312,630	$ (954,861)	$ 277,870,726
Net income					15,239,297		15,239,297
Other comprehensive loss						(2,377,863)	(2,377,863)
Reclassification of stranded tax effects in accumulated other comprehensive income(1)					205,662	(205,662)	
Purchase of Company s common stock at cost, 1,077 shares	(11)	(10,759)			(37,536)		(48,306)
Cash dividends declared, $0.32 per share					(3,010,689)		(3,010,689)
Common Stock issued under incentive plans, net of shares surrendered in payment, including tax benefit, 16,528 shares	165	169,891			(64,143)		105,913
Exercise of stock options	268	338,528					338,796
RRP shares released for allocation		(4,190)		6,453			2,263
ESOP shares released for allocation		719,115	178,540				897,655
Share-based compensation cost		343,088					343,088
Balance, June 30, 2018	$ 94,377	$ 166,897,088	$ (3,659,970)	$ (77,450)	$ 129,645,221	$ (3,538,386)	$ 289,360,880

(1) See Note 2 - Recent Accounting Pronouncements

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

Table of Contents

HOME BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	For the Six Months Ended June 30,	
	2018	**2017**
Cash flows from operating activities:		
Net income	$ 15,239,297	$ 9,491,498
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	1,544,878	456,832
Depreciation	1,199,431	957,910
Amortization and accretion of purchase accounting valuations and intangibles	4,211,869	2,348,298
Net amortization of mortgage servicing asset	75,256	100,009
Federal Home Loan Bank stock dividends	(55,500)	(53,300)
Net amortization of discount on investments	983,158	827,562
Gain on loans sold, net	(407,901)	(615,612)
Proceeds, including principal payments, from loans held for sale	43,424,958	64,813,882
Originations of loans held for sale	(46,854,917)	(64,340,005)
Non-cash compensation	1,240,743	997,472
Deferred income tax expense (benefit)	317,512	(183,150)
(Increase) decrease in accrued interest receivable and other assets	(3,182,933)	607,288
Increase in cash surrender value of bank-owned life insurance	(324,229)	(240,365)
Decrease in accrued interest payable and other liabilities	(157,423)	(1,772,297)
Net cash provided by operating activities	17,254,199	13,396,022
Cash flows from investing activities:		
Purchases of securities available for sale	(58,268,456)	(33,716,007)
Proceeds from maturities, prepayments and calls on securities available for sale	25,173,733	19,569,009
Decrease (increase) in loans, net	27,288,000	7,216,038
Decrease in interest-bearing deposits in banks	992,000	493,000
Proceeds from sale of repossessed assets	540,040	2,632,000
Purchases of office properties and equipment	(1,500,090)	(667,584)
Proceeds from sale of office properties and equipment	839,402	639,290
Proceeds from redemption of Federal Home Loan Bank stock		4,180,100
Net cash (used in) provided by investing activities	(4,935,371)	345,846
Cash flows from financing activities:		
(Decrease) increase in deposits, net	(77,728,187)	61,170,327
Borrowings on Federal Home Loan Bank advances		130,750,000
Repayments of Federal Home Loan Bank advances	(1,904,955)	(181,771,583)
Proceeds from exercise of stock options	338,796	508,641
Issuance of stock under incentive plans	105,913	(17,903)

Dividends paid to shareholders	(3,010,689)	(1,991,459)
Purchase of Company s common stock	(48,306)	(2,224)
Net cash (used in) provided by financing activities	(82,247,428)	8,645,799
Net change in cash and cash equivalents	(69,928,600)	22,387,667
Cash and cash equivalents at beginning of year	150,417,829	29,314,741
Cash and cash equivalents at end of year	$ 80,489,229	$ 51,702,408

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

Table of Contents

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, 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, 2018 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, 2017.

Critical Accounting Policies and Estimates

There were no material changes or developments during the reporting period with respect to methodologies the Company uses when applying critical accounting policies and developing critical accounting estimates as disclosed in its Annual Report on Form 10-K for the year ended December 31, 2017.

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, 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.

2. Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, Conforming Amendments Related to Leases . This ASU amends the codification regarding leases in order to increase transparency and comparability. The ASU requires companies to recognize lease assets and liabilities on the statement of condition and disclose key information about leasing arrangements. Upon implementation, lessee will recognize a liability to make lease payments and a right-of-use asset representing its right to use the leased asset for the lease term. The ASU is effective for annual and interim periods beginning after December 15, 2018. The Company is currently assessing the amendment but does not anticipate it will have a material impact on our Consolidated Financial Statements. Based on the Company s preliminary assessment of its current leases, the impact to the Company s consolidated balance sheet is estimated to be less than a 1% increase in assets and liabilities.

In June 2016, the FASB issued ASU 2016-13, Measurement of Credit Losses on Financial Instruments . The ASU requires a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial assets to present the net carrying value at the amount expected to be collected on the financial assets. The income statement reflects the measurement of credit losses for newly recognized financial assets, as well as the expected increases or decreases of expected credit losses that have taken place during the period.

The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount of financial assets. An entity must use judgment in determining the relevant information and estimation methods that are appropriate in its circumstances. The allowance for credit losses for purchased financial assets with a more-than-insignificant amount of credit deterioration since origination that are measured at amortized cost basis is determined in a similar manner to other financial assets

Table of Contents

measured at amortized cost basis; however, the initial allowance for credit losses is added to the purchase price rather than being reported as a credit loss expense. Only subsequent changes in the allowance for credit losses are recorded as a credit loss expense for these assets. Off-balance-sheet arrangements such as commitments to extend credit, guarantees, and standby letters of credit that and are not unconditionally cancellable are also within the scope of this amendment. Credit losses relating to debt securities should be recorded through an allowance for credit losses. This ASU is effective for fiscal years beginning after December 31, 2019. An entity will apply the amendments in this update on a modified retrospective basis, through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. The Company is currently assessing this accounting standard and the implementation of a new software application during 2018 to assist in determining the impact to our Consolidated Financial Statements. The adoption of this ASU could result in material changes in our accounting for credit losses. The extent of the impact upon adoption will depend on the characteristics of the Company s loan portfolio and economic conditions on that date as well as forecasted conditions thereafter.

In January 2017, FASB issued ASU No. 2017-04, Intangibles Goodwill and Other, Simplifying the Test for Goodwill Impairment . The amendment in this ASU eliminates the requirement to calculate the implied fair value of goodwill in order to measure a goodwill impairment charge. An entity will record an impairment charge based on the excess of the carrying amount over its fair value. This ASU is effective for fiscal and interim testing periods beginning after December 15, 2019. The Company is currently assessing the amendment and does not anticipate it will have a material impact on our Consolidated Financial Statements.

In April 2017, FASB issued ASU No. 2017-8, Receivables - Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities . This ASU shortens the amortization period for the premium on certain purchased callable debt securities to the earliest call date. The accounting for purchased callable debt securities held at a discount does not change under the new guidance. This ASU is effective for fiscal and interim periods beginning after December 15, 2018. The Company is currently assessing the amendment and does not anticipate it will have an impact on our Consolidated Financial Statements.

ASU 2018-02, Income Statement Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. ASU 2018-02 was issued to address the income tax accounting treatment of the stranded tax effects within accumulated other comprehensive income as a result of tax reform. This issue came about from the enactment of the Tax Cuts and Jobs Act of 2017 on December 22, 2017 that changed the Company s statutory income tax rate from 35% to 21%. The ASU changed current accounting whereby an entity may elect to reclassify the stranded tax effect from accumulated other comprehensive income to retained earnings. The ASU is effective for periods beginning after December 15, 2018 although early adoption is permitted. The Company adopted ASU 2018-02 in the first quarter of 2018 and reclassified its stranded tax credit of $206,000 from accumulated other comprehensive income to retained earnings.

3. Investment Securities

Summary information regarding the Company s investment securities classified as available for sale and held to maturity as of June 30, 2018 and December 31, 2017 is as follows.

(dollars in thousands)	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**

			Less Than 1 Year	Over 1 Year	
June 30, 2018					
Available for sale:					
U.S. agency mortgage-backed	$ 85,883	$ 483	$ 1,122	$ 467	$ 84,777
Collateralized mortgage obligations	149,983	58	1,706	1,771	146,564
Municipal bonds	22,372	111	42		22,441
U.S. government agency	10,500	33	56		10,477
Total available for sale	$ 268,738	$ 685	$ 2,926	$ 2,238	$ 264,259
Held to maturity:					
Municipal bonds	$ 12,869	$ 30	$ 18	$ 31	$ 12,850
Total held to maturity	$ 12,869	$ 30	$ 18	$ 31	$ 12,850

Table of Contents

(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses Less Than 1 Year	Gross Unrealized Losses Over 1 Year	Fair Value
December 31, 2017					
Available for sale:					
U.S. agency mortgage-backed	$ 84,639	$ 619	$ 270	$ 298	$ 84,690
Collateralized mortgage obligations	115,435	46	671	1,075	113,735
Municipal bonds	25,362	177	17	1	25,521
U.S. government agency	11,026	42	21		11,047
Total available for sale	$ 236,462	$ 884	$ 979	$ 1,374	$ 234,993
Held to maturity:					
Municipal bonds	$ 13,034	$ 54	$ 18	$ 15	$ 13,055
Total held to maturity	$ 13,034	$ 54	$ 18	$ 15	$ 13,055

The estimated fair value and amortized cost by contractual maturity of the Company s investment securities as of June 30, 2018 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	After One Year through Five Years	After Five Years through Ten Years	After Ten Years	Total
Fair Value					
Securities available for sale:					
U.S. agency mortgage-backed	$ 1,749	$ 11,805	$ 40,672	$ 30,551	$ 84,777
Collateralized mortgage obligations		5,806	15,863	124,895	146,564
Municipal bonds	3,609	9,021	6,968	2,843	22,441
U.S. government agency	1,002	3,962	4,051	1,462	10,477
Total securities available for sale	$ 6,360	$ 30,594	$ 67,554	$ 159,751	$ 264,259
Securities held to maturity:					
Municipal bonds	$	$ 6,568	$ 5,222	$ 1,060	$ 12,850
Total securities held to maturity	$	$ 6,568	$ 5,222	$ 1,060	$ 12,850

Table of Contents

(dollars in thousands)	One Year or Less	After One Year through Five Years	After Five Years through Ten Years	After Ten Years	Total
Amortized Cost					
Securities available for sale:					
U.S. agency mortgage-backed	$ 1,749	$ 12,117	$ 41,564	$ 30,453	$ 85,883
Collateralized mortgage obligations		5,848	16,208	127,927	149,983
Municipal bonds	3,593	8,981	6,942	2,856	22,372
U.S. government agency	999	3,998	4,022	1,481	10,500
Total securities available for sale	$ 6,341	$ 30,944	$ 68,736	$ 162,717	$ 268,738
Securities held to maturity:					
Municipal bonds	$	$ 6,550	$ 5,253	$ 1,066	$ 12,869
Total securities held to maturity	$	$ 6,550	$ 5,253	$ 1,066	$ 12,869

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 other-than-temporarily impaired, an impairment loss is recognized.

As of June 30, 2018, 155 of the Company s investment securities had unrealized losses totaling 2.4% of the individual securities amortized cost basis and 1.9% of the Company s total amortized cost basis of the investment securities portfolio. At such date, 41 of the 155 securities had been in a continuous loss position for over 12 months. The 41 securities had an aggregate amortized cost basis of $58.0 million and an unrealized loss of $2.3 million at June 30, 2018. Management has the intent and ability to hold these securities until maturity, or until anticipated recovery; hence, no declines in these securities were deemed other-than-temporary at June 30, 2018.

As of June 30, 2018 and December 31, 2017, the Company had $157,479,000 and $121,984,000, respectively, of securities pledged to secure public deposits.

4. Earnings Per Share

Earnings per common share were computed based on the following:

Three Months Ended

(in thousands, except per share data)	June 30, 2018	June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Numerator:				
Net income available to common shareholders	$ 7,776	$ 4,486	$ 15,239	$ 9,491
Denominator:				
Weighted average common shares outstanding	9,048	6,972	9,030	6,954
Effect of dilutive securities:				
Restricted stock	20	3	22	3
Stock options	231	259	232	264
Weighted average common shares outstanding assuming dilution	9,299	7,234	9,284	7,221
Basic earnings per common share	$ 0.86	$ 0.64	$ 1.69	$ 1.36
Diluted earnings per common share	$ 0.84	$ 0.62	$ 1.64	$ 1.31

Options on 19,172 and 62,196 shares of common stock were not included in the computation of diluted earnings per share for the three months ended June 30, 2018 and June 30, 2017, respectively, because the effect of these shares was anti-dilutive. Options on 9,808 and 52,761 shares of common stock were not included in the computation of diluted earnings per share for the six months ended June 30, 2018 and June 30, 2017, respectively, because the effect of these shares was anti-dilutive.

5. Credit Quality and Allowance for Loan Losses

The following briefly describes the distinction between originated and Acquired Loans and certain significant accounting policies relevant to each category.

Originated Loans

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

Acquired Loans

Loans that were acquired as a result of business combinations are referred to as Acquired Loans. Acquired Loans were recorded at estimated fair value at the acquisition date with no carryover of the related allowance for loan losses. The Acquired Loans were segregated between those considered to be performing (acquired performing) and those with evidence of credit deterioration (acquired impaired), and then further segregated into loan pools designed to facilitate the estimation of expected cash flows. The fair value estimate for each pool of acquired performing and acquired impaired loans was based on the estimate of expected cash flows, both principal and interest, from that pool, discounted at prevailing market interest rates.

The difference between the fair value of an acquired performing loan pool and the contractual amounts due at the acquisition date (the fair value discount) is accreted into income over the estimated life of the pool. Management estimates an allowance for loan losses for acquired performing loans using a methodology similar to that used for originated loans. The allowance determined for each loan pool is compared to the remaining fair value discount for that pool. If the allowance amount calculated under the Company s methodology is greater than the Company s 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 nonaccretable discount for the loan pool. Once the nonaccretable discount is fully depleted, losses are applied against the allowance established for that pool. Acquired performing loans are placed on nonaccrual status and considered and reported as nonperforming or past due using the same criteria applied to the originated portfolio.

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

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

Table of Contents

Allowance for Loan Losses

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

	As of June 30, 2018			
	Originated Loans			
(dollars in thousands)	Collectively Evaluated for Impairment	Individually Evaluated for Impairment	Acquired Loans	Total
Allowance for loan losses:				
One- to four-family first mortgage	$ 1,763	$	$ 25	$ 1,788
Home equity loans and lines	701	348	71	1,120
Commercial real estate	5,173		209	5,382
Construction and land	1,970		8	1,978
Multi-family residential	423		111	534
Commercial and industrial	2,614	346	575	3,535
Consumer	490		146	636
Total allowance for loan losses	$ 13,134	$ 694	$ 1,145	$ 14,973

	As of June 30, 2018			
	Originated Loans			
(dollars in thousands)	Collectively Evaluated for Impairment	Individually Evaluated for Impairment	Acquired Loans[(1)]	Total
Loans:				
One- to four-family first mortgage	$ 211,485	$	$ 246,945	$ 458,430
Home equity loans and lines	53,392	896	35,942	90,230
Commercial real estate	387,348	22	217,369	604,739
Construction and land	135,072		45,563	180,635
Multi-family residential	33,763		14,158	47,921
Commercial and industrial	126,380	946	57,690	185,016
Consumer	38,338		20,370	58,708
Total loans	$ 985,778	$ 1,864	$ 638,037	$ 1,625,679

	As of December 31, 2017			
	Originated Loans			
(dollars in thousands)	Collectively Evaluated	Individually Evaluated	Acquired Loans	Total

	for Impairment	for Impairment		
Allowance for loan losses:				
One- to four-family first mortgage	$ 1,574	$	$ 89	$ 1,663
Home equity loans and lines	676	348	78	1,102
Commercial real estate	4,766		140	4,906
Construction and land	1,742		7	1,749
Multi-family residential	355			355
Commercial and industrial	2,721	1,625	184	4,530
Consumer	496		6	502
Total allowance for loan losses	$ 12,330	$ 1,973	$ 504	$ 14,807

Table of Contents

(dollars in thousands)	As of December 31, 2017 Originated Loans Collectively Evaluated for Impairment	Individually Evaluated for Impairment	Acquired Loans(1)	Total
Loans:				
One- to four-family first mortgage	$ 199,199	$	$ 278,012	$ 477,211
Home equity loans and lines	53,349	925	40,171	94,445
Commercial real estate	369,740	22	241,596	611,358
Construction and land	124,963		52,300	177,263
Multi-family residential	30,540		20,438	50,978
Commercial and industrial	120,818	2,512	61,954	185,284
Consumer	39,854		21,402	61,256
Total loans	$ 938,463	$ 3,459	$ 715,873	$ 1,657,795

(1) $11.9 million and $14.2 million in Acquired Loans were deemed to be acquired impaired loans and were accounted for under ASC 310-30 at June 30, 2018 and December 31, 2017, respectively.

A summary of activity in the allowance for loan losses for the six months ended June 30, 2018 and June 30, 2017 follows.

(dollars in thousands)	For the Six Months Ended June 30, 2018 Beginning Balance	Charge-offs	Recoveries	Provision	Ending Balance
Originated loans:					
Allowance for loan losses:					
One- to four-family first mortgage	$ 1,574	$	$	$ 189	$ 1,763
Home equity loans and lines	1,024		3	23	1,049
Commercial real estate	4,766			407	5,173
Construction and land	1,742			228	1,970
Multi-family residential	355			68	423
Commercial and industrial	4,346	(1,500)	152	(38)	2,960
Consumer	496	(45)	11	28	490
Total allowance for loan losses	$ 14,303	$ (1,545)	166	$ 904	$ 13,828
Acquired loans:					
Allowance for loan losses:					
One- to four-family first mortgage	$ 89	$	$	$ (64)	$ 25
Home equity loans and lines	78			(7)	71
Commercial real estate	140			69	209
Construction and land	7			1	8
Multi-family residential				111	111

Commercial and industrial	184			391	575
Consumer	6			140	146
Total allowance for loan losses	$ 504	$	$	$ 641	$ 1,145
Total loans:					
Allowance for loan losses:					
One- to four-family first mortgage	$ 1,663	$	$	$ 125	$ 1,788
Home equity loans and lines	1,102		3	15	1,120
Commercial real estate	4,906			476	5,382
Construction and land	1,749			229	1,978
Multi-family residential	355			179	534
Commercial and industrial	4,530	(1,500)	152	353	3,535
Consumer	502	(45)	11	168	636
Total allowance for loan losses	$ 14,807	$ (1,545)	$ 166	$ 1,545	$ 14,973

(dollars in thousands)	For the Six Months Ended June 30, 2017 Beginning Balance	Charge-offs	Recoveries	Provision	Ending Balance
Originated loans:					
Allowance for loan losses:					
One- to four-family first mortgage	$ 1,436	$	$	$ 67	$ 1,503
Home equity loans and lines	654	(10)	16	369	1,029
Commercial real estate	4,177			270	4,447
Construction and land	1,763			(223)	1,540
Multi-family residential	361			12	373
Commercial and industrial	3,316	(58)	113	(21)	3,350
Consumer	513	(23)	4	(9)	485
Total allowance for loan losses	$ 12,220	$ (91)	$ 133	$ 465	$ 12,727
Acquired loans:					
Allowance for loan losses:					
One- to four-family first mortgage	$ 75	$	$	$ (16)	$ 59
Home equity loans and lines	74			(12)	62
Commercial real estate					
Construction and land	19			(12)	7
Multi-family residential					
Commercial and industrial	123			30	153
Consumer				2	2
Total allowance for loan losses	$ 291	$	$	$ (8)	$ 283
Total loans:					
Allowance for loan losses:					
One- to four-family first mortgage	$ 1,511	$	$	$ 51	$ 1,562
Home equity loans and lines	728	(10)	16	357	1,091
Commercial real estate	4,177			270	4,447
Construction and land	1,782			(235)	1,547
Multi-family residential	361			12	373
Commercial and industrial	3,439	(58)	113	9	3,503
Consumer	513	(23)	4	(7)	487
Total allowance for loan losses	$ 12,511	$ (91)	$ 133	$ 457	$ 13,010

Credit Quality

The following tables present the Company s loan portfolio by credit quality classification as of the dates indicated.

(dollars in thousands)	June 30, 2018 Pass	Special Mention	Substandard	Doubtful	Total

Originated loans:					
One- to four-family first mortgage	$ 206,903	$ 1,625	$ 2,957	$	$ 211,485
Home equity loans and lines	52,549		1,739		54,288
Commercial real estate	374,122	4,590	8,658		387,370
Construction and land	132,756	1,136	1,180		135,072
Multi-family residential	33,763				33,763
Commercial and industrial	113,521	6,730	7,075		127,326
Consumer	38,033	144	161		38,338
Total originated loans	$ 951,647	$ 14,225	$ 21,770	$	$ 987,642

Table of Contents

Acquired loans:					
One- to four-family first mortgage	$ 239,509	$ 1,746	$ 5,690	$	$ 246,945
Home equity loans and lines	35,438	322	182		35,942
Commercial real estate	196,435	10,868	10,066		217,369
Construction and land	43,569	1,386	608		45,563
Multi-family residential	13,300	598	260		14,158
Commercial and industrial	53,194	1,989	2,507		57,690
Consumer	19,773	312	285		20,370
Total acquired loans	$ 601,218	$ 17,221	$ 19,598	$	$ 638,037
Total loans:					
One- to four-family first mortgage	$ 446,412	$ 3,371	$ 8,647	$	$ 458,430
Home equity loans and lines	87,987	322	1,921		90,230
Commercial real estate	570,557	15,458	18,724		604,739
Construction and land	176,325	2,522	1,788		180,635
Multi-family residential	47,063	598	260		47,921
Commercial and industrial	166,715	8,719	9,582		185,016
Consumer	57,806	456	446		58,708
Total loans	$ 1,552,865	$ 31,446	$ 41,368	$	$ 1,625,679

	December 31, 2017				
(dollars in thousands)	**Pass**	**Special Mention**	**Substandard**	**Doubtful**	**Total**
Originated loans:					
One- to four-family first mortgage	$ 196,203	$ 990	$ 2,006	$	$ 199,199
Home equity loans and lines	52,492	283	1,499		54,274
Commercial real estate	356,020	5,080	8,662		369,762
Construction and land	122,076	2,043	844		124,963
Multi-family residential	30,540				30,540
Commercial and industrial	105,097	4,640	13,593		123,330
Consumer	39,335	120	399		39,854
Total originated loans	$ 901,763	$ 13,156	$ 27,003	$	$ 941,922
Acquired loans:					
One- to four-family first mortgage	$ 269,144	$ 2,825	$ 6,043	$	$ 278,012
Home equity loans and lines	39,603	307	261		40,171
Commercial real estate	218,234	12,522	10,840		241,596
Construction and land	48,748	3,056	496		52,300
Multi-family residential	19,644	636	158		20,438
Commercial and industrial	56,635	2,998	2,321		61,954
Consumer	21,172	69	161		21,402
Total acquired loans	$ 673,180	$ 22,413	$ 20,280	$	$ 715,873

Total loans:					
One- to four-family first mortgage	$ 465,347	$ 3,815	$ 8,049	$	$ 477,211
Home equity loans and lines	92,095	590	1,760		94,445
Commercial real estate	574,254	17,602	19,502		611,358
Construction and land	170,824	5,099	1,340		177,263
Multi-family residential	50,184	636	158		50,978
Commercial and industrial	161,732	7,638	15,914		185,284
Consumer	60,507	189	560		61,256
Total loans	$ 1,574,943	$ 35,569	$ 47,283	$	$ 1,657,795

14

Table of Contents

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, among other factors, the extent of delinquencies and loan-to-value ratios. These classifications were the most current available as of the dates indicated and were generally updated within the quarter.

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

	June 30, 2018					
(dollars in thousands)	**30-59 Days Past Due**	**60-89 Days Past Due**	**Greater Than 90 Days Past Due**	**Total Past Due**	**Current Loans**	**Total Loans**
Originated loans:						
Real estate loans:						
One- to four-family first mortgage	$ 1,790	$ 377	$ 561	$ 2,728	$ 208,757	$ 211,485
Home equity loans and lines	116	46	69	231	54,057	54,288
Commercial real estate	765	167	142	1,074	386,296	387,370
Construction and land	467	35		502	134,570	135,072
Multi-family residential					33,763	33,763
Total real estate loans	3,138	625	772	4,535	817,443	821,978
Other loans:						
Commercial and industrial	144	124	257	525	126,801	127,326
Consumer	160	35	63	258	38,080	38,338

Total other loans	304	159	320	783	164,881	165,664
Total originated loans	$ 3,442	$ 784	$ 1,092	$ 5,318	$ 982,324	$ 987,642
Acquired loans:						
Real estate loans:						
One- to four-family first mortgage	$ 4,101	$ 837	$ 2,958	$ 7,896	$ 239,049	$ 246,945
Home equity loans and lines	145	101	76	322	35,620	35,942
Commercial real estate	751	765	1,092	2,608	214,761	217,369
Construction and land	659	12	363	1,034	44,529	45,563
Multi-family residential					14,158	14,158
Total real estate loans	5,656	1,715	4,489	11,860	548,117	559,977
Other loans:						
Commercial and industrial	79	257	747	1,083	56,607	57,690
Consumer	472	63	165	700	19,670	20,370
Total other loans	551	320	912	1,783	76,277	78,060
Total acquired loans	$ 6,207	$ 2,035	$ 5,401	$ 13,643	$ 624,394	$ 638,037

Table of Contents

Total loans:						
Real estate loans:						
One- to four-family first mortgage	$ 5,891	$ 1,214	$ 3,519	$ 10,624	$ 447,806	$ 458,430
Home equity loans and lines	261	147	145	553	89,677	90,230
Commercial real estate	1,516	932	1,234	3,682	601,057	604,739
Construction and land	1,126	47	363	1,536	179,099	180,635
Multi-family residential					47,921	47,921
Total real estate loans	8,794	2,340	5,261	16,395	1,365,560	1,381,955
Other loans:						
Commercial and industrial	223	381	1,004	1,608	183,408	185,016
Consumer	632	98	228	958	57,750	58,708
Total other loans	855	479	1,232	2,566	241,158	243,724
Total loans	$ 9,649	$ 2,819	$ 6,493	$ 18,961	$ 1,606,718	$ 1,625,679

	December 31, 2017					
(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	$ 837	$ 131	$ 44	$ 1,012	$ 198,187	$ 199,199
Home equity loans and lines	1,018		26	1,044	53,230	54,274
Commercial real estate	670			670	369,092	369,762
Construction and land	744		200	944	124,019	124,963
Multi-family residential					30,540	30,540
Total real estate loans	3,269	131	270	3,670	775,068	778,738
Other loans:						
Commercial and industrial	882	825	1,641	3,348	119,982	123,330
Consumer	380	9	278	667	39,187	39,854
Total other loans	1,262	834	1,919	4,015	159,169	163,184
Total originated loans	$ 4,531	$ 965	$ 2,189	$ 7,685	$ 934,237	$ 941,922
Acquired loans:						
Real estate loans:						
One- to four-family first mortgage	$ 3,867	$ 2,087	$ 2,816	$ 8,770	$ 269,242	$ 278,012

Home equity loans and lines	137	61	46	244	39,927	40,171
Commercial real estate	5,071	436	1,864	7,371	234,225	241,596
Construction and land	2,089	159	239	2,487	49,813	52,300
Multi-family residential					20,438	20,438
Total real estate loans	11,164	2,743	4,965	18,872	613,645	632,517
Other loans:						
Commercial and industrial	809	678	185	1,672	60,282	61,954
Consumer	329	152	95	576	20,826	21,402
Total other loans	1,138	830	280	2,248	81,108	83,356
Total acquired loans	$ 12,302	$ 3,573	$ 5,245	$ 21,120	$ 694,753	$ 715,873

Table of Contents

Total loans:						
Real estate loans:						
One- to four-family first mortgage	$ 4,704	$ 2,218	$ 2,860	$ 9,782	$ 467,429	$ 477,211
Home equity loans and lines	1,155	61	72	1,288	93,157	94,445
Commercial real estate	5,741	436	1,864	8,041	603,317	611,358
Construction and land	2,833	159	439	3,431	173,832	177,263
Multi-family residential					50,978	50,978
Total real estate loans	14,433	2,874	5,235	22,542	1,388,713	1,411,255
Other loans:						
Commercial and industrial	1,691	1,503	1,826	5,020	180,264	185,284
Consumer	709	161	373	1,243	60,013	61,256
Total other loans	2,400	1,664	2,199	6,263	240,277	246,540
Total loans	$ 16,833	$ 4,538	$ 7,434	$ 28,805	$ 1,628,990	$ 1,657,795

Excluding Acquired Loans with deteriorated credit quality, the Company did not have any loans greater than 90 days past due and accruing as of June 30, 2018 or December 31, 2017.

The following table summarizes the accretable yield on loans accounted for under ASC 310-30 as of the dates indicated.

	For the Six Months Ended	
(dollars in thousands)	**June 30, 2018**	**June 30, 2017**
Balance at beginning of period	$ (9,303)	$ (11,091)
Accretion	1,222	1,746
Transfers from nonaccretable difference to accretable yield	(1,880)	(1,538)
Balance at end of period	$ (9,961)	$ (10,883)

The following table summarizes information pertaining to Originated Loans, which were deemed impaired loans as of the dates indicated.

	For the Period Ended June 30, 2018				
(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	$	$	$	$	$

Home equity loans and lines	455	476		461	
Commercial real estate	22	23		22	
Construction and land					
Multi-family residential					
Commercial and industrial	413	607		357	
Consumer					
Total	$ 890	$ 1,106	$	$ 840	$
With an allowance recorded:					
One- to four-family first mortgage	$	$	$	$	$
Home equity loans and lines	441	460	348	446	
Commercial real estate					
Construction and land					
Multi-family residential					
Commercial and industrial	533	554	346	1,161	1
Consumer					
Total	$ 974	$ 1,014	$ 694	$ 1,607	$ 1

17

Table of Contents

Total impaired loans:					
One- to four-family first mortgage	$	$	$	$	$
Home equity loans and lines	896	936	348	907	
Commercial real estate	22	23		22	
Construction and land					
Multi-family residential					
Commercial and industrial	946	1,161	346	1,518	1
Consumer					
Total	$ 1,864	$ 2,120	$ 694	$ 2,447	$ 1

	For the Period Ended December 31, 2017				
(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	$	$	$	$	$
Home equity loans and lines	470	476		395	1
Commercial real estate	22	32		19	
Construction and land					
Multi-family residential					
Commercial and industrial	428	434		2,849	2
Consumer					
Total	$ 920	$ 942	$	$ 3,263	$ 3
With an allowance recorded:					
One- to four-family first mortgage	$	$	$	$ 42	$
Home equity loans and lines	455	461	348	383	1
Commercial real estate				296	
Construction and land					
Multi-family residential					
Commercial and industrial	2,084	2,157	1,625	1,985	52
Consumer					
Total	$ 2,539	$ 2,618	$ 1,973	$ 2,706	$ 53
Total impaired loans:					
One- to four-family first mortgage	$	$	$	$ 42	$
Home equity loans and lines	925	937	348	778	2
Commercial real estate	22	32		315	
Construction and land					
Multi-family residential					
Commercial and industrial	2,512	2,591	1,625	4,834	54
Consumer					
Total	$ 3,459	$ 3,560	$ 1,973	$ 5,969	$ 56

(dollars in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
	For the Period Ended June 30, 2017				
With no related allowance recorded:					
One- to four-family first mortgage	$	$	$	$	$
Home equity loans and lines	476	476		317	12
Commercial real estate	22	23		15	1
Construction and land					
Multi-family residential					
Commercial and industrial	3,203	3,336		3,359	95
Consumer					
Total	$ 3,701	$ 3,835	$	$ 3,691	$ 108

18

Table of Contents

With an allowance recorded:					
One- to four-family first mortgage	$	$	$	$ 83	$
Home equity loans and lines	461	461	348	307	11
Commercial real estate	435	470	6	448	10
Construction and land					
Multi-family residential					
Commercial and industrial	2,083	2,170	934	1,967	56
Consumer					
Total	$ 2,979	$ 3,101	$ 1,288	$ 2,805	$ 77
Total impaired loans:					
One- to four-family first mortgage	$	$	$	$ 83	$
Home equity loans and lines	937	937	348	624	23
Commercial real estate	457	493	6	463	11
Construction and land					
Multi-family residential					
Commercial and industrial	5,286	5,506	934	5,326	151
Consumer					
Total	$ 6,680	$ 6,936	$ 1,288	$ 6,496	$ 185

The following table summarizes information pertaining to nonaccrual loans as of dates indicated.

	June 30, 2018			December 31, 2017		
(dollars in thousands)	**Originated**	**Acquired[1]**	**Total**	**Originated**	**Acquired[1]**	**Total**
Nonaccrual loans:						
One- to four-family first mortgage	$ 2,957	$ 1,544	$ 4,501	$ 2,006	$ 1,167	$ 3,173
Home equity loans and lines	1,678	157	1,835	1,434	108	1,542
Commercial real estate	8,659	463	9,122	8,662	95	8,757
Construction and land	6	379	385	200	249	449
Multi-family residential						
Commercial and industrial	5,087	883	5,970	9,678	932	10,610
Consumer	161	270	431	399	103	502
Total	$ 18,548	$ 3,696	$ 22,244	$ 22,379	$ 2,654	$ 25,033

(1) Table excludes Acquired Loans which were being accounted for under ASC 310-30 because they continue to earn interest from accretable yield regardless of their status as past due or otherwise not in compliance with their contractual terms. Acquired Loans with deteriorated credit quality, which were being accounting for under ASC 310-30 and which were 90 days or more past due totaled $2.7 million and $4.3 million as of June 30, 2018 and December 31, 2017, respectively.

As of June 30, 2018, the Company had no outstanding commitments 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. Loans are considered troubled debt restructurings (TDR) when the Company agrees to restructure a loan to a borrower who is experiencing financial difficulties in a manner that is deemed to be 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 either is granted through an agreement with the customer or is imposed by a court or by 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,

Table of Contents

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.

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

	As of June 30, 2018			
(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	$ 221	$	$ 1,867	$ 2,088

Home equity loans and lines		61	556	617
Commercial real estate	119		7,342	7,461
Construction and land	153			153
Multi-family residential				
Total real estate loans	493	61	9,765	10,319
Other loans:				
Commercial and industrial	2,163		578	2,741
Consumer			98	98
Total other loans	2,163		676	2,839
Total loans	$ 2,656	$ 61	$ 10,441	$ 13,158
Acquired loans:				
Real estate loans:				
One- to four-family first mortgage	$ 208	$	$ 54	$ 262
Home equity loans and lines			70	70
Commercial real estate		761		761
Construction and land				
Multi-family residential				
Total real estate loans	208	761	124	1,093
Other loans:				
Commercial and industrial	77		824	901
Consumer	8			8
Total other loans	85		824	909
Total loans	$ 293	$ 761	$ 948	$ 2,002

Table of Contents

Total loans:				
Real estate loans:				
One- to four-family first mortgage	$ 429	$	$ 1,921	$ 2,350
Home equity loans and lines		61	626	687
Commercial real estate	119	761	7,342	8,222
Construction and land	153			153
Multi-family residential				
Total real estate loans	701	822	9,889	11,412
Other loans:				
Commercial and industrial	2,240		1,402	3,642
Consumer	8		98	106
Total other loans	2,248		1,500	3,748
Total loans	$ 2,949	$ 822	$ 11,389	$ 15,160

	As of December 31, 2017			
(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	$ 306	$ 274	$ 473	$ 1,053
Home equity loans and lines	275	64	316	655
Commercial real estate	96	332	1,942	2,370
Construction and land	169			169
Multi-family residential				
Total real estate loans	846	670	2,731	4,247
Other loans:				
Commercial and industrial			4,581	4,581
Consumer			178	178
Total other loans			4,759	4,759
Total loans	$ 846	$ 670	$ 7,490	$ 9,006
Acquired loans:				
Real estate loans:				
One- to four-family first mortgage	$ 214	$ 3	$ 59	$ 276
Home equity loans and lines			91	91
Commercial real estate		803		803
Construction and land				
Multi-family residential				

Total real estate loans	214	806	150	1,170
Other loans:				
Commercial and industrial			203	203
Consumer				
Total other loans			203	203
Total loans	$ 214	$ 806	$ 353	$ 1,373

Table of Contents

Total loans:				
Real estate loans:				
One- to four-family first mortgage	$ 520	$ 277	$ 532	$ 1,329
Home equity loans and lines	275	64	407	746
Commercial real estate	96	1,135	1,942	3,173
Construction and land	169			169
Multi-family residential				
Total real estate loans	1,060	1,476	2,881	5,417
Other loans:				
Commercial and industrial			4,784	4,784
Consumer			178	178
Total other loans			4,962	4,962
Total loans	$ 1,060	$ 1,476	$ 7,843	$ 10,379

The following table summarizes information pertaining to loans modified as of the periods indicated.

	For the Six Months Ended June 30,					
	2018			2017		
(dollars in thousands)	**Number of Contracts**	**Pre-modification Outstanding Recorded Investment**	**Post-modification Outstanding Recorded Investment**	**Number of Contracts**	**Pre-modification Outstanding Recorded Investment**	**Post-modification Outstanding Recorded Investment**
Troubled debt restructurings:						
One- to four-family first mortgage	2	$ 1,146	$ 1,146	5	$ 275	$ 272
Home equity loans and lines				1	15	14
Commercial real estate	2	6,461	5,950	1	448	448
Construction and land						
Multi-family residential						
Commercial and industrial	2	775	713	1	1,461	1,169
Other consumer	1	8	8	2	60	57
Total	7	$ 8,390	$ 7,817	10	$ 2,259	$ 1,960

None of the performing troubled debt restructurings as of June 30, 2018 had defaulted subsequent to the restructuring through the date the financial statements were available to be issued.

6. Fair Value Measurements and Disclosures

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

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

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

Table of Contents

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

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

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, 2018, 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 measured for fair value on a recurring basis as of June 30, 2018 and December 31, 2017.

(dollars in thousands)	**June 30, 2018**	**Level 1**	**Level 2**	**Level 3**
Available for sale securities:				
U.S. agency mortgage-backed	$ 84,777	$	$ 84,777	$
Collateralized mortgage obligations	146,564		146,564	
Municipal bonds	22,441		22,441	
U.S. government agency	10,477		10,477	
Total	$ 264,259	$	$ 264,259	$

(dollars in thousands)	**December 31, 2017**	**Level 1**	**Level 2**	**Level 3**
Available for sale securities:				
U.S. agency mortgage-backed	$ 87,758	$	$ 87,758	$
Collateralized mortgage obligations	113,735		113,735	
Municipal bonds	25,521		25,521	
U.S. government agency	7,980		7,980	
Total	$ 234,994	$	$ 234,994	$

Table of Contents

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.

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

		Fair Value Measurements Using		
(dollars in thousands)	**June 30, 2018**	**Level 1**	**Level 2**	**Level 3**
Assets				
Impaired loans	$ 1,170	$	$	$ 1,170
Repossessed assets	492			492
Total	$ 1,662	$	$	$ 1,662

		Fair Value Measurements Using		
(dollars in thousands)	**December 31, 2017**	**Level 1**	**Level 2**	**Level 3**
Assets				
Impaired loans	$ 1,486	$	$	$ 1,486
Repossessed assets	728			728
Total	$ 2,214	$	$	$ 2,214

The following table shows significant observable inputs used in the fair value measurement of Level 3 assets.

(dollars in thousands)	**Fair Value**	**Valuation Technique**	**Unobservable Inputs**	**Range of Discounts**	**Weighted Average Discount**
As of June 30, 2018:					
Impaired loans	$ 1,170			0% - 93%	34%

		Third party appraisals and discounted cash flows	Collateral discounts and discount rates		
Repossessed assets	$ 492	Third party appraisals, sales contracts, broker price opinions	Collateral discounts and estimated costs to sell	6% - 100%	45%

24

Table of Contents

(dollars in thousands)	Fair Value	Valuation Technique	Unobservable Inputs	Range of Discounts	Weighted Average Discount
As of December 31, 2017:					
Impaired loans	$ 1,486	Third party appraisals and discounted cash flows	Collateral discounts and discount rates	0% - 100%	57%
Repossessed assets	$ 728	Third party appraisals, sales contracts, broker price opinions	Collateral discounts and estimated costs to sell	6% - 100%	28%

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, 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 first party pricing services or quoted market prices of securities with similar characteristics.

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

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

25

Table of Contents

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

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

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

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

		Fair Value Measurements at June 30, 2018			
(dollars in thousands)	**Carrying Amount**	**Total**	**Level 1**	**Level 2**	**Level 3**
Financial Assets					
Cash and cash equivalents	$ 80,489	$ 80,489	$ 80,489	$	$
Interest-bearing deposits in banks	1,429	1,429	1,429		
Investment securities available for sale	264,259	264,259		264,259	
Investment securities held to maturity	12,869	12,850		12,850	
Mortgage loans held for sale	9,711	9,711		9,711	
Loans, net	1,610,706	1,597,731		1,596,561	1,170
Cash surrender value of BOLI	29,228	29,228	29,228		
Financial Liabilities					
Deposits	$ 1,788,545	$ 1,785,630	$	$ 1,785,630	$
Short-term FHLB advances	3,578	3,578	3,578		
Long-term FHLB advances	66,396	65,272		65,272	

		Fair Value Measurements at December 31, 2017			
(dollars in thousands)	**Carrying Amount**	**Total**	**Level 1**	**Level 2**	**Level 3**
Financial Assets					
Cash and cash equivalents	$ 150,418	$ 150,418	$ 150,418	$	$
Interest-bearing deposits in banks	2,421	2,421	2,421		
Investment securities available for sale	234,993	234,993		234,993	
Investment securities held to maturity	13,034	13,055		13,055	
Mortgage loans held for sale	5,873	5,873		5,873	
Loans, net	1,642,987	1,642,634		1,641,148	1,486
Cash surrender value of BOLI	28,904	28,904	28,904		
Financial Liabilities					
Deposits	$ 1,866,227	$ 1,864,735	$	$ 1,864,735	$
Short-term FHLB advances	3,642	3,642	3,642		
Long-term FHLB advances	68,183	67,143		67,143	

26

Table of Contents

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

The purpose of this discussion and analysis is to focus on significant changes in the financial condition of Home Bancorp, Inc. (the Company) and its wholly owned subsidiary, Home Bank, N. A. (the Bank), from December 31, 2017 through June 30, 2018 and on its results of operations for the three and six months ended June 30, 2018 and June 30, 2017. 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, 2017. 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 2018, the Company earned $7.8 million, an increase of $3.3 million, or 73.3%, compared to the second quarter of 2017. Diluted earnings per share for the second quarter of 2018 were $0.84, an increase of $0.22, or 35.5%, compared to the second quarter of 2017. The second quarter of 2018 includes merger expenses related to the acquisition of St. Martin Bancshares, Inc. (SMB) totaling $894,000, net of taxes. The second quarter of 2017 includes a net loss of $416,000 on the sale of assets, net of taxes, due primarily from the write down of a closed banking center.

During the six months ended June 30, 2018, the Company earned $15.2 million, an increase of $5.7 million, or 60.6%, compared to the six months ended June 30, 2017. Diluted earnings per share for the six months ended June 30, 2018 were $1.64, an increase of $0.33, or 25.2%, compared to the six months ended June 30, 2017. The six months ended June 30, 2018 includes merger expenses related to the acquisition of SMB totaling $1.6 million, net of taxes, and the banking center write down noted above.

Key components of the Company s performance during the three and six months ended June 30, 2018 include:

Assets totaled $2.2 billion as of June 30, 2018, a decrease of $68.1 million, or 3.1%, from December 31, 2017.

Loans as of June 30, 2018 were $1.6 billion, a decrease of $32.1 million, or 1.9%, from December 31, 2017.

Investment securities totaled $277.1 million as of June 30, 2018, an increase of $29.1 million, or 11.7%, from December 31, 2017.

Deposits totaled $1.8 billion as of June 30, 2018, a decrease of $77.7 million, or 4.2%, from December 31, 2017.

Interest income increased $8.2 million, or 47.0%, in the second quarter of 2018 compared to the second quarter of 2017. For the six months ended June 30, 2018, interest income increased $15.5 million, or 44.7%, compared to the six months ended June 30, 2017. The increases in 2018 were driven primarily by the addition of the interest-earning assets acquired from SMB.

Interest expense increased $737,000, or 49.1%, in the second quarter of 2018 compared to the second quarter of 2017. For the six months ended June 30, 2018, interest expense increased $1.6 million, or 54.0%, compared to the six months ended June 30, 2017. The increase in 2018 was primarily the result of the addition of the interest-bearing liabilities acquired from SMB.

The provision for loan losses totaled $581,000 for the second quarter of 2018, an increase of $431,000, or 287.1%, compared to the second quarter of 2017. At June 30, 2018, the Company s ratio of the allowance for loan losses to total loans was 0.92%, compared to 1.07% at June 30, 2017. Excluding Acquired Loans, the ratio of the allowance for loan losses to total loans was 1.40% at both June 30, 2018 and June 30, 2017. The Company recorded $1.4 million in net loan charge-offs for the first six months of 2018, compared to net loan recoveries of $42,000 for the first six months of 2017.

Noninterest income for the second quarter of 2018 increased $1.2 million, or 54.5%, compared to the second quarter of 2017. For the six months ended June 30, 2018, noninterest income increased $1.8 million, or 36.8%, compared to the six months ended June 30, 2017. The second quarter of 2017 includes a $449,000 (pre-tax) write down on a closed banking center in Vicksburg, Mississippi. The increase for the comparative quarters resulted primarily from additional service fees and charges and bank card fees due to the SMB acquisition (up $529,000 and $429,000, respectively) and the absence of a net loss on the sale of assets totaling $460,000 (pre-tax) primarily due to the write down of a closed banking center, which were partially offset by decreases in other income (down $154,000 due to lower recoveries on acquired assets) and gains on the sale of mortgage loans (down $127,000). The increase in the six month comparative periods resulted primarily from additional service fees and charges and bank card fees due to the SMB acquisition (up $1.2 million and $845,000, respectively), which were partially offset by decreases in gains on the sale of mortgage loans (down $208,000).

Noninterest expense for the second quarter of 2018 increased $5.3 million, or 47.7%, compared to the second quarter of 2017. Noninterest expense for the six months ended June 30, 2018 increased $9.8 million, or 44.5%, compared to the six months ended June 30, 2017. Noninterest expense includes merger-related expenses, which totaled $1.1 million (pre-tax) for the three months ended June 30, 2018 and $2.0 million (pre-tax) for the six months ended June 30, 2018. The increases in noninterest expense related primarily to the growth of the Company s employee base, higher occupancy and data processing costs due to the SMB acquisition.

FINANCIAL CONDITION

Loans, Asset Quality and Allowance for Loan Losses

Loans Loans outstanding as of June 30, 2018 were $1.6 billion, a decrease of $32.1 million from December 31, 2017. Growth in originated loans of 4.9% (9.8% annualized) during the first six months of 2018 was offset by reductions in Acquired Loan balances.

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

(dollars in thousands)	**June 30, 2018**	**December 31, 2017**	**Increase/(Decrease) Amount**	**Percent**
Real estate loans:				

One- to four-family first mortgage	$ 458,430	$ 477,211	$ (18,781)	(3.9)%
Home equity loans and lines	90,230	94,445	(4,215)	(4.5)
Commercial real estate	604,739	611,358	(6,619)	(1.1)
Construction and land	180,635	177,263	3,372	1.9
Multi-family residential	47,921	50,978	(3,057)	(6.0)
Total real estate loans	1,381,955	1,411,255	(29,300)	(2.1)
Other loans:				
Commercial and industrial	185,016	185,284	(268)	(0.1)
Consumer	58,708	61,256	(2,548)	(4.2)
Total other loans	243,724	246,540	(2,816)	(1.1)
Total loans	$ 1,625,679	$ 1,657,795	$ (32,116)	(1.9)%

Table of Contents

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 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 their 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 initially recorded at fair value less estimated costs to sell. 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 loans, multi-family residential loans, 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 at the bank. The Company typically orders an as is valuation for collateral property if a loan is in a criticized loan classification. The Board of Directors is provided with monthly reports on impaired loans. As of June 30, 2018 and December 31, 2017, loans individually evaluated for impairment, excluding Acquired Loans, amounted to $1.9 million and $3.5 million, respectively. As of June 30, 2018 and December 31, 2017, acquired impaired loans (loans considered to have deteriorated credit quality at the time of acquisition) amounted to $11.9 million and $14.2 million, respectively. As of June 30, 2018 and December 31, 2017, substandard loans, excluding Acquired Loans, amounted to $21.8 million and $27.0 million, respectively. The amount of the allowance for loan losses allocated to substandard loans originated by Home Bank totaled $694,000 as of June 30, 2018 and $2.0 million as of December 31, 2017. The amount of the allowance for loan losses allocated to Acquired Loans totaled $1.1 million and $504,000, respectively, at such dates. There were no assets classified as doubtful or loss as of June 30, 2018 or December 31, 2017.

Table of Contents

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

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

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

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

	June 30, 2018			**December 31, 2017**		
(dollars in thousands)	**Originated**	**Acquired(1)**	**Total**	**Originated**	**Acquired(1)**	**Total**
Nonaccrual loans(2):						
Real estate loans:						
One- to four-family first mortgage	$ 2,957	$ 1,544	$ 4,501	$ 2,006	$ 1,167	$ 3,173
Home equity loans and lines	1,678	157	1,835	1,434	108	1,542
Commercial real estate	8,659	463	9,122	8,662	95	8,757
Construction and land	6	379	385	200	249	449
Multi-family residential						
Other loans:						
Commercial and industrial	5,087	883	5,970	9,678	932	10,610
Consumer	161	270	431	399	103	502

Total nonaccrual loans	18,548	3,696	22,244	22,379	2,654	25,033
Accruing loans 90 days or more past due						
Total nonperforming loans	18,548	3,696	22,244	22,379	2,654	25,033
Foreclosed assets	86	406	492	144	584	728
Total nonperforming assets	18,634	4,102	22,736	22,523	3,238	25,761

Table of Contents

	June 30, 2018			December 31, 2017		
(dollars in thousands)	Originated	Acquired(1)	Total	Originated	Acquired(1)	Total
Performing troubled debt restructurings	2,717	1,054	3,771	1,516	1,020	2,536
Total nonperforming assets and troubled debt restructurings	$ 21,351	$ 5,156	$ 26,507	$ 24,039	$ 4,258	$ 28,297
Nonperforming loans to total loans			1.37%			1.51%
Nonperforming loans to total assets			1.03%			1.12%
Nonperforming assets to total assets			1.05%			1.16%

(1) Table excludes Acquired Loans, which were being accounted for under ASC 310-30 because they continue to earn interest from accretable yield regardless of their status as past due or otherwise not in compliance with their contractual terms. Acquired Loans with deteriorated credit quality, which were being accounted for under ASC 310-30 and which were 90 days or more past due, totaled $7.1 million and $4.3 million as of June 30, 2018 and December 31, 2017, respectively.

(2) Nonaccrual loans include originated restructured loans placed on nonaccrual totaling $10.4 million and $7.5 million at June 30, 2018 and December 31, 2017, respectively. Acquired restructured loans placed on nonaccrual totaled $949,000 and $353,000 at June 30, 2018 and December 31, 2017, respectively.

The Company recorded net loan recoveries for the second quarter of 2018 of $123,000 and net loan charge-offs for the six months ended June 30, 2018 of $1.4 million. The Company recorded net loan charge-offs for the second quarter of 2017 of $58,000 and net loan recoveries for the six months ended June 30, 2017 of $42,000.

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 5 to the Unaudited Consolidated Financial Statements for additional information concerning our allowance for Acquired Loans.

Table of Contents

Acquired Loans were recorded at their acquisition date fair value, which was based on expected cash flows and included an estimation of expected future loan losses. 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. As of June 30, 2018 and December 31, 2017, $1.1 million and $504,000, respectively, of our allowance for loan losses was allocated to Acquired Loans.

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 2018.

(dollars in thousands)	**Originated**	**Acquired**	**Total**
Balance, December 31, 2017	$ 14,303	$ 504	$ 14,807
Provision charged to operations	904	641	1,545
Loans charged off	(1,545)		(1,545)
Recoveries on charged off loans	166		166
Balance, June 30, 2018	$ 13,828	$ 1,145	$ 14,973

At June 30, 2018, the Company s ratio of allowance for loan losses to total loans was 0.92%, compared to 0.89% and 1.07% at December 31, 2017 and June 30, 2017, respectively. Excluding Acquired Loans, the ratio of allowance for loan losses to total loans was 1.40% at June 30, 2018, compared to 1.52% and 1.40% at December 31, 2017 and June 30, 2017, respectively.

The allowance for loan losses attributable to originated direct energy-related loans totaled 2.61% of the outstanding balance of energy-related loans at June 30, 2018, compared to 2.49% and 1.34% at December 31, 2017 and June 30, 2017, respectively.

Investment Securities

The Company s investment securities portfolio totaled $277.1 million as of June 30, 2018, an increase of $29.1 million, or 11.7%, from December 31, 2017. As of June 30, 2018, the Company had a net unrealized loss on its available for sale investment securities portfolio of $4.5 million, compared to a net unrealized loss of $1.5 million as of December 31, 2017.

The following table summarizes activity in the Company s investment securities portfolio during the first six months of 2018.

(dollars in thousands)	**Available for Sale**	**Held to Maturity**
Balance, December 31, 2017	$ 234,993	$ 13,034
Purchases	58,268	
Sales		

Principal maturities, prepayments and calls	(25,174)	
Amortization of premiums and accretion of discounts	(818)	(165)
Decrease in market value	(3,010)	
Balance, June 30, 2018	$ 264,259	$ 12,869

32

Table of Contents

Funding Sources

Deposits Deposits totaled $1.8 billion as of June 30, 2018, a decrease of $77.7 million, or 4.2%, compared to December 31, 2017. Core deposits (i.e. checking, savings and money market accounts) totaled $1.4 billion as of June 30, 2018, a decrease of $40.6 million, or 2.7%, compared to December 31, 2017. Certificates of deposit totaled $352.0 million as of June 30, 2018, a decrease of $37.1 million, or 9.5%, compared to December 31, 2017. Management anticipates that to retain existing deposits and attract new deposit inflows further deposit rate increases are likely.

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

(dollars in thousands)	June 30, 2018	December 31, 2017	Increase/(Decrease) Amount	Percent
Demand deposit	$ 455,676	$ 461,999	$ (6,323)	(1.4)%
Savings	210,715	217,639	(6,924)	(3.2)
Money market	291,262	306,509	(15,247)	(5.0)
NOW	478,843	490,924	(12,081)	(2.5)
Certificates of deposit	352,049	389,156	(37,107)	(9.5)
Total deposits	$ 1,788,545	$ 1,866,227	$ (77,682)	(4.2)%

Federal Home Loan Bank Advances Short-term FHLB advances totaled $3.6 million as of June 30, 2018, a decrease of $64,000, or 1.8%, compared to $3.6 million as of December 31, 2017. Long-term FHLB advances totaled $66.4 million as of June 30, 2018, a decrease of $1.8 million, or 2.6%, compared to $68.2 million as of December 31, 2017.

Shareholders Equity Shareholders equity increased $11.5 million, or 4.1%, from $277.9 million as of December 31, 2017 to $289.4 million as of June 30, 2018.

As of June 30, 2018, the Company and the Bank had regulatory capital amounts that were well in excess of regulatory requirements. The following table presents actual and required capital ratios for the Company and the Bank under the Basel III Capital Rules. The minimum required capital amounts presented include the minimum required capital levels as of June 30, 2018 based on the phase-in provisions of the Basel III Capital Rules and the minimum required capital levels as of January 1, 2019 when the Basel III Capital Rules have been fully phased-in. Capital levels required to be considered well capitalized are based upon prompt corrective action regulations, as amended to reflect the changes under the Basel III Capital Rules.

	Actual		Minimum Capital Required Basel III Phase-In Schedule		Minimum Capital Required Basel III Fully Phased-In		To Be Well Capitalized Under Prompt Corrective Action Provisions	
(dollars in thousands)	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**

Company:								
Tier 1 risk-based capital	$ 225,864	14.36%	$ 123,833	7.875%	$ 133,661	8.50%	$ N/A	N/A
Total risk-based capital	240,837	15.32	155,282	9.875	165,110	10.50	N/A	N/A
Tier 1 leverage capital	225,864	10.77	83,908	4.00	83,908	4.00	N/A	N/A

(dollars in thousands)	Actual Amount	Actual Ratio	Minimum Capital Required Basel III Phase-In Schedule Amount	Minimum Capital Required Basel III Phase-In Schedule Ratio	Minimum Capital Required Basel III Fully Phased-In Amount	Minimum Capital Required Basel III Fully Phased-In Ratio	To Be Well Capitalized Under Prompt Corrective Action Provisions Amount	To Be Well Capitalized Under Prompt Corrective Action Provisions Ratio
Bank:								
Common equity Tier 1 capital (to risk-weighted assets)	$ 212,960	13.57%	$ 100,061	6.375%	$ 109,871	7.00%	$ 102,023	6.50%
Tier 1 risk-based capital	212,960	13.57	123,605	7.875	133,415	8.50	125,567	8.00
Total risk-based capital	227,932	14.52	154,997	9.875	164,807	10.50	156,959	10.00
Tier 1 leverage capital	212,960	10.16	83,805	4.00	83,805	4.00	104,757	5.00

Table of Contents

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, 2018, cash and cash equivalents totaled $80.5 million. At such date, investment securities available for sale totaled $264.3 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. As of June 30, 2018, certificates of deposit maturing within the next 12 months totaled $215.2 million. Based upon historical experience, the Company anticipates that a significant portion of the maturing certificates of deposit will be redeposited with us. For the three months ended June 30, 2018, the average balance of outstanding FHLB advances was $70.3 million. As of June 30, 2018, the Company had $70.0 million in total outstanding FHLB advances and had $740.1 million in additional FHLB advances available.

In addition to cash flow from loan and securities payments and prepayments as well as from sales of securities available for sale, the Company has significant borrowing capacity available to fund liquidity needs. In recent years, the Company has utilized borrowings as a cost efficient addition to deposits as a source of funds. 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, 2018.

Shift in Interest Rates (in bps)	**% Change in Projected Net Interest Income**
+300	2.3%
+200	1.8

+100	1.1

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 repricing, 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, 2018 and December 31, 2017.

	Contract Amount	
(dollars in thousands)	**June 30, 2018**	**December 31, 2017**
Standby letters of credit	$ 4,425	$ 6,620
Available portion of lines of credit	161,013	203,367
Undisbursed portion of loans in process	107,265	78,578
Commitments to originate loans	107,239	96,183

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 2018, the Company earned $7.8 million, an increase of $3.3 million, or 73.3%, compared to the second quarter of 2017. Diluted earnings per share for the second quarter of 2018 were $0.84, an increase of $0.22, or 35.5%, compared to the second quarter of 2017. The second quarter of 2018 includes merger expenses totaling $894,000, net of taxes, related to the acquisition of SMB and the second quarter of 2017 includes a write down on the closure of a banking center totaling $292,000, net of taxes.

During the six months ended June 30, 2018, the Company earned $15.2 million, an increase of $5.7 million, or 60.6%, compared to the six months ended June 30, 2017. Diluted earnings per share for the six months ended June 30, 2018 were $1.64, an increase of $0.33, or 25.2%, compared to the six months ended June 30, 2017. The six months ended June 30, 2018 includes merger expenses totaling $1.6 million, net of taxes, related to the acquisition of SMB and the six months ended June 30, 2017 includes a net loss totaling $45,000, net of taxes, resulting from a write down on a banking center, which closed in the second quarter of 2017 and a gain on the sale of a banking center in the first quarter of 2017.

Table of Contents

Net Interest Income Net interest income is the difference between the interest income earned on interest-earning assets, such as loans and investment securities, and the interest expense paid on interest-bearing liabilities, such as deposits and borrowings. The Company s net interest income is largely determined by our net interest spread, which is the difference between the average yield earned on interest-earning assets and the average rate paid on interest-bearing liabilities, and the relative amounts of interest-earning assets and interest-bearing liabilities. The Company s tax-equivalent net interest spread was 4.51% and 4.20% for the three months ended June 30, 2018 and June 30, 2017, respectively, and 4.42% and 4.24% for the six months ended June 30, 2018 and June 30, 2017, respectively. The Company s tax-equivalent net interest margin, which is net interest income as a percentage of average interest-earning assets, was 4.69% and 4.35% for the three months ended June 30, 2018 and June 30, 2017, respectively, 4.59% and 4.38% six months ended June 30, 2018 and June 30, 2017, respectively.

Net interest income totaled $23.3 million for the three months ended June 30, 2018, an increase of $7.4 million, or 46.8%, compared to the three months ended June 30, 2017. For the six months ended June 30, 2018, net interest income totaled $45.8 million, an increase of $14.0 million, or 43.9%, compared to the six months ended June 30, 2017. The addition of SMB s interest-earning assets accounted for the vast majority of the increases in both the three and six-month periods ended June 30, 2018 over the comparable periods.

The following tables set 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 21% for 2018 and 35% for 2017.

	Three Months Ended June 30,					
	2018			2017		
(dollars in thousands)	**Average Balance**	**Interest**	**Average Yield/ Rate (1)**	**Average Balance**	**Interest**	**Average Yield/ Rate(1)**
Interest-earning assets:						
Loans receivable(1)						
Originated loans	$ 938,453	$ 13,061	5.53%	$ 908,958	$ 11,502	5.03%
Acquired loans	695,857	10,466	5.98	313,367	4,665	5.93
Total loans receivable(1)	1,634,310	23,527	5.72	1,222,325	16,167	5.26
Investment securities						
Taxable	247,304	1,531	2.48	174,638	959	2.20
Tax-exempt (TE)	34,694	179	2.61	30,937	156	3.11
Total investment securities	281,998	1,710	2.49	205,575	1,115	2.33
Other interest-earning assets	65,402	338	2.07	32,744	117	1.43
Total interest-earning assets (TE)	1,981,710	25,575	5.14	1,460,644	17,399	4.76
Noninterest-earning assets	182,954			101,766		

Total assets	$ 2,164,664			$ 1,562,410	$	
Interest-bearing liabilities:						
Deposits:						
Savings, checking and money market	$ 992,449	$ 1,029	0.42%	$ 695,828	$ 486	0.28%
Certificates of deposit	354,597	897	1.02	290,032	663	0.92
Total interest-bearing deposits	1,347,046	1,926	0.57	985,860	1,149	0.47

36

Short-term FHLB advances	3,586	16	1.81	14,498	31	0.84
Long term FHLB advances	66,690	296	1.77	70,325	321	1.83
Total interest-bearing liabilities	1,417,322	2,238	0.63	1,070,683	1,501	0.56
Noninterest-bearing liabilities	460,860			304,096		
Total liabilities	1,878,182			1,374,779		
Shareholders equity	286,482			187,631		
Total liabilities and shareholders equity	$ 2,164,664			$ 1,562,410		
Net interest-earning assets	$ 564,388			$ 389,961		
Net interest spread (TE)		$ 23,337	4.51%		$ 15,898	4.20%
Net interest margin (TE)			4.69%			4.35%

	Six Months Ended June 30,					
	2018			2017		
(dollars in thousands)	**Average Balance**	**Interest**	**Average Yield/ Rate (1)**	**Average Balance**	**Interest**	**Average Yield/ Rate(1)**
Interest-earning assets:						
Loans receivable(1)						
Originated loans	$ 924,740	$ 25,338	5.47%	$ 904,950	$ 22,824	5.03%
Acquired loans	716,130	20,993	5.85	321,416	9,587	5.96
Total loans receivable(1)	1,640,870	46,331	5.64	1,226,366	32,411	5.28
Investment securities						
Taxable	235,409	2,840	2.41	171,198	1,824	2.13
Tax-exempt (TE)	35,564	365	2.60	31,818	319	3.08
Total investment securities	270,973	3,205	2.44	203,016	2,143	2.28
Other interest-earning assets	84,266	765	1.83	28,838	208	1.46
Total interest-earning assets (TE)	1,996,109	50,301	5.04	1,458,220	34,762	4.78
Noninterest-earning assets	188,567			103,626		
Total assets	$ 2,184,676			$ 1,561,846	$	
Interest-bearing liabilities:						
Deposits:						
Savings, checking and money market	$ 1,001,663	$ 2,042	0.41%	$ 690,350	$ 901	0.26%
Certificates of deposit	365,219	1,787	0.99	283,470	1,241	0.88

Total interest-bearing deposits	1,366,882	3,829	0.56	973,820	2,142	0.44
Short-term FHLB advances	3,603	33	1.82	27,249	94	0.69
Long term FHLB advances	67,130	596	1.78	74,316	659	1.77
Total interest-bearing liabilities	1,437,615	4,458	0.62	1,075,385	2,895	0.54
Noninterest-bearing liabilities	462,881			301,211		
Total liabilities	1,900,496			1,376,596		
Shareholders equity	284,180			185,250		
Total liabilities and shareholders equity	$ 2,184,676			$ 1,561,846		
Net interest-earning assets	$ 558,494			$ 382,835		
Net interest spread (TE)		$ 45,843	4.42%		$ 31,867	4.24%
Net interest margin (TE)			4.59%			4.38%

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

Table of Contents

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

	For the Three Months Ended June 30, 2018 Compared to 2017 Change Attributable To			For the Six Months Ended June 30, 2018 Compared to 2017 Change Attributable To		
(dollars in thousands)	**Rate**	**Volume**	**Total Increase (Decrease)**	**Rate**	**Volume**	**Total Increase (Decrease)**
Interest income:						
Loans receivable	$ 1,630	$ 5,730	$ 7,360	$ 2,619	$ 11,301	$ 13,920
Investment securities	125	470	595	242	820	1,062
Other interest-earning assets	78	143	221	104	453	557
Total interest income	1,833	6,343	8,176	2,965	12,574	15,539
Interest expense:						
Savings, checking and money market accounts	302	241	543	649	492	1,141
Certificates of deposit	78	156	234	166	380	546
FHLB advances	13	(53)	(40)	90	(214)	(124)
Total interest expense	393	344	737	905	658	1,563
Increase (decrease) in net interest income	$ 1,440	$ 5,999	$ 7,439	$ 2,060	$ 11,916	$ 13,976

Provision for Loan Losses For the quarter ended June 30, 2018, the Company recorded a provision for loan losses of $581,000, which was 287.1% higher than the $150,000 recorded for the same period in 2017. For the six months ended June 30, 2018, the provision for loan losses totaled $1.5 million, which was 238.2% higher than the $457,000 recorded for the same period in 2017. The increase in provision for the first six month period ended June 30, 2018 over the comparable period in the prior year resulted primarily due to growth in the loan portfolio.

The Company recorded net loan recoveries of $123,000 during the second quarter of 2018, compared to $58,000 of net loan charge-offs in the second quarter of 2017. The Company recorded net loan charge-offs of $1.4 million during the six months ended June 30, 2018 and net loan recoveries of $42,000 for the six months ended June 30, 2017. The increase in net loan charge-offs for the six months ended June 30, 2018 resulted primarily from two loan relationships identified as problem credits in prior periods.

As of June 30, 2018, the Company s ratio of allowance for loan losses to total loans was 0.92%, compared to 0.89% and 1.07% at December 31, 2017 and June 30, 2017, respectively. Excluding Acquired Loans, the ratio of the allowance for loan losses to total loans was 1.40% at June 30, 2018, compared to 1.52% and 1.40% at December 31, 2017 and June 30, 2017, respectively. The ratio of nonperforming loans to total assets was 1.03% at June 30, 2018, compared to 1.12% at December 31, 2017. The reduction in nonperforming loans to total assets related primarily to one loan relationship totaling $3.6 million returning to accrual status and loan payoffs.

Noninterest Income The Company s noninterest income was $3.3 million for the quarter ended June 30, 2018, $1.2 million, or 54.5%, higher than the $2.2 million earned for the same period in 2017. The second quarter of 2017 includes a $449,000 (pre-tax) write down on a closed banking center in Vicksburg, Mississippi. The

Table of Contents

increase for the comparative quarters resulted primarily from additional service fees and charges and bank card fees due to the SMB acquisition (up $529,000 and $429,000, respectively) and the absence of a net loss totaling $460,000 primarily due to the write down on a closed banking center and sale of assets, which were partially offset by decreases in other income (down $154,000 due to lower recoveries on acquired assets) and gains on sale of mortgage loans (down $127,000).

Noninterest income was $6.8 million for the six months ended June 30, 2018, $1.8 million, or 36.8%, higher than the $5.0 million earned for the same period of 2017. The six months ended June 30, 2017 includes a net loss of $69,000 resulting from a $449,000 (pre-tax) write down on a closed banking center in Vicksburg, Mississippi and a $380,000 (pre-tax) gain on the sale of a banking center in the first quarter of 2017. The increase for the comparative six month periods resulted primarily from additional service fees and charges and bank card fees due to the SMB acquisition (up $1.2 million and $845,000, respectively), which were partially offset by decreases in gains on the sale of mortgage loans (down $208,000).

Noninterest Expense The Company s noninterest expense was $16.3 million for the three months ended June 30, 2018, $5.3 million, or 47.7%, higher than the $11.1 million recorded for the same period in 2017. Noninterest expense for the second quarter of 2018 includes merger-related expenses totaling $1.1 million (pre-tax). The increase in noninterest expense related primarily to the growth of the Company s employee base, higher occupancy and data processing costs due to the SMB acquisition.

Noninterest expense was $31.9 million for the six months ended June 30, 2018, $9.8 million, or 44.5%, higher than the $22.1 million for the same period of 2017. Noninterest expense includes merger-related expenses totaling $2.0 million (pre-tax) for the six months ended June 30, 2018. The increase related primarily to the growth of the Company s employee base, higher occupancy and data processing costs due to the SMB acquisition.

Income Taxes For the quarters ended June 30, 2018 and June 30, 2017, the Company incurred income tax expense of $2.0 million and $2.4 million, respectively. The Company s effective tax rate was 20.5% and 34.6% during the second quarters of 2018 and 2017, respectively. For the six months ended June 30, 2018 and June 30, 2017, the Company incurred income tax expense of $4.0 million and $4.8 million, respectively. The lower effective tax rate recorded in 2018 was the result of the Tax Cuts and Jobs Act of 2017 (the Tax Act). The Tax Act reduced the federal corporate statutory tax rate from 35% to 21%. 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, merger-related expenses, 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, 2017, 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, 2018 is included herein under Item 2, Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Asset/Liability Management .

Item 4. Controls and Procedures.

Our management evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the

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

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15(d)-15(f) under the Securities Exchange Act of 1934) occurred during the second quarter of 2018 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, 2017 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 plans 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, 2018		$		366,928
May 1 May 31, 2018	18	44.21	18	366,910
June 1 June 30, 2018	1,018	44.92	1,018	365,892
Total	1,036	$ 44.90	1,036	365,892

(1) On June 7, 2013, the Company announced the commencement of a stock repurchase program. Under the 2013 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. On April 26, 2016, the Company announced a new stock repurchase program. Under the 2016 plan, the Company can repurchase up to 365,000 shares, or approximately 5% of its common stock outstanding at the time of adoption, through open market or privately negotiated transactions.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

None.

Item 5. Other Information.

None.

Item 6. Exhibits and Financial Statement Schedules.

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

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.
August 7, 2018	By:	/s/ John W. Bordelon John W. Bordelon *President, Chief Executive Officer and Director*
August 7, 2018	By:	/s/ Joseph B. Zanco Joseph B. Zanco *Executive Vice President and Chief Financial Officer*
August 7, 2018	By:	/s/ Mary H. Hopkins Mary H. Hopkins *Home Bank, N.A. First Vice President and Director of Financial Management*