HOME BANCORP, INC.
Form 10-Q
November 07, 2018

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: September 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	**(I.R.S. Employer**
Incorporation or Organization)	**Identification Number)**
503 Kaliste Saloom Road, Lafayette, Louisiana	**70508**
(Address of Principal Executive Offices)	**(Zip Code)**

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

Not Applicable

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

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

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted 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 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	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 October 31, 2018, the registrant had 9,480,140 shares of common stock, $0.01 par value, outstanding.

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HOME BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(Dollars in thousands, except share data)	**(Unaudited) September 30, 2018**	**(Audited) December 31, 2017**
Assets		
Cash and cash equivalents	$ 61,724	$ 150,418
Interest-bearing deposits in banks	1,184	2,421
Investment securities available for sale, at fair value	258,948	234,993
Investment securities held to maturity (fair values of $10,868 and $13,055, respectively)	10,942	13,034
Mortgage loans held for sale	3,470	5,873
Loans, net of unearned income	1,633,019	1,657,795
Allowance for loan losses	(15,743)	(14,807)
Total loans, net of unearned income and allowance for loan losses	1,617,276	1,642,988
Office properties and equipment, net	45,758	45,605
Cash surrender value of bank-owned life insurance	29,394	28,904
Goodwill and core deposit intangibles	66,493	68,033
Accrued interest receivable and other assets	45,341	35,852
Total Assets	$ 2,140,530	$ 2,228,121
Liabilities		
Deposits:		
Noninterest-bearing	$ 447,422	$ 461,999
Interest-bearing	1,323,890	1,404,228
Total deposits	1,771,312	1,866,227
Short-term Federal Home Loan Bank advances	41	3,642
Long-term Federal Home Loan Bank advances	59,536	68,183
Accrued interest payable and other liabilities	13,953	12,198
Total Liabilities	1,844,842	1,950,250
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; 9,479,611 and 9,395,488 shares issued and outstanding, respectively	95	94
Additional paid-in capital	167,942	165,341
Unallocated common stock held by:		
Employee Stock Ownership Plan (ESOP)	(3,571)	(3,838)
Recognition and Retention Plan (RRP)	(77)	(84)

Retained earnings	135,848	117,313
Accumulated other comprehensive loss	(4,549)	(955)
Total Shareholders Equity	295,688	277,871
Total Liabilities and Shareholders Equity	$ 2,140,530	$ 2,228,121

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

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HOME BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

(Dollars in thousands, except per share data)	For the Three Months Ended September 30, 2018	2017	For the Nine Months Ended September 30, 2018	2017
Interest Income				
Loans, including fees	$ 24,118	$ 16,336	$ 70,449	$ 48,747
Investment securities:				
Taxable interest	1,516	983	4,355	2,807
Tax-exempt interest	178	152	543	471
Other investments and deposits	297	194	1,063	403
Total interest income	26,109	17,665	76,410	52,428
Interest Expense				
Deposits	2,312	1,396	6,141	3,538
Short-term Federal Home Loan Bank advances	6		39	95
Long-term Federal Home Loan Bank advances	281	313	877	972
Total interest expense	2,599	1,709	7,057	4,605
Net interest income	23,510	15,956	69,353	47,823
Provision for loan losses	786	660	2,331	1,117
Net interest income after provision for loan losses	22,724	15,296	67,022	46,706
Noninterest Income				
Service fees and charges	1,638	1,056	4,812	2,983
Bank card fees	1,110	718	3,405	2,168
Gain on sale of loans, net	206	303	614	919
Income from bank-owned life insurance	166	121	490	361
(Loss) gain on sale of assets, net	(68)	(43)	77	(147)
Other income	289	138	768	999
Total noninterest income	3,341	2,293	10,166	7,283
Noninterest Expense				
Compensation and benefits	9,328	7,062	27,492	20,730
Occupancy	1,661	1,219	5,056	3,711
Marketing and advertising	286	287	852	802
Data processing and communication	1,804	928	5,827	3,076
Professional services	265	407	856	819
Forms, printing and supplies	180	119	811	410
Franchise and shares tax	362	193	1,091	587

Regulatory fees		455		317		1,177		952
Foreclosed assets, net		58		(70)		247		(230)
Other expenses		1,297		879		4,199		2,565
Total noninterest expense		15,696		11,341		47,608		33,422
Income before income tax expense		10,369		6,248		29,580		20,567
Income tax expense		2,107		2,158		6,079		6,985
Net Income	$	8,262	$	4,090	$	23,501	$	13,582
Earnings per share:								
Basic	$	0.91	$	0.58	$	2.60	$	1.95
Diluted	$	0.89	$	0.56	$	2.53	$	1.88
Cash dividends declared per common share	$	0.19	$	0.14	$	0.51	$	0.41

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

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HOME BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

(Dollars in thousands)	For the Three Months Ended September 30, 2018	For the Three Months Ended September 30, 2017	For the Nine Months Ended September 30, 2018	For the Nine Months Ended September 30, 2017
Net Income	$ 8,262	$ 4,090	$ 23,501	$ 13,582
Other Comprehensive (Loss) Income				
Unrealized (losses) gains on investment securities	(1,279)	(60)	(4,289)	103
Tax effect	269	21	901	(36)
Other comprehensive (loss) income, net of taxes	(1,010)	(39)	(3,388)	67
Comprehensive Income	$ 7,252	$ 4,051	$ 20,113	$ 13,649

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

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HOME BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY (Unaudited)

(Dollars in thousands, except share and per share data)	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	$ 74	$ 79,426	$ (4,196)	$ (120)	$ 104,647	$ 12	$ 179,843
Net income					13,582		13,582
Other comprehensive income						67	67
Purchase of Company s common stock at cost, 1,233 shares		(12)			(36)		(48)
Cash dividends declared, $0.41 per share					(3,028)		(3,028)
Common stock issued under incentive plans, net of shares surrendered in payment, including tax benefit 7,905 shares		20			(35)		(15)
Exercise of stock options		650					650
RRP shares released for allocation		(6)		14			8
ESOP shares released for allocation		915	268				1,183
Share-based compensation cost		383					383
Balance, September 30, 2017	$ 74	$ 81,376	$ (3,928)	$ (106)	$ 115,130	$ 79	$ 192,625
Balance, December 31, 2017	$ 94	$ 165,341	$ (3,838)	$ (84)	$ 117,313	$ (955)	$ 277,871
Net income					23,501		23,501
Other comprehensive loss						(3,388)	(3,388)
Reclassification of stranded tax effects in accumulated other comprehensive income[1]					206	(206)	
Purchase of Company s common stock at cost, 8,283 shares		(83)			(297)		(380)
Cash dividends declared, $0.51 per share					(4,810)		(4,810)
Common Stock issued under incentive plans, net of shares surrendered in payment, including tax benefit, 16,898 shares		139			(65)		74
Exercise of stock options	1	897					898
RRP shares released for allocation		(7)		7			
ESOP shares released for allocation		1,109	267				1,376
Share-based compensation cost		546					546
Balance, September 30, 2018	$ 95	$ 167,942	$ (3,571)	$ (77)	$ 135,848	$ (4,549)	$ 295,688

(1) See Note 2 - Recent Accounting Pronouncements

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

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HOME BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(Dollars in thousands)	For the Nine Months Ended September 30, 2018	2017
Cash flows from operating activities:		
Net income	$ 23,501	$ 13,582
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	2,331	1,117
Depreciation	1,832	1,439
Amortization and accretion of purchase accounting valuations and intangibles	6,259	3,496
Net amortization of mortgage servicing asset	113	150
Federal Home Loan Bank stock dividends	(90)	(83)
Net amortization of discount on investments	1,516	1,269
Gain on loans sold, net	(614)	(919)
Proceeds, including principal payments, from loans held for sale	73,539	94,171
Originations of loans held for sale	(70,521)	(94,714)
Non-cash compensation	1,922	1,566
Deferred income tax expense (benefit)	225	(315)
(Increase) decrease in accrued interest receivable and other assets	(9,003)	1,460
Increase in cash surrender value of bank-owned life insurance	(490)	(361)
Decrease (increase) in accrued interest payable and other liabilities	1,685	(63)
Net cash provided by operating activities	32,205	21,795
Cash flows from investing activities:		
Purchases of securities available for sale	(67,539)	(48,408)
Proceeds from maturities, prepayments and calls on securities available for sale	38,016	29,022
Proceeds from maturities, prepayments and calls on securities held to maturity	1,855	
Decrease (increase) in loans, net	18,222	(2,516)
Reimbursement from FDIC for covered assets		142
Decrease in interest-bearing deposits in banks	1,237	693
Proceeds from sale of repossessed assets	616	2,632
Purchases of office properties and equipment	(2,824)	(1,360)
Proceeds from sale of office properties and equipment	1,051	640
Proceeds from redemption of Federal Home Loan Bank stock		4,180
Net cash (used in) provided by investing activities	(9,366)	(14,975)
Cash flows from financing activities:		
(Decrease) increase in deposits, net	(94,992)	71,645
Borrowings on Federal Home Loan Bank advances		130,750
Repayments of Federal Home Loan Bank advances	(12,323)	(184,463)
Proceeds from exercise of stock options	898	650

Issuance of stock under incentive plans	74	(15)
Dividends paid to shareholders	(4,810)	(3,028)
Purchase of Company s common stock	(380)	(48)
Net cash (used in) provided by financing activities	(111,533)	15,491
Net change in cash and cash equivalents	(88,694)	22,311
Cash and cash equivalents at beginning of year	150,418	29,315
Cash and cash equivalents at end of year	$ 61,724	$ 51,626

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

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HOME BANCORP, INC. AND SUBSIDIARY

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

The accompanying unaudited consolidated financial statements of Home Bancorp, Inc. (the Company) were prepared in accordance with instructions for Form 10-Q and Regulation S-X and do not include information or footnotes necessary for a complete presentation of financial condition, results of operations, comprehensive income, changes in shareholders equity and cash flows in conformity with accounting principles generally accepted in the United States of America. However, in the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the financial statements have been included. The results of operations for the nine-month period ended September 30, 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, a 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 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. 2017-08, 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.

In July 2018, the FASB issued ASU No. 2018-11, Leases Targeted Improvements to provide alternative transition methods to reduce the costs and complexities of implementing the new leases standard, ASU No. 2016-02. The amendments in the update allow entities to recognize a cumulative-effect adjustment in the opening balance of retained earnings in the period of adoption of ASU No. 2016-02, which eliminates the need to re-state amounts presented for prior-periods. In addition, under certain conditions, lessors are allowed to account for lease and non-lease components as a single component. The amendments have the same effective date as ASU No. 2016-02 (periods beginning after December 15, 2018). The Company is currently assessing ASU No. 2018-11, but does not anticipate it will have a material impact on our Consolidated Financial Statements.

In August 2018, the FASB issued ASU No. 2018-13, Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement. The ASU removes, modifies, and adds certain disclosure requirements for fair value measurements. For example, public entities will no longer be required to disclose the valuation processes for Level 3 fair value measurements, but will be required to disclose the range and weighted average used to develop significant unobservable inputs for Level 3 fair value measurements. ASU No. 2018-13 is effective for interim and annual reporting periods beginning after December 15, 2019. In addition, entities may early adopt the modified or eliminated disclosure requirements and delay adoption of the additional disclosure requirements until their effective date. The Company does not believe ASU No. 2018-13 will have a material impact on our Consolidated Financial Statements, as the update only revises disclosure requirements.

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3. Investment Securities

Summary information regarding the Company s investment securities classified as available for sale and held to maturity as of September 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	
September 30, 2018					
Available for sale:					
U.S. agency mortgage-backed	$ 80,917	$ 447	$ 1,083	$ 789	$ 79,492
Collateralized mortgage obligations	151,719	42	1,321	2,999	147,441
Municipal bonds	21,690	57	73		21,674
U.S. government agency	10,380	27	33	33	10,341
Total available for sale	$ 264,706	$ 573	$ 2,510	$ 3,821	$ 258,948
Held to maturity:					
Municipal bonds	$ 10,942	$ 6	$ 40	$ 40	$ 10,868
Total held to maturity	$ 10,942	$ 6	$ 40	$ 40	$ 10,868

(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses		Fair Value
			Less Than 1 Year	Over 1 Year	
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 September 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.

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(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	$ 1,718	$ 12,321	$ 37,171	$ 28,282	$ 79,492
Collateralized mortgage obligations		5,662	18,171	123,608	147,441
Municipal bonds	3,585	9,919	5,355	2,815	21,674
U.S. government agency	4,965		3,940	1,436	10,341
Total securities available for sale	$ 10,268	$ 27,902	$ 64,637	$ 156,141	$ 258,948
Securities held to maturity:					
Municipal bonds	$	$ 5,767	$ 4,055	$ 1,046	$ 10,868
Total securities held to maturity	$	$ 5,767	$ 4,055	$ 1,046	$ 10,868

(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	$ 1,720	$ 12,693	$ 38,212	$ 28,292	$ 80,917
Collateralized mortgage obligations		5,719	18,694	127,306	151,719
Municipal bonds	3,580	9,920	5,345	2,845	21,690
U.S. government agency	4,998		3,913	1,469	10,380
Total securities available for sale	$ 10,298	$ 28,332	$ 66,164	$ 159,912	$ 264,706
Securities held to maturity:					
Municipal bonds	$	$ 5,777	$ 4,108	$ 1,057	$ 10,942
Total securities held to maturity	$	$ 5,777	$ 4,108	$ 1,057	$ 10,942

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 September 30, 2018, 184 of the Company s investment securities had unrealized losses totaling 2.8% of the individual securities amortized cost basis and 2.3% of the Company s total amortized cost basis of the investment securities portfolio. At such date, 59 of the 184 securities had been in a continuous loss position for over 12 months. The 59 securities had an aggregate amortized cost basis of $94.1 million and an unrealized loss of $3.8 million at September 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 September 30, 2018.

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As of September 30, 2018 and December 31, 2017, the Company had $152,374,000 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:

(in thousands, except per share data)	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Numerator:				
Net income available to common shareholders	$ 8,262	$ 4,090	$ 23,501	$ 13,582
Denominator:				
Weighted average common shares outstanding	9,098	7,007	9,053	6,972
Effect of dilutive securities:				
Restricted stock	19	3	21	3
Stock options	204	271	223	266
Weighted average common shares outstanding assuming dilution	9,321	7,281	9,297	7,241
Basic earnings per common share	$ 0.91	$ 0.58	$ 2.60	$ 1.95
Diluted earnings per common share	$ 0.89	$ 0.56	$ 2.53	$ 1.88

Options on 27,934 and 77,024 shares of common stock were not included in the computation of diluted earnings per share for the three months ended September 30, 2018 and September 30, 2017, respectively, because the effect of these shares was anti-dilutive. Options on 15,850 and 60,849 shares of common stock were not included in the computation of diluted earnings per share for the nine months ended September 30, 2018 and September 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.

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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.

Allowance for Loan Losses

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

	As of September 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	$ 1,861	$	$ 53	$ 1,914
Home equity loans and lines	692	348	52	1,092
Commercial real estate	5,144	187	237	5,568
Construction and land	2,021		6	2,027
Multi-family residential	540		60	600
Commercial and industrial	2,253	862	575	3,690
Consumer	484		368	852
Total allowance for loan losses	$ 12,995	$ 1,397	$ 1,351	$ 15,743

	As of September 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	$ 221,283	$	$ 235,514	$ 456,797
Home equity loans and lines	52,734	885	32,786	86,405
Commercial real estate	417,338	5,944	206,015	629,297
Construction and land	139,869		34,704	174,573
Multi-family residential	43,219		12,934	56,153
Commercial and industrial	119,987	3,010	50,941	173,938
Consumer	37,929		17,927	55,856
Total loans	$ 1,032,359	$ 9,839	$ 590,821	$ 1,633,019

	As of December 31, 2017			
	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	$ 1,574	$	$ 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

	As of December 31, 2017			
	Originated Loans			
(dollars in thousands)	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) $11.0 million and $14.2 million in Acquired Loans were deemed to be acquired impaired loans and were accounted for under ASC 310-30 at September 30, 2018 and December 31, 2017, respectively.

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

	For the Nine Months Ended September 30, 2018				
(dollars in thousands)	Beginning Balance	Charge-offs	Recoveries	Provision	Ending Balance
Originated loans:					

Allowance for loan losses:					
One- to four-family first mortgage	$ 1,574	$ (1)	$	$ 288	$ 1,861
Home equity loans and lines	1,024		3	13	1,040
Commercial real estate	4,766			565	5,331
Construction and land	1,742			279	2,021
Multi-family residential	355			185	540
Commercial and industrial	4,346	(1,503)	153	119	3,115
Consumer	496	(60)	13	35	484
Total allowance for loan losses	$ 14,303	$ (1,564)	169	$ 1,484	$ 14,392

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Acquired loans:					
Allowance for loan losses:					
One- to four-family first mortgage	$ 89	$	$	$ (36)	$ 53
Home equity loans and lines	78			(26)	52
Commercial real estate	140			97	237
Construction and land	7			(1)	6
Multi-family residential				60	60
Commercial and industrial	184			391	575
Consumer	6			362	368
Total allowance for loan losses	$ 504	$	$	$ 847	$ 1,351
Total loans:					
Allowance for loan losses:					
One- to four-family first mortgage	$ 1,663	$ (1)	$	$ 252	$ 1,914
Home equity loans and lines	1,102		3	(13)	1,092
Commercial real estate	4,906			662	5,568
Construction and land	1,749			278	2,027
Multi-family residential	355			245	600
Commercial and industrial	4,530	(1,503)	153	510	3,690
Consumer	502	(60)	13	397	852
Total allowance for loan losses	$ 14,807	$ (1,564)	$ 169	$ 2,331	$ 15,743

	For the Nine Months Ended September 30, 2017				
(dollars in thousands)	**Beginning Balance**	**Charge-offs**	**Recoveries**	**Provision**	**Ending Balance**
Originated loans:					
Allowance for loan losses:					
One- to four-family first mortgage	$ 1,436	$	$	$ 117	$ 1,553
Home equity loans and lines	654	(10)	18	399	1,061
Commercial real estate	4,177	(4)		431	4,604
Construction and land	1,763			(86)	1,677
Multi-family residential	361			(10)	351
Commercial and industrial	3,316	(358)	203	164	3,325
Consumer	513	(58)	5	9	469
Total allowance for loan losses	$ 12,220	$ (430)	$ 226	$ 1,024	$ 13,040
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				77	77
Construction and land	19			(12)	7
Multi-family residential					
Commercial and industrial	123			53	176

Consumer				3	3
Total allowance for loan losses	$ 291	$	$	$ 93	$ 384
Total loans:					
Allowance for loan losses:					
One- to four-family first mortgage	$ 1,511	$	$	$ 101	$ 1,612
Home equity loans and lines	728	(10)	18	387	1,123
Commercial real estate	4,177	(4)		508	4,681
Construction and land	1,782			(98)	1,684
Multi-family residential	361			(10)	351
Commercial and industrial	3,439	(358)	203	217	3,501
Consumer	513	(58)	5	12	472
Total allowance for loan losses	$ 12,511	$ (430)	$ 226	$ 1,117	$ 13,424

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Credit Quality

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

	September 30, 2018				
(dollars in thousands)	**Pass**	**Special Mention**	**Substandard**	**Doubtful**	**Total**
Originated loans:					
One- to four-family first mortgage	$ 216,787	$ 1,745	$ 2,751	$	$ 221,283
Home equity loans and lines	52,011		1,608		53,619
Commercial real estate	410,684	4,610	7,988		423,282
Construction and land	137,578	1,168	1,123		139,869
Multi-family residential	43,219				43,219
Commercial and industrial	112,336	4,537	6,124		122,997
Consumer	37,634	124	171		37,929
Total originated loans	$ 1,010,249	$ 12,184	$ 19,765	$	$ 1,042,198
Acquired loans:					
One- to four-family first mortgage	$ 226,735	$ 1,806	$ 6,973	$	$ 235,514
Home equity loans and lines	32,321	188	277		32,786
Commercial real estate	187,358	8,343	10,314		206,015
Construction and land	32,839	1,302	563		34,704
Multi-family residential	12,091	588	255		12,934
Commercial and industrial	46,948	1,661	2,332		50,941
Consumer	17,510	170	247		17,927
Total acquired loans	$ 555,802	$ 14,058	$ 20,961	$	$ 590,821
Total loans:					
One- to four-family first mortgage	$ 443,522	$ 3,551	$ 9,724	$	$ 456,797
Home equity loans and lines	84,332	188	1,885		86,405
Commercial real estate	598,042	12,953	18,302		629,297
Construction and land	170,417	2,470	1,686		174,573
Multi-family residential	55,310	588	255		56,153
Commercial and industrial	159,284	6,198	8,456		173,938
Consumer	55,144	294	418		55,856
Total loans	$ 1,566,051	$ 26,242	$ 40,726	$	$ 1,633,019

	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

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.

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	September 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	$ 1,271	$ 374	$ 371	$ 2,016	$ 219,267	$ 221,283
Home equity loans and lines	177	44	26	247	53,372	53,619
Commercial real estate	242	1,016	167	1,425	421,857	423,282
Construction and land	6			6	139,863	139,869
Multi-family residential					43,219	43,219
Total real estate loans	1,696	1,434	564	3,694	877,578	881,272
Other loans:						
Commercial and industrial	291	266	257	814	122,183	122,997
Consumer	314	85	84	483	37,446	37,929
Total other loans	605	351	341	1,297	159,629	160,926
Total originated loans	$ 2,301	$ 1,785	$ 905	$ 4,991	$ 1,037,207	$ 1,042,198
Acquired loans:						
Real estate loans:						
One- to four-family first mortgage	$ 3,375	$ 654	$ 4,018	$ 8,047	$ 227,467	$ 235,514
Home equity loans and lines	281	267	93	641	32,145	32,786
Commercial real estate	2,646	129	1,213	3,988	202,027	206,015
Construction and land	506	145	327	978	33,726	34,704
Multi-family residential					12,934	12,934
Total real estate loans	6,808	1,195	5,651	13,654	508,299	521,953
Other loans:						
Commercial and industrial	960	91	160	1,211	49,730	50,941
Consumer	544	105	155	804	17,123	17,927
Total other loans	1,504	196	315	2,015	66,853	68,868
Total acquired loans	$ 8,312	$ 1,391	$ 5,966	$ 15,669	$ 575,152	$ 590,821
Total loans:						
Real estate loans:						
One- to four-family first mortgage	$ 4,646	$ 1,028	$ 4,389	$ 10,063	$ 446,734	$ 456,797
Home equity loans and lines	458	311	119	888	85,517	86,405
Commercial real estate	2,888	1,145	1,380	5,413	623,884	629,297

Construction and land	512	145	327	984	173,589	174,573
Multi-family residential					56,153	56,153
Total real estate loans	8,504	2,629	6,215	17,348	1,385,877	1,403,225
Other loans:						
Commercial and industrial	1,251	357	417	2,025	171,913	173,938
Consumer	858	190	239	1,287	54,569	55,856
Total other loans	2,109	547	656	3,312	226,482	229,794
Total loans	$ 10,613	$ 3,176	$ 6,871	$ 20,660	$ 1,612,359	$ 1,633,019

	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

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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
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 September 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.

(dollars in thousands)	**For the Nine Months Ended September 30, 2018**	**September 30, 2017**
Balance at beginning of period	$ (9,303)	$ (11,091)
Accretion	1,849	2,495
Transfers from nonaccretable difference to accretable yield	(2,559)	(1,208)
Balance at end of period	$ (10,013)	$ (9,804)

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

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(dollars in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
	For the Period Ended September 30, 2018				
With no related allowance recorded:					
One- to four-family first mortgage	$	$	$	$	$
Home equity loans and lines	450	476		458	
Commercial real estate	21	33		22	
Construction and land					
Multi-family residential					
Commercial and industrial	324	440		347	
Consumer					
Total	$ 795	$ 949	$	$ 827	$
With an allowance recorded:					
One- to four-family first mortgage	$	$	$	$	$
Home equity loans and lines	435	461	348	443	
Commercial real estate	5,923	5,923	187	658	
Construction and land					
Multi-family residential					
Commercial and industrial	2,686	2,905	862	1,186	
Consumer					
Total	$ 9,044	$ 9,289	$ 1,397	$ 2,287	$
Total impaired loans:					
One- to four-family first mortgage	$	$	$	$	$
Home equity loans and lines	885	937	348	901	
Commercial real estate	5,944	5,956	187	680	
Construction and land					
Multi-family residential					
Commercial and industrial	3,010	3,345	862	1,533	
Consumer					
Total	$ 9,839	$ 10,238	$ 1,397	$ 3,114	$

(dollars in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
	For the Period Ended December 31, 2017				
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

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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

	For the Period Ended September 30, 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	473	476		370	18
Commercial real estate	23	33		18	1
Construction and land					
Multi-family residential					
Commercial and industrial	2,952	3,131		3,209	133