HOME BANCORP, INC.
Form 10-Q
November 08, 2016
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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, 2016

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, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

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

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

At November 3, 2016, the registrant had 7,322,320 shares of common stock, $0.01 par value, outstanding.

HOME BANCORP, INC. and SUBSIDIARY

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HOME BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

	(Unaudited) September 30, 2016	(Audited) December 31, 2015
Assets		
Cash and cash equivalents	$ 23,953,080	$ 24,797,599
Interest-bearing deposits in banks	2,129,000	5,143,585
Investment securities available for sale, at fair value	170,992,673	176,762,200
Investment securities held to maturity (fair values of $13,736,492 and $14,120,842, respectively)	13,448,484	13,926,861
Mortgage loans held for sale	10,643,389	5,651,250
Loans, net of unearned income	1,233,369,734	1,224,365,916
Allowance for loan losses	(12,193,181)	(9,547,487)
Total loans, net of unearned income and allowance for loan losses	1,221,176,553	1,214,818,429
Office properties and equipment, net	39,359,536	40,815,744
Cash surrender value of bank-owned life insurance	20,028,198	19,666,900
Accrued interest receivable and other assets	47,810,976	50,329,032
Total Assets	$ 1,549,541,889	$ 1,551,911,600
Liabilities		
Deposits:		
Noninterest-bearing	$ 289,835,449	$ 296,616,693
Interest-bearing	930,994,779	947,599,823
Total deposits	1,220,830,228	1,244,216,516
Short-term Federal Home Loan Bank (FHLB) advances	59,200,000	39,939,375
Long-term Federal Home Loan Bank (FHLB) advances	79,629,490	85,213,222
Accrued interest payable and other liabilities	12,520,553	17,496,133
Total Liabilities	1,372,180,271	1,386,865,246
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; 7,321,837 and 7,239,821 shares issued and outstanding, respectively	73,219	72,399
Additional paid-in capital	78,853,758	76,948,914
Unallocated common stock held by:		
Employee Stock Ownership Plan (ESOP)	(4,284,860)	(4,552,670)
Recognition and Retention Plan (RRP)	(141,741)	(158,590)
Retained earnings	101,257,222	91,864,543

Accumulated other comprehensive income	1,604,020	871,758
Total Shareholders Equity	177,361,618	165,046,354
Total Liabilities and Shareholders Equity	$ 1,549,541,889	$ 1,551,911,600

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

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HOME BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2016	2015	2016	2015
Interest Income				
Loans, including fees	$ 15,889,132	$ 13,435,467	$ 47,760,159	$ 38,417,015
Investment securities:				
Taxable interest	722,238	757,385	2,295,632	2,214,227
Tax-exempt interest	166,968	181,705	510,493	537,098
Other investments and deposits	68,860	50,613	195,449	149,684
Total interest income	16,847,198	14,425,170	50,761,733	41,318,024
Interest Expense				
Deposits	912,756	730,045	2,763,761	2,115,681
Securities sold under repurchase agreement		2,062		39,126
Short-term FHLB advances	53,829	9,761	143,412	15,894
Long-term FHLB advances	341,693	152,461	1,040,522	359,521
Total interest expense	1,308,278	894,329	3,947,695	2,530,222
Net interest income	15,538,920	13,530,841	46,814,038	38,787,802
Provision for loan losses	800,000	568,665	2,700,000	1,401,290
Net interest income after provision for loan losses	14,738,920	12,962,176	44,114,038	37,386,512
Noninterest Income				
Service fees and charges	1,045,591	1,027,938	3,083,858	2,874,602
Bank card fees	658,799	619,799	1,936,305	1,823,071
Gain on sale of loans, net	418,276	478,380	1,205,815	1,119,392
Income from bank-owned life insurance	120,618	123,943	361,297	380,410
Gain (loss) on sale of properties and equipment, net		(358,653)	640,580	(492,268)
Gain on sale of investment securities, net		3,053		3,053
Other income	271,391	302,671	1,301,616	606,378
Total noninterest income	2,514,675	2,197,131	8,529,471	6,314,638
Noninterest Expense				
Compensation and benefits	6,723,365	6,267,791	20,845,310	18,091,203
Occupancy	1,307,336	1,218,193	3,939,275	3,556,403
Marketing and advertising	193,483	129,197	649,498	352,179

Data processing and communication	1,133,136	974,099	3,824,169	2,832,571
Professional services	244,278	648,278	797,829	1,361,688
Forms, printing and supplies	137,336	130,395	487,794	408,233
Franchise and shares tax	219,773	155,872	659,318	450,415
Regulatory fees	319,482	273,754	971,197	851,163
Foreclosed assets, net	(472,275)	(17,817)	(46,472)	477,753
Other expenses	836,706	742,347	2,711,401	2,087,916
Total noninterest expense	10,642,620	10,522,109	34,839,319	30,469,524
Income before income tax expense	6,610,975	4,637,198	17,804,190	13,231,626
Income tax expense	2,250,866	1,737,789	6,077,908	4,644,617
Net Income	$ 4,360,109	$ 2,899,409	$ 11,726,282	$ 8,587,009
Earnings per share:				
Basic	$ 0.63	$ 0.43	$ 1.72	$ 1.28
Diluted	$ 0.61	$ 0.41	$ 1.65	$ 1.23
Cash dividends declared per common share	$ 0.12	$ 0.08	$ 0.32	$ 0.23

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

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HOME BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2016	**2015**	**2016**	**2015**
Net Income	$ 4,360,109	$ 2,899,409	$ 11,726,282	$ 8,587,009
Other Comprehensive Income				
Unrealized gain (loss) on investment securities	$ (626,747)	$ 1,209,078	$ 1,126,558	$ 923,145
Reclassification adjustment for gains included in net income		(3,053)		(3,053)
Tax effect	219,361	(422,109)	(394,296)	(322,032)
Other comprehensive income, net of taxes	$ (407,386)	$ 783,916	$ 732,262	$ 598,060
Comprehensive Income	$ 3,952,723	$ 3,683,325	$ 12,458,544	$ 9,185,069

(1) The tax effect for the three and nine months ended September 30, 2016 on the change in unrealized gains (losses) on investment securities was $(219,361) and $394,296, respectively, compared to $423,178 and $323,101, respectively, for the three and nine months ended September 30, 2015. The tax effect for the three and nine months ended September 30, 2015 on the reclassification adjustment for gains included in net income had a tax effect of $1,069 and $1,069, respectively.

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

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HOME BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY (Unaudited)

	Common Stock	Additional Paid-in Capital	Treasury Stock	Unallocated Common Stock Held by ESOP	Unallocated Common Stock Held by RRP	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance, December 31, 2014[1]	$ 90,088	$ 93,332,108	$ (28,572,891)	$ (4,909,750)	$ (202,590)	$ 93,101,915	$ 1,304,876	$ 154,143,756
Net income						8,587,009		8,587,009
Other comprehensive income							598,060	598,060
Purchase of Company s common shares at cost, 11,298 shares			(3,188,770)					(3,188,770)
Reclassification of treasury stock per Louisiana law	(20,302)	(20,282,138)	31,761,661			(11,459,221)		
Cash dividends declared, $0.23 per share						(1,583,379)		(1,583,379)
Exercise of stock options	2,466	2,843,499						2,845,965
Restricted stock vesting		(16,042)			22,490			6,448
ESOP shares released for allocation		459,391		267,810				727,201
Share-based compensation cost		149,816						149,816
Balance, September 30, 2015	$ 72,252	$ 76,486,634	$	$ (4,641,940)	$ (180,100)	$ 88,646,324	$ 1,902,936	$ 162,286,106
Balance, December 31, 2015[1]	$ 72,399	$ 76,948,914	$	$ (4,552,670)	$ (158,590)	$ 91,864,543	$ 871,758	$ 165,046,354

Net income						11,726,282		11,726,282
Other comprehensive income							732,262	732,262
Purchase of Company s common shares at cost, 12,091 shares	(126)	(125,944)				(223,814)		(349,884)
Cash dividends declared, $0.32 per share						(2,109,789)		(2,109,789)
Exercise of stock options	902	1,175,117						1,176,019
ESOP shares released for allocation		591,341		267,810				859,151
Restricted stock vesting	44	(3,083)			16,849			13,810
Share-based compensation cost		267,413						267,413
Balance, September 30, 2016	$ 73,219	$ 78,853,758	$	$ (4,284,860)	$ (141,741)	$ 101,257,222	$ 1,604,020	$ 177,361,618

(1) Balances as of December 31, 2014 and December 31, 2015 are audited.

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

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HOME BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	For the Nine Months Ended September 30, 2016	2015
Cash flows from operating activities, net of effect of acquisition:		
Net income	$ 11,726,282	$ 8,587,009
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	2,700,000	1,401,290
Depreciation	1,334,181	1,331,635
Amortization of purchase accounting valuations and intangibles	2,409,426	3,273,960
Net amortization of mortgage servicing asset	190,558	101,231
Federal Home Loan Bank stock dividends	(63,200)	(7,300)
Net amortization of premium on investments	1,185,643	1,146,875
Gain on sale of investment securities, net		(3,053)
Gain on loans sold, net	(1,205,815)	(1,119,392)
Proceeds, including principal payments, from loans held for sale	119,140,089	106,889,999
Originations of loans held for sale	(122,926,413)	(108,424,058)
Non-cash compensation	994,511	726,982
Deferred income tax provision (benefit)	809,823	(175,272)
(Increase) decrease in interest receivable and other assets	(1,211,900)	7,592,246
Increase in cash surrender value of bank-owned life insurance	(361,298)	(380,410)
(Decrease) increase in accrued interest payable and other liabilities	(4,893,141)	8,197,772
Net cash provided by operating activities	9,828,746	29,139,514
Cash flows from investing activities, net of effect of acquisition:		
Purchases of securities available for sale	(21,751,932)	(18,713,313)
Purchases of securities held to maturity		(2,927,988)
Proceeds from maturities, prepayments and calls on securities available for sale	27,705,751	22,432,941
Proceeds from maturities, prepayments and calls on securities held to maturity	235,000	
Proceeds from sales of securities available for sale		16,694,015
Net change in loans	(10,845,158)	(24,444,345)
Reimbursement from FDIC for covered assets	51,128	403,866
Decrease in interest bearing deposits in other banks	3,014,585	245,000
Proceeds from sale of repossessed assets	883,798	2,135,948
Purchases of office properties and equipment	(3,399,917)	(578,097)
Proceeds from sale of properties and equipment	4,335,095	1,309,339
Net cash disbursed in business combination		(56,404,340)
Purchases of Federal Home Loan Bank stock		(4,751,000)
Proceeds from redemption of Federal Home Loan Bank stock		2,444,900

Net cash provided by (used in) investing activities	228,350	(62,153,074)
Cash flows from financing activities, net of effect of acquisition:		
(Decrease) increase in deposits	(23,308,435)	19,400,716
Borrowings on Federal Home Loan Bank advances	2,496,429,496	2,060,550,000
Repayments of Federal Home Loan Bank advances	(2,482,629,802)	(2,030,550,000)
Decrease in securities sold under repurchase agreements		(20,000,000)
Purchase of Company s common stock	(349,884)	(3,188,770)
Proceeds from exercise of stock options	1,066,800	2,845,965
Payment of dividends on common stock	(2,109,790)	(1,583,379)
Net cash (used in) provided by financing activities	(10,901,615)	27,474,532
Net change in cash and cash equivalents	(844,519)	(5,539,028)
Cash and cash equivalents at beginning of year	24,797,599	29,077,907
Cash and cash equivalents at end of period	$ 23,953,080	$ 23,538,879

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 three-month and nine-month periods ended September 30, 2016 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, 2015.

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.

Certain amounts reported in prior periods have been reclassified to conform to the current period presentation. Such reclassifications had no effect on previously reported shareholders equity or net income.

2. Recent Accounting Pronouncements

In January 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities . The ASU amendments include changes related to how certain equity investments are measured, recognize changes in the fair value of certain financial liabilities measured under the fair value option, and disclose and present financial assets and liabilities on the Company s consolidated financial statements. Additionally, the ASU will also require entities to present financial assets and financial liabilities separately, grouped by measurement category and form of financial asset in the statement of financial position or in the accompanying notes to the financial statements. Entities will also no longer have to disclose the methods and significant assumptions for financial instruments measured at amortized cost, but will be required to measure such instruments under the exit price notion for disclosure purposes. The ASU is effective for annual and interim periods beginning after December 15, 2017. The adoption of this ASU is not expected to have a material effect on our Consolidated Financial Statements.

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. A lessee would 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 adoption of this ASU is not expected to have a material effect on our Consolidated Financial Statements.

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In March 2016, the FASB issued ASU 2016-09, Improvements to Employee Share-Based Payment Accounting . The ASU amends the codification to simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification in the statement of cash flows. This ASU is effective for annual and interim periods beginning after December 15, 2016, with early adoption permitted. The Company is currently evaluating the impact of the adoption of this guidance on our Consolidated Financial Statements.

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 collectibility 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 available-for-sale 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 planning for the implementation of this accounting standard. It is too early to assess the impact that this guidance will have on our Consolidated Financial Statements.

3. Investment Securities

Summary information regarding the Company s investment securities classified as available for sale and held to maturity as of September 30, 2016 and December 31, 2015 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, 2016					
Available for sale:					
U.S. agency mortgage-backed	$ 132,206	$ 1,925	$ 81	$ 113	$ 133,937
Non-U.S. agency mortgage-backed	5,370	41	1	47	5,363
Municipal bonds	21,292	555	1		21,846

U.S. government agency	9,657	190			9,847
Total available for sale	$ 168,525	$ 2,711	$ 83	$ 160	$ 170,993
Held to maturity:					
Municipal bonds	$ 13,448	$ 288	$	$	$ 13,736

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(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, 2015					
Available for sale:					
U.S. agency mortgage-backed	$ 134,748	$ 1,464	$ 287	$ 447	$ 135,478
Non-U.S. agency mortgage-backed	6,055	51		41	6,065
Municipal bonds	22,453	490	10		22,933
U.S. government agency	12,166	145	25		12,286
Total available for sale	$ 175,422	$ 2,150	$ 322	$ 488	$ 176,762
Held to maturity:					
Municipal bonds	$ 13,927	$ 239	$ 45	$	$ 14,121

The estimated fair value and amortized cost by contractual maturity of the Company s investment securities as of September 30, 2016 are shown in the following tables. Securities are classified according to their contractual maturities without consideration of principal amortization, potential prepayments or call options. The expected maturity of a security may differ from its contractual maturity because of prepayments or the exercise of call options. Accordingly, actual maturities may differ from contractual maturities.

(dollars in thousands)	One Year or Less	One Year to Five Years	Five to Ten Years	Over Ten Years	Total
Fair Value					
Securities available for sale:					
U.S. agency mortgage-backed	$ 65	$ 4,778	$ 35,022	$ 94,072	$ 133,937
Non-U.S. agency mortgage-backed				5,363	5,363
Municipal bonds	1,890	10,203	8,931	822	21,846
U.S. government agency		6,105		3,742	9,847
Total available for sale	$ 1,955	$ 21,086	$ 43,953	$ 103,999	$ 170,993
Securities held to maturity:					
Municipal bonds	$	$ 2,774	$ 8,182	$ 2,780	$ 13,736
Total investment securities	$ 1,955	$ 23,860	$ 52,135	$ 106,779	$ 184,729

(dollars in thousands)	One Year or Less	One Year to Five Years	Five to Ten Years	Over Ten Years	Total

Amortized Cost					
Securities available for sale:					
U.S. agency mortgage-backed	$ 63	$ 4,722	$ 34,551	$ 92,870	$ 132,206
Non-U.S. agency mortgage-backed				5,370	5,370
Municipal bonds	1,885	9,960	8,686	761	21,292
U.S. government agency		5,991		3,666	9,657
Total available for sale	$ 1,948	$ 20,673	$ 43,237	$ 102,667	$ 168,525
Securities held to maturity:					
Municipal bonds	$	$ 2,745	$ 7,946	$ 2,757	$ 13,448
Total investment securities	$ 1,948	$ 23,418	$ 51,183	$ 105,424	$ 181,973

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

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

As of September 30, 2016, 26 of the Company s debt securities had unrealized losses totaling 0.7% of the individual securities amortized cost basis and 0.1% of the Company s total amortized cost basis of the investment securities portfolio. At such date, 10 of the 26 securities had been in a continuous loss position for over 12 months. The 10 securities had an aggregate amortized cost basis of $24.3 million and unrealized loss of $83,000 at September 30, 2016. Management has the intent and ability to hold these debt securities until maturity, or until anticipated recovery; hence, no declines in these 10 securities were deemed to be other-than-temporary at September 30, 2016.

As of September 30, 2016 and December 31, 2015, the Company had $89,360,000 and $94,661,000, 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 September 30,		Nine Months Ended September 30,	
(in thousands, except per share data)	**2016**	**2015**	**2016**	**2015**
Numerator:				
Net income available to common shareholders	$ 4,360	$ 2,899	$ 11,726	$ 8,587
Denominator:				
Weighted average common shares outstanding	6,872	6,743	6,824	6,690
Effect of dilutive securities:				
Restricted stock	4	5	4	4
Stock options	248	275	260	292
Weighted average common shares outstanding assuming dilution	7,124	7,023	7,088	6,986
Basic earnings per common share	$ 0.63	$ 0.43	$ 1.72	$ 1.28
Diluted earnings per common share	$ 0.61	$ 0.41	$ 1.65	$ 1.23

Options on 91,372 and 52,258 shares of common stock were not included in the computation of diluted earnings per share for the three months ended September 30, 2016 and September 30, 2015, respectively, because the effect of these shares was anti-dilutive. Options on 64,549 and 39,177 shares of common stock were not included in the computation of diluted earnings per share for the nine months ended September 30, 2016 and September 30, 2015, 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 our acquisitions of certain assets and liabilities of Statewide Bank (Statewide) of Covington, Louisiana, on March 12, 2010, and the acquisitions of GS Financial Corp. (GSFC), the former holding company of Guaranty Savings Bank of Metairie, Louisiana, on July 15, 2011, Britton & Koontz Capital Corporation (Britton & Koontz), the former holding company of Britton & Koontz Bank, N.A. (Britton & Koontz Bank) of Natchez, Mississippi on February 14, 2014, and Louisiana Bancorp, Inc. (Louisiana Bancorp), the former holding company of Bank of New Orleans (BNO) of Metairie, Louisiana on September 15, 2015 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.

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

	As of September 30, 2016			
	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	$ 1,375	$ 29	$ 100	$ 1,504
Home equity loans and lines	662		74	736
Commercial real estate	3,972	64		4,036
Construction and land	1,671		74	1,745
Multi-family residential	342			342
Commercial and industrial	2,628	547	123	3,298
Consumer	532			532
Total allowance for loan losses	$ 11,182	$ 640	$ 371	$ 12,193

	As of September 30, 2016			
	Originated Loans			
(dollars in thousands)	Collectively Evaluated for Impairment	Individually Evaluated for Impairment	Acquired Loans(1)	Total
Recorded investment in loans:				
One- to four-family first mortgage	$ 176,137	$ 75	$ 176,881	$ 353,093
Home equity loans and lines	48,364		44,944	93,308
Commercial real estate	311,551	619	110,265	422,435
Construction and land	132,976		2,286	135,262
Multi-family residential	25,776		21,000	46,776
Commercial and industrial	127,060	3,554	8,247	138,861
Consumer	42,041		1,594	43,635
Total loans	$ 863,905	$ 4,248	$ 365,217	$ 1,233,370

	As of December 31, 2015			
	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	$ 1,338	$ 34	$ 92	$ 1,464
Home equity loans and lines	536		224	760

Commercial real estate	3,066	86		3,152
Construction and land	1,360		57	1,417
Multi-family residential	173			173
Commercial and industrial	1,977	33		2,010
Consumer	571			571
Total allowance for loan losses	$ 9,021	$ 153	$ 373	$ 9,547

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	As of December 31, 2015			
	Originated Loans			
(dollars in thousands)	Collectively Evaluated for Impairment	Individually Evaluated for Impairment	Acquired Loans[1]	Total
Recorded investment in loans:				
One- to four-family first mortgage	$ 165,774	$ 78	$ 205,386	$ 371,238
Home equity loans and lines	40,251		53,809	94,060
Commercial real estate	285,856	181	119,342	405,379
Construction and land	129,035		7,768	136,803
Multi-family residential	14,962		28,901	43,863
Commercial and industrial	115,360	707	9,041	125,108
Consumer	45,641		2,274	47,915
Total loans	$ 796,879	$ 966	$ 426,521	$ 1,224,366

(1) $15.9 million and $20.0 million in acquired loans were deemed to be acquired impaired loans and were accounted for under ASC 310-30 at September 30, 2016 and December 31, 2015, respectively.

A summary of activity in the allowance for loan losses during the nine months ended September 30, 2016 and September 30, 2015 follows.

	For the Nine Months Ended September 30, 2016				
(dollars in thousands)	Beginning Balance	Charge-offs	Recoveries	Provision	Ending Balance
Originated loans:					
Allowance for loan losses:					
One- to four-family first mortgage	$ 1,372	$	$	$ 32	$ 1,404
Home equity loans and lines	536	(9)	2	133	662
Commercial real estate	3,152		1	883	4,036
Construction and land	1,360		51	260	1,671
Multi-family residential	173			169	342
Commercial and industrial	2,010	(128)	43	1,250	3,175
Consumer	571	(112)	4	69	532
Total allowance for loan losses	$ 9,174	$ (249)	$ 101	$ 2,796	$ 11,822
Acquired loans:					
Allowance for loan losses:					
One- to four-family first mortgage	$ 92	$	$	$ 8	$ 100
Home equity loans and lines	224			(150)	74
Commercial real estate					
Construction and land	57			17	74
Multi-family residential					
Commercial and industrial			94	29	123

Consumer					
Total allowance for loan losses	$ 373	$	$ 94	$ (96)	$ 371
Total loans:					
Allowance for loan losses:					
One- to four-family first mortgage	$ 1,464	$	$	$ 40	$ 1,504
Home equity loans and lines	760	(9)	2	(17)	736
Commercial real estate	3,152		1	883	4,036
Construction and land	1,417		51	277	1,745
Multi-family residential	173			169	342
Commercial and industrial	2,010	(128)	137	1,279	3,298
Consumer	571	(112)	4	69	532
Total allowance for loan losses	$ 9,547	$ (249)	$ 195	$ 2,700	$ 12,193

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(dollars in thousands)	For the Nine Months Ended September 30, 2015 Beginning Balance	Charge-offs	Recoveries	Provision	Ending Balance
Originated loans:					
Allowance for loan losses:					
One- to four-family first mortgage	$ 1,136	$	$ 30	$ 203	$ 1,369
Home equity loans and lines	442	(14)	5	105	538
Commercial real estate	2,922		1	226	3,149
Construction and land	968			218	1,186
Multi-family residential	192				192
Commercial and industrial	1,161	(133)	111	394	1,533
Consumer	521	(79)	1	134	577
Total allowance for loan losses	$ 7,342	$ (226)	$ 148	$ 1,280	$ 8,544
Acquired loans:					
Allowance for loan losses:					
One- to four-family first mortgage	$ 174	$ (42)	$	$ (39)	$ 93
Home equity loans and lines	111			125	236
Commercial real estate					
Construction and land	133	(109)		35	59
Multi-family residential					
Commercial and industrial					
Consumer					
Total allowance for loan losses	$ 418	$ (151)	$	$ 121	$ 388
Total loans:					
Allowance for loan losses:					
One- to four-family first mortgage	$ 1,310	$ (42)	$ 30	$ 164	$ 1,462
Home equity loans and lines	553	(14)	5	230	774
Commercial real estate	2,922		1	226	3,149
Construction and land	1,101	(109)		253	1,245
Multi-family residential	192				192
Commercial and industrial	1,161	(133)	111	394	1,533
Consumer	521	(79)	1	134	577
Total allowance for loan losses	$ 7,760	$ (377)	$ 148	$ 1,401	$ 8,932

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

(dollars in thousands)	September 30, 2016 Pass	Special Mention	Substandard	Doubtful	Total
Originated loans:					
One- to four-family first mortgage	$ 174,806	$ 291	$ 1,115	$	$ 176,212

Home equity loans and lines	47,016	407	941		48,364
Commercial real estate	299,625	951	11,594		312,170
Construction and land	132,318		658		132,976
Multi-family residential	25,776				25,776
Commercial and industrial	114,783	5,346	10,485		130,614
Consumer	41,503	105	433		42,041
Total originated loans	$ 835,827	$ 7,100	$ 25,226	$	$ 868,153

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	September 30, 2016				
(dollars in thousands)	Pass	Special Mention	Substandard	Doubtful	Total
Acquired loans:					
One- to four-family first mortgage	$ 173,657	$ 265	$ 2,959	$	$ 176,881
Home equity loans and lines	44,762	49	133		44,944
Commercial real estate	104,399	4,191	1,675		110,265
Construction and land	1,620	103	563		2,286
Multi-family residential	20,082	5	913		21,000
Commercial and industrial	4,844		3,403		8,247
Consumer	1,541	31	22		1,594
Total acquired loans	$ 350,905	$ 4,644	$ 9,668	$	$ 365,217
Total:					
One- to four-family first mortgage	$ 348,463	$ 556	$ 4,074	$	$ 353,093
Home equity loans and lines	91,778	456	1,074		93,308
Commercial real estate	404,024	5,142	13,269		422,435
Construction and land	133,938	103	1,221		135,262
Multi-family residential	45,858	5	913		46,776
Commercial and industrial	119,627	5,346	13,888		138,861
Consumer	43,044	136	455		43,635
Total loans	$ 1,186,732	$ 11,744	$ 34,894	$	$ 1,233,370

	December 31, 2015				
(dollars in thousands)	Pass	Special Mention	Substandard	Doubtful	Total
Originated loans:					
One- to four-family first mortgage	$ 163,835	$ 439	$ 1,578	$	$ 165,852
Home equity loans and lines	39,736	394	121		40,251
Commercial real estate	282,963	988	2,086		286,037
Construction and land	127,929		1,106		129,035
Multi-family residential	14,962				14,962
Commercial and industrial	113,108	585	2,374		116,067
Consumer	45,133	38	470		45,641
Total originated loans	$ 787,666	$ 2,444	$ 7,735	$	$ 797,845
Acquired loans:					
One- to four-family first mortgage	$ 200,966	$ 791	$ 3,629	$	$ 205,386
Home equity loans and lines	53,352	20	437		53,809
Commercial real estate	112,802	4,085	2,455		119,342
Construction and land	4,573	1,819	1,376		7,768
Multi-family residential	27,931	12	958		28,901
Commercial and industrial	7,071	1,191	779		9,041
Consumer	2,160	51	63		2,274

Total acquired loans	$ 408,855	$ 7,969	$ 9,697	$	$ 426,521
Total:					
One- to four-family first mortgage	$ 364,801	$ 1,230	$ 5,207	$	$ 371,238
Home equity loans and lines	93,088	414	558		94,060
Commercial real estate	395,765	5,073	4,541		405,379
Construction and land	132,502	1,819	2,482		136,803
Multi-family residential	42,893	12	958		43,863
Commercial and industrial	120,179	1,776	3,153		125,108
Consumer	47,293	89	533		47,915
Total loans	$ 1,196,521	$ 10,413	$ 17,432	$	$ 1,224,366

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

Pass loans are of satisfactory quality.

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

Substandard loans have an existing specific and well-defined weakness that may include poor liquidity and deterioration of financial performance. Such loans may be past due and related deposit accounts experiencing overdrafts. Immediate corrective action is necessary.

Doubtful loans have specific weaknesses that are severe enough to make collection or liquidation in full highly questionable and improbable.

In addition, residential loans are classified using an inter-agency regulatory methodology that incorporates the extent of delinquencies and loan-to-value ratios. These classifications were the most current available as of the dates indicated and were generally updated within the quarter.

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

	September 30, 2016					
(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	$ 1,813	$ 30	$ 226	$ 2,069	$ 174,143	$ 176,212
Home equity loans and lines	247		1	248	48,116	48,364
Commercial real estate			282	282	311,888	312,170
Construction and land	796	108	87	991	131,985	132,976
Multi-family residential					25,776	25,776
Total real estate loans	2,856	138	596	3,590	691,908	695,498
Other loans:						
Commercial and industrial	131	33	1,367	1,531	129,083	130,614
Consumer	668	137	253	1,058	40,983	42,041
Total other loans	799	170	1,620	2,589	170,066	172,655

Total originated loans	$ 3,655	$ 308	$ 2,216	$ 6,179	$ 861,974	$ 868,153
Acquired loans:						
Real estate loans:						
One- to four-family first mortgage	$ 3,573	$ 661	$ 1,753	$ 5,987	$ 170,894	$ 176,881
Home equity loans and lines	95	55	103	253	44,691	44,944
Commercial real estate	7		1,403	1,410	108,855	110,265
Construction and land	18	29		47	2,239	2,286
Multi-family residential					21,000	21,000
Total real estate loans	3,693	745	3,259	7,697	347,679	355,376
Other loans:						
Commercial and industrial	105			105	8,142	8,247
Consumer	3	7	11	21	1,573	1,594
Total other loans	108	7	11	126	9,715	9,841
Total acquired loans	$ 3,801	$ 752	$ 3,270	$ 7,823	$ 357,394	$ 365,217

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(dollars in thousands)	September 30, 2016 30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current Loans	Total Loans
Total loans:						
Real estate loans:						
One- to four-family first mortgage	$ 5,386	$ 691	$ 1,979	$ 8,056	$ 345,037	$ 353,093
Home equity loans and lines	342	55	104	501	92,807	93,308
Commercial real estate	7		1,685	1,692	420,743	422,435
Construction and land	814	137	87	1,038	134,224	135,262
Multi-family residential					46,776	46,776
Total real estate loans	6,549	883	3,855	11,287	1,039,587	1,050,874
Other loans:						
Commercial and industrial	236	33	1,367	1,636	137,225	138,861
Consumer	671	144	264	1,079	42,556	43,635
Total other loans	907	177	1,631	2,715	179,781	182,496
Total loans	$ 7,456	$ 1,060	$ 5,486	$ 14,002	$ 1,219,368	$ 1,233,370

(dollars in thousands)	December 31, 2015 30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current Loans	Total Loans
Originated loans:						
Real estate loans:						
One- to four-family first mortgage	$ 2,174	$ 435	$ 890	$ 3,499	$ 162,353	$ 165,852
Home equity loans and lines	87		121	208	40,043	40,251
Commercial real estate	438		602	1,040	284,997	286,037
Construction and land	117		87	204	128,831	129,035
Multi-family residential					14,962	14,962
Total real estate loans	2,816	435	1,700	4,951	631,186	636,137
Other loans:						
Commercial and industrial	411	15	707	1,133	114,934	116,067
Consumer	533	277	358	1,168	44,473	45,641
Total other loans	944	292	1,065	2,301	159,407	161,708
Total originated loans	$ 3,760	$ 727	$ 2,765	$ 7,252	$ 790,593	$ 797,845

Acquired loans:						
Real estate loans:						
One- to four-family first mortgage	$ 1,976	$ 885	$ 2,582	$ 5,443	$ 199,943	$ 205,386
Home equity loans and lines	327	40	317	684	53,125	53,809
Commercial real estate	140	6	1,441	1,587	117,755	119,342
Construction and land	592	7	48	647	7,121	7,768
Multi-family residential		14	12	26	28,875	28,901
Total real estate loans	3,035	952	4,400	8,387	406,819	415,206
Other loans:						
Commercial and industrial	14	7	429	450	8,591	9,041
Consumer	64	4	48	116	2,158	2,274
Total other loans	78	11	477	566	10,749	11,315
Total acquired loans	$ 3,113	$ 963	$ 4,877	$ 8,953	$ 417,568	$ 426,521

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(dollars in thousands)	December 31, 2015 30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current Loans	Total Loans
Total loans:						
Real estate loans:						
One- to four-family first mortgage	$ 4,150	$ 1,320	$ 3,472	$ 8,942	$ 362,296	$ 371,238
Home equity loans and lines	414	40	438	892	93,168	94,060
Commercial real estate	578	6	2,043	2,627	402,752	405,379
Construction and land	709	7	135	851	135,952	136,803
Multi-family residential		14	12	26	43,837	43,863
Total real estate loans	5,851	1,387	6,100	13,338	1,038,005	1,051,343
Other loans:						
Commercial and industrial	425	22	1,136	1,583	123,525	125,108
Consumer	597	281	406	1,284	46,631	47,915
Total other loans	1,022	303	1,542	2,867	170,156	173,023
Total loans	$ 6,873	$ 1,690	$ 7,642	$ 16,205	$ 1,208,161	$ 1,224,366

Excluding Acquired Loans with deteriorated credit quality, as of September 30, 2016 and December 31, 2015, the Company did not have any loans greater than 90 days past due and accruing.

The following is a summary of information pertaining to Originated Loans which were deemed to be impaired loans as of the dates indicated.

(dollars in thousands)	As of Period Ended September 30, 2016 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					
Commercial real estate					
Construction and land					
Multi-family residential					
Commercial and industrial					
Consumer					
Total	$	$	$	$	$
With an allowance recorded:					
One- to four-family first mortgage	$ 75	$ 81	$ 28	$ 79	$ 4

Home equity loans and lines					
Commercial real estate	619	650	64	375	17
Construction and land					
Multi-family residential					
Commercial and industrial	3,554	3,593	547	1,290	149
Consumer					
Total	$ 4,248	$ 4,324	$ 639	$ 1,744	$ 170
Total impaired Originated Loans:					
One- to four-family first mortgage	$ 75	$ 81	$ 28	$ 79	$ 4
Home equity loans and lines					
Commercial real estate	619	650	64	375	17
Construction and land					
Multi-family residential					
Commercial and industrial	3,554	3,593	547	1,290	149
Consumer					
Total	$ 4,248	$ 4,324	$ 639	$ 1,744	$ 170

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	As of Period Ended December 31, 2015				
(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	$	$	$	$ 72	$
Home equity loans and lines					
Commercial real estate					
Construction and land					
Multi-family residential					
Commercial and industrial				213	
Consumer					
Total	$	$	$	$ 285	$
With an allowance recorded:					
One- to four-family first mortgage	$ 78	$ 78	$ 34	$ 6	$ 5
Home equity loans and lines					
Commercial real estate	181	181	86	461	11
Construction and land					
Multi-family residential					
Commercial and industrial	707	707	33	729	39
Consumer					
Total	$ 966	$ 966	$ 153	$ 1,196	$ 55
Total impaired Originated Loans:					
One- to four-family first mortgage	$ 78	$ 78	$ 34	$ 78	$ 5
Home equity loans and lines					
Commercial real estate	181	181	86	461	11
Construction and land					
Multi-family residential					
Commercial and industrial	707	707	33	942	39
Consumer					
Total	$ 966	$ 966	$ 153	$ 1,481	$ 55

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

	September 30, 2016			December 31, 2015		
(dollars in thousands)	Originated	Acquired(1)	Total	Originated	Acquired(1)	Total
Nonaccrual loans:						
One- to four-family first mortgage	$ 553	$ 622	$ 1,175	$ 928	$ 530	$ 1,458
Home equity loans and lines	941	95	1,036	121	139	260
Commercial real estate	4,737	419	5,156	1,671	1,013	2,684
Construction and land	87		87	86	69	155

Multi-family residential					763	763
Commercial and industrial	10,404	321	10,725	2,374	84	2,458
Consumer	433		433	471	6	477
Total	$ 17,155	$ 1,457	$ 18,612	$ 5,651	$ 2,604	$ 8,255

(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 $2.6 million and $4.0 million as of September 30, 2016 and December 31, 2015, respectively.

As of September 30, 2016, the Company had no outstanding commitments to lend additional funds to any customer whose loan was classified as impaired.

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Troubled Debt Restructurings

During the course of its lending operations, the Company may periodically grant 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 s loan to alleviate the burden of the customer s near-term cash requirements. In order to be considered a troubled debt restructuring (TDR), the Company must conclude that the restructuring of a loan to a borrower who is experiencing financial difficulties constitutes a concession . The Company defines a concession as a modification of existing terms granted to a borrower for economic or legal reasons related to the borrower s financial difficulties that the Company would otherwise not consider. The concession is either granted through an agreement with the customer or is imposed by a court or by a law. Concessions include modifying original loan terms to reduce or defer cash payments required as part of the loan agreement, including but not limited to:

- a reduction of the stated interest rate for the remaining original life of the debt,
- an extension of the maturity date or dates at an interest rate lower than the current market rate for new debt with similar risk characteristics,
- a reduction of the face amount or maturity amount of the debt, or
- a reduction of accrued interest receivable on the debt.

In its determination of whether the customer is experiencing financial difficulties, the Company considers numerous indicators, including, but not limited to:

- whether the customer is currently in default on its existing loan, or is in an economic position where it is probable the customer will be in default on its loan in the foreseeable future without a modification,
- whether the customer has declared or is in the process of declaring bankruptcy,
- whether there is substantial doubt about the customer s ability to continue as a going concern,
- whether, based on its projections of the customer s current capabilities, the Company believes the customer s future cash flows will be insufficient to service the debt, including interest, in accordance with the contractual terms of the existing agreement for the foreseeable future, and
- whether, without modification, the customer cannot obtain sufficient funds from other sources at an effective interest rate equal to the current market rate for similar debt for a non-troubled debtor.

If the Company concludes that both a concession has been granted and the concession was granted to a customer experiencing financial difficulties, the Company identifies the loan as a TDR. For purposes of the determination of an allowance for loan losses on TDRs, such loans are reviewed for specific impairment in accordance with the Company s allowance for loan loss methodology. If it is determined that losses are probable on such TDRs, either because of delinquency or other credit quality indicators, the Company specifically allocates a portion of the allowance for loan losses to these loans.

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

	As of September 30, 2016			
(dollars in thousands)	**Current**	**Past Due Greater Than 30 Days and Accruing**	**Nonaccrual TDRs**	**Total TDRs**
Originated loans:				
Real estate loans:				
One- to four-family first mortgage	$ 277	$	$ 309	$ 586
Home equity loans and lines	335		931	1,266
Commercial real estate	104		1,914	2,018
Construction and land	211		87	298
Multi-family residential				
Total real estate loans	927		3,241	4,168

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	As of September 30, 2016			
(dollars in thousands)	**Current**	**Past Due Greater Than 30 Days and Accruing**	**Nonaccrual TDRs**	**Total TDRs**
Other loans:				
Commercial and industrial			2,895	2,895
Consumer			181	181
Total other loans			3,076	3,076
Total originated loans	$ 927	$	$ 6,317	$ 7,244
Acquired loans:				
Real estate loans:				
One- to four-family first mortgage	$ 378	$ 12	$ 62	$ 452
Home equity loans and lines				
Commercial real estate	289	860		1,149
Construction and land				
Multi-family residential				
Total real estate loans	667	872	62	1,601
Other loans:				
Commercial and industrial	1,884		321	2,205
Consumer				
Total other loans	1,884		321	2,205
Total acquired loans	$ 2,551	$ 872	$ 383	$ 3,806
Total loans:				
Real estate loans:				
One- to four-family first mortgage	$ 655	$ 12	$ 371	$ 1,038
Home equity loans and lines	335		931	1,266
Commercial real estate	393	860	1,914	3,167
Construction and land	211		87	298
Multi-family residential				
Total real estate loans	1,594	872	3,303	5,769
Other loans:				
Commercial and industrial	1,884		3,216	5,100
Consumer			181	181
Total other loans	1,884		3,397	5,281

Total loans	$ 3,478	$ 872	$ 6,700	$ 11,050

	As of December 31, 2015			
(dollars in thousands)	**Current**	**Past Due Greater Than 30 Days and Accruing**	**Nonaccrual TDRs**	**Total TDRs**
Originated loans:				
Real estate loans:				
One- to four-family first mortgage	$ 281	$	$ 38	$ 319
Home equity loans and lines	383		3	386
Commercial real estate	107		1,069	1,176
Construction and land			87	87
Multi-family residential				
Total real estate loans	771		1,197	1,968
Other loans:				
Commercial and industrial			2,374	2,374
Consumer	27		142	169
Total other loans	27		2,516	2,543
Total originated loans	$ 798	$	$ 3,713	$ 4,511

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	As of December 31, 2015			
(dollars in thousands)	**Current**	**Past Due Greater Than 30 Days and Accruing**	**Nonaccrual TDRs**	**Total TDRs**
Acquired loans:				
Real estate loans:				
One- to four-family first mortgage	$ 419	$ 88	$	$ 507
Home equity loans and lines				
Commercial real estate	316	876		1,192
Construction and land		52		52
Multi-family residential				
Total real estate loans	735	1,016		1,751
Other loans:				
Commercial and industrial				
Consumer				
Total other loans				
Total acquired loans	$ 735	$ 1,016	$	$ 1,751
Total loans:				
Real estate loans:				
One- to four-family first mortgage	$ 700	$ 88	$ 38	$ 826
Home equity loans and lines	383		3	386
Commercial real estate	423	876	1,069	2,368
Construction and land		52	87	139
Multi-family residential				
Total real estate loans	1,506	1,016	1,197	3,719
Other loans:				
Commercial and industrial			2,374	2,374
Consumer	27		142	169
Total other loans	27		2,516	2,543
Total loans	$ 1,533	$ 1,016	$ 3,713	$ 6,262

None of the above referenced TDRs defaulted subsequent to the restructuring through the date the financial statements were issued. The Company restructured, as a TDR, loans totaling $5.6 million during the third quarter of 2016.

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.

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.

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Recurring Basis

Investment Securities Available for Sale

Fair values of investment securities available for sale are primarily measured using information from a first-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 first-party pricing service, fair value is estimated by the use of secondary pricing services or through the use of non-binding first-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 September 30, 2016, management did not make adjustments to prices provided by the first-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 September 30, 2016 and December 31, 2015.

		Fair Value Measurements Using		
(dollars in thousands)	**September 30, 2016**	**Level 1**	**Level 2**	**Level 3**
Available for sale securities:				
U.S. agency mortgage-backed	$ 133,937	$	$ 133,937	$
Non-U.S. agency mortgage-backed	5,363		5,363	
Municipal bonds	21,846		21,846	
U.S. government agency	9,847		9,847	
Total	$ 170,993	$	$ 170,993	$

		Fair Value Measurements Using		
(dollars in thousands)	**December 31, 2015**	**Level 1**	**Level 2**	**Level 3**
Available for sale securities:				
U.S. agency mortgage-backed	$ 135,478	$	$ 135,478	$
Non-U.S. agency mortgage-backed	6,065		6,065	

Municipal bonds	22,933		22,933	
U.S. government agency	12,286		12,286	
Total	$ 176,762	$	$ 176,762	$

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

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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)	**September 30, 2016**	**Level 1**	**Level 2**	**Level 3**
Repossessed assets	$ 2,551	$	$	$ 2,551
Impaired loans	3,608			3,608
Total	$ 6,159	$	$	$ 6,159

		Fair Value Measurements Using		
(dollars in thousands)	**December 31, 2015**	**Level 1**	**Level 2**	**Level 3**
Repossessed assets	$ 3,128	$	$	$ 3,128
Impaired loans	813			813
Total	$ 3,941	$	$	$ 3,941

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 September 30, 2016					
Repossessed assets	$ 2,551	Third party appraisals, sales contracts, broker price opinions	Collateral discounts and estimated costs to sell	6% - 99%	52%
Impaired loans	$ 3,608	Third party appraisals and discounted cash flows	Collateral discounts and discount rates	0% - 100%	15%
As of December 31, 2015					
Repossessed assets	$ 3,128			6% - 96%	19%

		Third party appraisals, sales contracts, broker price opinions	Collateral discounts and estimated costs to sell		
Impaired loans	$ 813	Third party appraisals and discounted cash flows	Collateral discounts and discount rates	0% - 100%	15%

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ASC 820, *Fair Value Measurements and Disclosures*, requires the disclosure of each class of financial instruments for which it is practicable to estimate. The fair value of a financial instrument is the current amount that would be exchanged between willing parties, other than in a forced liquidation. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Company s various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. ASC 820 excludes certain financial instruments and all non-financial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented may not necessarily represent the underlying fair value of the Company.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial statements. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Fair value estimates included herein are based on existing on- and off-balance-sheet financial instruments without attempting to estimate the value of anticipated future business and the fair value of assets and liabilities that are not required to be recorded or disclosed at fair value like premises and equipment. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in the estimates.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

The carrying value of cash and cash equivalents and interest-bearing deposits in banks approximate their fair value.

The fair value for investment securities is determined from quoted market prices when available. If a quoted market price is not available, fair value is estimated using 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.

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.

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

(dollars in thousands)	Carrying Amount	Fair Value Measurements at September 30, 2016 Total	Level 1	Level 2	Level 3
Financial Assets					
Cash and cash equivalents	$ 23,953	$ 23,953	$ 23,953	$	$
Interest-bearing deposits in banks	2,129	2,129	2,129		
Investment securities available for sale	170,993	170,993		170,993	
Investment securities held to maturity	13,448	13,736		13,736	
Mortgage loans held for sale	10,643	10,643		10,643	
Loans, net	1,221,177	1,227,591			1,227,591
Cash surrender value of BOLI	20,028	20,028	20,028		
Financial Liabilities					
Deposits	$ 1,220,830	$ 1,221,708	$	$ 1,221,708	$
Short-term FHLB advances	59,200	59,200	59,200		
Long-term FHLB advances	79,629	80,319		80,319	

(dollars in thousands)	Carrying Amount	Fair Value Measurements at December 31, 2015 Total	Level 1	Level 2	Level 3
Financial Assets					
Cash and cash equivalents	$ 24,798	$ 24,798	$ 24,798	$	$
Interest-bearing deposits in banks	5,144	5,144	5,144		
Investment securities available for sale	176,762	176,762		176,762	
Investment securities held to maturity	13,927	14,121		14,121	
Mortgage loans held for sale	5,651	5,651		5,651	
Loans, net	1,214,818	1,216,370			1,216,370
Cash surrender value of BOLI	19,667	19,667	19,667		
Financial Liabilities					
Deposits	$ 1,244,217	$ 1,243,698	$	$ 1,243,698	$
Short-term FHLB advances	39,939	39,939	39,939		
Long-term FHLB advances	85,213	84,711		84,711	

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, 2015 through September 30, 2016 and on its results of operations for the three and nine months ended September 30, 2016 and September 30, 2015. 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.

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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, 2015. 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 third quarter of 2016, the Company earned $4.4 million, an increase of $1.5 million, or 50.4%, compared to the third quarter of 2015. Diluted earnings per share for the third quarter of 2016 were $0.61, an increase of $0.20, or 48.8%, compared to the third quarter of 2015. The third quarter of 2015 included merger-related expenses related to the Louisiana Bancorp, Inc. (Louisiana Bancorp) acquisition totaling $593,000 ($527,000, net of taxes). Excluding merger-related expenses, net income for the third quarter of 2016 increased 27.3% compared to the third quarter of 2015 (see the Non-GAAP Reconciliation on page 28). Excluding merger-related expenses, diluted earnings per share for the third quarter of 2016 increased 24.5% compared to the third quarter of 2015.

During the nine months ended September 30, 2016, the Company earned $11.7 million, an increase of $3.1 million, or 36.6%, compared to the nine months ended September 30, 2015. Diluted earnings per share for the nine months ended September 30, 2016 were $1.65, an increase of $0.42, or 34.1%, compared to the nine months ended September 30, 2015. The nine months ended September 30, 2016 and 2015 included merger-related expenses related to the Louisiana Bancorp acquisition totaling $856,000 and $848,000, respectively ($560,000 and $759,000, respectively, net of taxes). The nine months ended September 30, 2016 included a $641,000 gain on the sale of a banking center in the New Orleans market following the Louisiana Bancorp systems conversion. The nine months ended September 30, 2015 included a $492,000 loss on the sale of a banking center. Excluding merger-related expenses and the banking center gain and loss, net income for the nine months ended September 30, 2016 increased 22.8% compared to the nine months ended September 30, 2015. Excluding merger-related expenses and the banking center gain, diluted earnings per share for the nine months ended September 30, 2016 increased 20.1% compared to the nine months ended September 30, 2015.

Key components of the Company s performance during the three and nine months ended September 30, 2016 include:

Assets totaled $1.5 billion as of September 30, 2016, down $2.4 million, or 0.2%, from December 31, 2015.

Investment securities totaled $184.4 million as of September 30, 2016, a decrease of $6.2 million, or 3.3%, from December 31, 2015.

Loans as of September 30, 2016 were $1.2 billion, an increase of $9.0 million, or 0.7%, from December 31, 2015. Growth in originated loans of 8.1% was partially offset by paydowns in acquired loans.

Deposits as of September 30, 2016 were $1.2 billion, a decrease of $23.4 million, or 1.9%, from December 31, 2015. Core deposits (i.e., checking, savings, and money market accounts) totaled $957.0 million as of September 30, 2016, a decrease of $10.4 million, or 1.1%, from December 31, 2015.

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Interest income increased $2.4 million, or 16.8%, in the third quarter of 2016, compared to the third quarter of 2015. For the nine months ended September 30, 2016, interest income increased $9.4 million, or 22.9%, compared to the nine months ended September 30, 2015. Interest income increased primarily due to higher loan volume as a result of the Louisiana Bancorp acquisition late in the third quarter of 2015.

Interest expense increased $414,000, or 46.3%, in the third quarter of 2016 compared to the third quarter of 2015. For the nine months ended September 30, 2016, interest expense increased $1.4 million, or 56.0%, compared to the nine months ended September 30, 2015. Interest expense increased primarily due to a higher volume of interest-bearing liabilities as a result of the Louisiana Bancorp acquisition.

The provision for loan losses totaled $800,000 for the third quarter of 2016, an increase of $231,000, or 40.7%, compared to the third quarter of 2015. For the nine months ended September 30, 2016, the provision for loan losses totaled $2.7 million, an increase of $1.3 million, or 92.7%, from the nine months ended September 30, 2015. At September 30, 2016, the Company s ratio of the allowance for loan losses to total loans was 0.99%, compared to 0.74% at September 30, 2015. Excluding acquired loans, the ratio of the allowance for loan losses to total loans was 1.36% at September 30, 2016, compared to 1.12% at September 30, 2015. The Company recorded $54,000 in net loan charge-offs during the first nine months of 2016, compared to net loan charge-offs of $229,000 during the first nine months of 2015.

Noninterest income for the third quarter of 2016 increased $318,000, or 14.5%, compared to the third quarter of 2015. For the nine months ended September 30, 2016, noninterest income increased $2.2 million, or 35.1%, compared to the nine months ended September 30, 2015. The increases resulted primarily from the change in net gains and losses on sale of properties and equipment in addition to increased service fees and charges and bank card fees.

Noninterest expense for the third quarter of 2016 increased $121,000, or 1.2%, compared to the third quarter of 2015. Noninterest expense for the nine months ended September 30, 2016 increased $4.4 million, or 14.3%, compared to the nine months ended September 30, 2015. Noninterest expense included merger-related expenses related to the acquisition of Louisiana Bancorp totaling $593,000 for the third quarter of 2015, and $856,000 and $848,000 for the nine months ended September, 30, 2016 and September 30, 2015, respectively. Excluding merger-related expenses, noninterest expense increased $714,000, or 7.2%, for the third quarter of 2016 compared to the third quarter of 2015. Excluding merger-related expenses, noninterest expense increased $4.4 million, or 14.7%, for the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015. The increases in noninterest expense relate primarily to the growth of the Company due to the addition of Louisiana Bancorp branches and employees in the third quarter of 2015. The increases were partially offset by lower expenses on foreclosed assets (down $780,000 resulting from a $560,000 net gain on the sale of foreclosed assets and lower foreclosed asset expenses in the third quarter).

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This discussion and analysis contains financial information prepared other than in accordance with generally accepted accounting principles (GAAP). The Company uses these non-GAAP financial measures in its analysis of the Company s performance. Management believes that the non-GAAP information provides useful data in understanding the Company s operations and in comparing the Company s results of operation to peers. This non-GAAP information should be considered in addition to the Company s financial information prepared in accordance with GAAP, and is not a substitute for, or superior to, GAAP results. Reconciliation of GAAP to non-GAAP disclosures is included in the table below.

Non-GAAP Reconciliation

(dollars in thousands)	For the Three Months Ended September 30, 2016	For the Three Months Ended September 30, 2015	For the Nine Months Ended September 30, 2016	For the Nine Months Ended September 30, 2015
Reported noninterest expense	$ 10,643	$ 10,522	$ 34,839	$ 30,470
Less: Merger-related expenses		593	856	848
Non-GAAP noninterest expense	$ 10,643	$ 9,929	$ 33,983	$ 29,622
Reported noninterest income	$ 2,515	$ 2,197	$ 8,529	$ 6,315
Less: (Gain) loss on sale of banking centers			(641)	492
Non-GAAP noninterest income	$ 2,515	$ 2,197	$ 7,888	$ 6,807
Reported net income	$ 4,360	$ 2,899	$ 11,726	$ 8,587
Less: (Gain) loss on sale of banking centers, net of tax			(416)	320
Add: Merger-related expenses, net of tax		527	560	759
Non-GAAP net income	$ 4,360	$ 3,426	$ 11,870	$ 9,666
Diluted EPS	$ 0.61	$ 0.41	$ 1.65	$ 1.23
Less: (Gain) loss on sale of banking center			(0.06)	0.05
Add: Merger-related expenses		0.08	0.08	0.11
Non-GAAP diluted EPS	$ 0.61	$ 0.49	$ 1.67	$ 1.39

FINANCIAL CONDITION

Loans, Asset Quality and Allowance for Loan Losses

Loans Loans outstanding as of September 30, 2016 were $1.2 billion, an increase of $9.0 million, or 0.7%, from December 31, 2015. Growth in originated loans of 8.1% was partially offset by paydowns in acquired loans.

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

(dollars in thousands)	**September 30, 2016**	**December 31, 2015**	**Increase/(Decrease) Amount**	**Percent**
Real estate loans:				
One- to four-family first mortgage	$ 353,093	$ 371,238	$ (18,145)	(4.9)%
Home equity loans and lines	93,308	94,060	(752)	(0.8)
Commercial real estate	422,435	405,379	17,056	4.2
Construction and land	135,262	136,803	(1,541)	(1.1)
Multi-family residential	46,776	43,863	2,913	6.6
Total real estate loans	1,050,874	1,051,343	(469)	
Other loans:				
Commercial and industrial	138,861	125,108	13,753	11.0
Consumer	43,635	47,915	(4,280)	(8.9)
Total other loans	182,496	173,023	9,473	5.5
Total loans	$ 1,233,370	$ 1,224,366	$ 9,004	0.7%

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The aggregate outstanding balance of loans to borrowers in the energy sector totaled $34.8 million, or 2.8% of outstanding loans, at September 30, 2016. We also had unfunded loan commitments to borrowers in the energy sector amounting to $8.4 million at such date. At September 30, 2016, 92% of the balance of our energy-related loans were performing in accordance with their original loan agreements. Of the remaining 8%, or $2.1 million, had been restructured and were paying in accordance with the restructured terms at such date. The Company holds no shared national credits.

The following table illustrates the composition of the Company s direct energy-related loans at September 30, 2016.

(dollars in thousands)	Total	Percent
Real estate loans:		
Commercial real estate	$ 14,505	41.7%
Construction and land	406	1.2
Total real estate loans	14,911	42.9
Commercial and industrial:		
Equipment	6,623	19.0
Marine vessels	6,332	18.2
Accounts receivable	4,562	13.1
Unsecured	967	2.8
Other	1,375	4.0
Total commercial and industrial loans	19,859	57.1
Total energy-related loans	$ 34,770	100.0%

In addition to our energy exposure on direct energy related loans, given the effect of the energy sector on the overall economy in several of our markets, we also have indirect exposure in making loans to borrowers who are not themselves in the energy sector but whose customers include energy sector entities.

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. First party property valuations are obtained at the time the asset is repossessed and periodically until the property is liquidated. Repossessed assets are recorded at the lesser of the balance of the loan or fair value less estimated selling costs, at the date acquired or upon receiving new property valuations. Costs associated with acquiring and improving a foreclosed property are usually capitalized to the extent that the carrying value does not exceed fair value less estimated selling costs. Holding costs are charged to expense. Gains and losses on the sale of repossessed assets are charged to operations, as incurred.

An impaired loan generally is one for which it is probable, based on current information, that the lender will not collect all the amounts due under the contractual terms of the loan. Large groups of smaller balance, homogeneous loans are collectively evaluated for impairment. Loans collectively evaluated for impairment include smaller balance commercial loans, residential real estate loans and consumer loans. These loans are evaluated as a group because they have similar characteristics and performance experience. Larger (i.e., loans with balances of $100,000 or greater) commercial real estate loans, multi-family residential loans, construction and land loans and commercial and industrial loans are individually evaluated for impairment. First party property valuations are obtained at the time of origination for real estate secured loans. When a determination is made that a loan has deteriorated to the point of becoming a problem loan, updated valuations may be ordered to help determine if there is impairment, which may lead to a recommendation for partial charge off or appropriate allowance allocation. Property valuations are ordered through, and are reviewed by, an appraisal officer. The Company typically orders an as is valuation for collateral property if the loan is in a criticized loan classification. The Board of Directors is provided with monthly reports on impaired loans. As of September 30, 2016 and December 31, 2015, loans individually evaluated for impairment, excluding acquired loans, amounted to $4.2 million and $966,000, respectively. As of September 30, 2016 and December 31, 2015, acquired impaired loans, loans considered to have deteriorated credit quality at the time of acquisition, amounted to $15.9 million and $20.0 million, respectively. As of September 30, 2016 and December 31, 2015, substandard loans, excluding acquired loans, amounted to $25.2 million and $7.7 million, respectively. The amount of the allowance for loan losses allocated to impaired or substandard loans originated by Home Bank totaled $640,000 as of September 30, 2016 and $153,000 as of December 31, 2015. The amount of allowance for loan losses allocated to acquired loans totaled $371,000 and $373,000, respectively, at such dates. There were no assets classified as doubtful or loss as of September 30, 2016 or December 31, 2015.

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.

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

	September 30, 2016			December 31, 2015		
(dollars in thousands)	Originated	Acquired[1]	Total	Originated	Acquired[1]	Total
Nonaccrual loans:						
Real estate loans:						
One- to four-family first mortgage	$ 553	$ 622	$ 1,175	$ 928	$ 530	$ 1,458
Home equity loans and lines	941	95	1,036	121	139	260
Commercial real estate	4,737	419	5,156	1,671	1,013	2,684
Construction and land	87		87	86	69	155
Multi-family residential					763	763
Other loans:						
Commercial and industrial	10,404	321	10,725	2,374	84	2,458
Consumer	433		433	471	6	477
Total nonaccrual loans	17,155	1,457	18,612	5,651	2,604	8,255
Accruing loans 90 days or more past due						
Total nonperforming loans	17,155	1,457	18,612	5,651	2,604	8,255
Foreclosed assets	412	2,139	2,551	116	3,012	3,128
Total nonperforming assets	17,567	3,596	21,163	5,767	5,616	11,383
Performing troubled debt restructurings	927	522	1,449	798	492	1,290
Total nonperforming assets and troubled debt restructurings	$ 18,494	$ 4,118	$ 22,612	$ 6,565	$ 6,108	$ 12,673
Nonperforming loans to total loans			1.51%			0.67%
Nonperforming loans to total assets			1.20%			0.53%
Nonperforming assets to total assets			1.37%			0.73%

(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 $2.6 million and $4.0 million as of September 30, 2016 and December 31, 2015, respectively.

The Company recorded $54,000 net loan charge-offs during the quarter and nine months ended September 30, 2016. Net loan charge-offs for the quarter and nine months ended September 30, 2015 were $103,000 and $229,000, respectively.

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.

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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.

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 September 30, 2016 and December 31, 2015, $100,000 and $128,000, respectively, of our allowance for loan losses was allocated to acquired loans with deteriorated credit quality.

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

The following table presents the activity in the allowance for loan losses during the first nine months of 2016.

(dollars in thousands)	**Originated**	**Acquired**	**Total**
Balance, December 31, 2015	$ 9,174	$ 373	$ 9,547
Provision charged to operations	2,796	(96)	2,700
Loans charged off	(249)		(249)
Recoveries on charged off loans	101	94	195
Balance, September 30, 2016	$ 11,822	$ 371	$ 12,193

At September 30, 2016, the Company s ratio of allowance for loan losses to total loans was 0.99%, compared to 0.78% and 0.74% at December 31, 2015 and September 30, 2015, respectively. Excluding acquired loans, the ratio of allowance for loan losses to total loans was 1.36% at September 30, 2016, compared to 1.15% and 1.12% at December 31, 2015 and September 30, 2015, respectively, due primarily to the potential direct and indirect impact of continuing low energy prices.

The allowance for loan losses to loans ratio directly attributable to energy loans totaled 3.29% at September 30, 2016. Over the past nine months, the Company has increased its overall allowance for loan losses to loans ratio on originated loans from 1.15% at December 31, 2015 to 1.36% at September 30, 2016 due primarily to the potential direct and indirect adverse effect that low energy prices may have on the ability of our borrowers to repay their loans.

Investment Securities

The Company s investment securities portfolio totaled $184.4 million as of September 30, 2016, a decrease of $6.2 million, or 3.3%, from December 31, 2015. As of September 30, 2016, the Company had a net unrealized gain on its available for sale investment securities portfolio of $2.5 million, compared to $1.3 million as of December 31, 2015. The investment securities portfolio had a modified duration of 3.0 and 3.3 years at September 30, 2016 and December 31, 2015, respectively.

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The following table summarizes activity in the Company s investment securities portfolio during the first nine months of 2016.

(dollars in thousands)	Available for Sale	Held to Maturity
Balance, December 31, 2015	$ 176,762	$ 13,927
Purchases	21,752	
Sales		
Principal payments and calls	(27,706)	(236)
Accretion of discounts and amortization of premiums, net	(942)	(243)
Increase in market value	1,127	
Balance, September 30, 2016	$ 170,993	$ 13,448

Funding Sources

Deposits Deposits totaled $1.2 billion as of September 30, 2016 and December 31, 2015. Core deposits totaled $957.0 million as of September 30, 2016, a decrease of $10.4 million, or 1.1%, compared to December 31, 2015.

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

(dollars in thousands)	September 30, 2016	December 31, 2015	Increase (Decrease) Amount	Percent
Demand deposit	$ 289,835	$ 296,617	$ (6,782)	(2.3)%
Savings	110,150	109,393	757	0.7
Money market	257,125	293,637	(36,512)	(12.4)
NOW	299,880	267,707	32,173	12.0
Certificates of deposit	263,840	276,863	(13,023)	(4.7)
Total deposits	$ 1,220,830	$ 1,244,217	$ (23,387)	(1.9)%

Federal Home Loan Bank Advances Short-term FHLB advances increased $19.3 million, or 48.2%, from $40.0 million as of December 31, 2015 to $59.2 million as of September 30, 2016. Long-term FHLB advances totaled $79.6 million as of September 30, 2016, a decrease of $5.6 million, or 6.6%, compared December 31, 2015.

Shareholders Equity Shareholders equity increased $12.3 million, or 7.5%, from $165.0 million as of December 31, 2015 to $177.4 million as of September 30, 2016.

As of September 30, 2016, the Company and the Bank had regulatory capital 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 September 30, 2016 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.

(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
Company:								
Tier 1 risk-based capital	$ 164,243	13.89%	$ 78,341	6.625%	$ 100,513	8.50%	N/A	N/A
Total risk-based capital	176,436	14.92	101,991	8.625	124,163	10.50	N/A	N/A
Tier 1 leverage capital	164,243	10.79	60,866	4.00	60,866	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)	$ 148,085	12.52%	$ 60,603	5.125%	$ 82,774	7.00%	$ 76,862	6.50%
Tier 1 risk-based capital	148,085	12.52	78,340	6.625	100,512	8.50	94,599	8.00
Total risk-based capital	160,278	13.55	101,990	8.625	124,162	10.50	118,249	10.00
Tier 1 leverage capital	148,085	9.73	60,849	4.00	60,849	4.00	76,061	5.00

LIQUIDITY AND ASSET/LIABILITY MANAGEMENT

Liquidity Management

Liquidity management encompasses our ability to ensure that funds are available to meet the cash flow requirements of depositors and borrowers, while also ensuring adequate cash flow exists to meet the Company s needs, including operating, strategic and capital. The Company develops its liquidity management strategies as part of its overall asset/liability management process. Our primary sources of funds are from deposits, amortization of loans, loan prepayments and the maturity of loans, investment securities and other investments, and other funds provided from operations. While scheduled payments from the amortization of loans and investment securities and maturing investment securities are relatively predictable sources of funds, deposit flows and loan prepayments can be greatly influenced by general interest rates, economic conditions and competition. The Company also maintains excess funds in short-term, interest-bearing assets that provide additional liquidity. As of September 30, 2016, cash and cash equivalents totaled $24.0 million. At such date, investment securities available for sale totaled $171.0 million.

The Company uses its liquidity to fund existing and future loan commitments, to fund maturing certificates of deposit and demand deposit withdrawals, to invest in other interest-earning assets, and to meet operating expenses. As of September 30, 2016, certificates of deposit maturing within the next 12 months totaled $161.5 million. Based upon historical experience, the Company anticipates that a significant portion of the maturing certificates of deposit will be redeposited with us. For the three months ended September 30, 2016, the average balance of outstanding FHLB advances was $128.0 million. As of September 30, 2016, the Company had $138.8 million in total outstanding FHLB advances and had $464.8 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.

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Our interest rate sensitivity also is monitored by management through the use of a model which generates estimates of the change in its net interest income over a range of interest rate scenarios. Based on the Company s interest rate risk model, the table below sets forth the results of immediate and sustained changes in interest rates as of September 30, 2016.

Shift in Interest Rates (in bps)	% Change in Projected Net Interest Income
+300	-0.5%
+200	0.0
+100	0.1

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

Off-Balance Sheet Activities

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

The following table summarizes our outstanding commitments to originate loans and to advance additional amounts pursuant to outstanding letters of credit, lines of credit and undisbursed construction loans as of September 30, 2016 and December 31, 2015.

	Contract Amount	
(dollars in thousands)	**September 30, 2016**	**December 31, 2015**
Standby letters of credit	$ 4,166	$ 3,764
Available portion of lines of credit	138,945	127,393
Undisbursed portion of loans in process	69,614	73,699
Commitments to originate loans	116,779	89,653

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

Unfunded commitments under commercial lines of credit, revolving credit lines and overdraft protection agreements are commitments for possible future extensions of credit to existing customers. These lines of credit usually do not contain a specified maturity date and may not be drawn upon to the total extent to which the Company is committed.

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

RESULTS OF OPERATIONS

During the third quarter of 2016, the Company earned $4.4 million, an increase of $1.5 million, or 50.4%, compared to the third quarter of 2015. Diluted earnings per share for the third quarter of 2016 were $0.61, an increase of $0.20, or 48.8%, compared to the third quarter of 2015. The third quarter of 2015 included merger-related expenses related to the Louisiana Bancorp acquisition totaling $593,000 ($527,000, net of taxes). Excluding merger-related expenses, net income for the third quarter of 2016 increased 27.3% compared to the third quarter of 2015 (see the Non-GAAP Reconciliation on page 27). Excluding merger-related expenses, diluted earnings per share for the third quarter of 2016 increased 24.5% compared to the third quarter of 2015.

During the nine months ended September 30, 2016, the Company earned $11.7 million, an increase of $3.1 million, or 36.6%, compared to the nine months ended September 30, 2015. Diluted earnings per share for the nine months ended September 30, 2016 were $1.65, an increase of $0.42, or 34.1%, compared to the nine months ended September 30, 2015. The nine months ended September 30, 2016 and 2015 include merger-related expenses, related to the Louisiana Bancorp acquisition totaling $856,000 and $848,000, respectively ($560,000 and $759,000, respectively, net of taxes). The nine months ended September 30, 2016 included a $641,000 gain on the sale of a banking center in the New Orleans market following the Louisiana Bancorp system conversion. The nine months ended September 30, 2015 included a $492,000 loss on the sale of a banking center. Excluding merger-related expenses and the banking center gain and loss, net income for the nine months ended September 30, 2016 increased 22.8% compared to the nine months ended September 30, 2015. Excluding merger-related expenses and the banking center gain, diluted earnings per share for the nine months ended September 30, 2016 increased 20.1% compared to the nine months ended September 30, 2015.

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 4.19% and 4.43% for the three months ended September 30, 2016 and September 30, 2015, respectively, and 4.23% and 4.39% for the nine months ended September 30, 2016 and September 30, 2015, respectively. The Company s tax-equivalent net interest margin, which is net interest income as a percentage of average interest-earning assets, was 4.32% and 4.55% for the three months ended September 30, 2016 and September 30, 2015, respectively, and 4.35% and 4.51% for the nine months ended September 30, 2016 and September 30, 2015, respectively. The decrease in the net interest spread and net interest margin in the 2016 periods related primarily to a decrease in the average yield on loans.

Net interest income totaled $15.5 million for the three months ended September 30, 2016, an increase of $2.0 million, or 14.8%, compared to the three months ended September 30, 2015. For the nine months ended September 30, 2016, net interest income totaled $46.8 million, an increase of $8.0 million, or 20.7%, compared to the nine months ended September 30, 2015.

Interest income increased $2.4 million, or 16.8%, in the third quarter of 2016 compared to the third quarter of 2015. For the nine months ended September 30, 2016, interest income increased $9.4 million, or 22.9%, compared to the nine months ended September 30, 2015. Increases in the average balance of loans receivable from the Louisiana Bancorp acquisition were partially offset by decreases of 35 basis points and 29 basis points, respectively, in the average yield on loans during the quarter and nine months ended September 30, 2016 from the prior comparable period.

Interest expense increased $414,000, or 46.3%, in the third quarter of 2016 compared to the third quarter of 2015. For the nine months ended September 30, 2016, interest expense increased $1.4 million, or 56.0%, compared to the nine months ended September 30, 2015. During the quarter and nine months ended September 30, 2016, the average volume of deposits increased due to the Louisiana Bancorp acquisition.

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

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amount of interest expense on interest-bearing liabilities and the resultant average rate; (iii) net interest income; (iv) net interest spread; and (v) net interest margin. Information is based on average monthly balances during the indicated periods. Taxable equivalent (TE) yields are calculated using a marginal tax rate of 35%.

	Three Months Ended September 30,					
	2016			2015		
(dollars in thousands)	Average Balance	Interest	Average Yield/ Rate [1]	Average Balance	Interest	Average Yield/ Rate [1]
Interest-earning assets:						
Loans receivable[1]	$ 1,226,547	$ 15,889	5.11%	$ 969,272	$ 13,435	5.46%
Investment securities						
Taxable	150,412	722	1.92	155,275	757	1.95
Tax-exempt (TE)	33,837	167	3.04	36,748	182	3.04
Total investment securities	184,249	889	2.13	192,023	939	2.16
Other interest-earning assets	15,410	69	1.78	18,651	51	1.08
Total interest-earning assets (TE)	1,426,206	16,847	4.69	1,179,946	14,425	4.85
Noninterest-earning assets	106,958			105,356		
Total assets	$ 1,533,164			$ 1,285,302		
Interest-bearing liabilities:						
Deposits:						
Savings, checking and money market	$ 666,585	$ 387	0.23%	$ 575,185	$ 322	0.22%
Certificates of deposit	264,534	526	0.79	224,205	408	0.72
Total interest-bearing deposits	931,119	913	0.39	799,390	730	0.36
Short-term FHLB advances	48,415	54	0.44	19,466	10	0.20
Long term FHLB advances	79,618	341	1.72	32,631	152	1.87
Securities sold under repurchase agreement				4,094	2	0.20
Total interest-bearing liabilities	1,059,152	1,308	0.49	855,581	894	0.42
Noninterest-bearing liabilities	298,032			268,688		
Total liabilities	1,357,184			1,124,269		
Shareholders equity	175,980			161,033		
Total liabilities and shareholders equity	$ 1,533,164			$ 1,285,302		
Net interest-earning assets	$ 367,054			$ 324,365		

Net interest spread (TE)	$ 15,539	4.19%	$ 13,531	4.43%
Net interest margin (TE)		4.32%		4.55%

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

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	Nine Months Ended September 30, 2016			Nine Months Ended September 30, 2015		
(dollars in thousands)	Average Balance	Interest	Average Yield/ Rate (1)	Average Balance	Interest	Average Yield/ Rate(1)
Interest-earning assets:						
Loans receivable(1)	$ 1,225,762	$ 47,760	5.15%	$ 934,752	$ 38,417	5.44%
Investment securities						
Taxable	152,493	2,296	2.01	151,763	2,214	1.95
Tax-exempt (TE)	34,468	510	3.04	36,249	537	3.04
Total investment securities	186,961	2,806	2.20	188,012	2,751	2.16
Other interest-earning assets	16,843	196	1.55	24,861	150	0.81
Total interest-earning assets (TE)	1,429,566	50,762	4.72	1,147,625	41,318	4.80
Noninterest-earning assets	111,405			105,960		
Total assets	$ 1,540,971			$ 1,253,585		
Interest-bearing liabilities:						
Deposits:						
Savings, checking and money market	$ 671,762	$ 1,177	0.23%	$ 556,545	$ 930	0.22%
Certificates of deposit	269,479	1,587	0.79	218,767	1,186	0.72
Total interest-bearing deposits	941,241	2,764	0.39	775,312	2,116	0.36
Short-term FHLB advances	45,049	143	0.42	12,056	16	0.17
Long term FHLB advances	82,767	1,041	1.68	23,498	359	2.04
Securities sold under repurchase agreement				14,839	39	0.35
Total interest-bearing liabilities	1,069,057	3,948	0.49	825,705	2,530	0.41
Noninterest-bearing liabilities	299,989			269,295		
Total liabilities	1,369,046			1,095,000		
Shareholders equity	171,925			158,585		
Total liabilities and shareholders equity	$ 1,540,971			$ 1,253,585		
Net interest-earning assets	$ 360,509			$ 321,920		
Net interest spread (TE)		$ 46,814	4.23%		$ 38,788	4.39%
Net interest margin (TE)			4.35%			4.51%

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

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

	For the Three Months Ended September 30, 2016 Compared to 2015 Change Attributable To			For the Nine Months Ended September 30, 2016 Compared to 2015 Change Attributable To		
(dollars in thousands)	**Rate**	**Volume**	**Total Increase (Decrease)**	**Rate**	**Volume**	**Total Increase (Decrease)**
Interest income:						
Loans receivable	$ (833)	$ 3,287	$ 2,454	$ (1,852)	$ 11,195	$ 9,343
Investment securities (TE)	(8)	(42)	(50)	73	(18)	55
Other interest-earning assets	30	(12)	18	116	(70)	46
Total interest income	(811)	3,233	2,422	(1,663)	11,107	9,444
Interest expense:						
Savings, checking and money market accounts	11	54	65	48	199	247
Certificates of deposit	42	76	118	113	288	401
Securities sold under repurchase agreement		(2)	(2)		(39)	(39)
FHLB advances	(1)	234	233	(92)	901	809
Total interest expense	52	362	414	69	1,349	1,418
Increase (decrease) in net interest income	$ (863)	$ 2,871	$ 2,008	$ (1,732)	$ 9,758	$ 8,026

Provision for Loan Losses For the quarter ended September 30, 2016, the Company recorded a provision for loan losses of $800,000, which was 40.7% higher than the $569,000 recorded for the same period in 2015. Net loan charge-offs amounted to $54,000 and $103,000 during the third quarters of 2016 and 2015, respectively. For the nine months ended September 30, 2016, the provision for loan losses totaled $2.7 million, which was 92.7% higher than the $1.3 million recorded for the same period in 2015. The higher levels of provision expense in 2016 are primarily the result originated loan growth and the increase in the Company s total nonperforming loans as well as our assessment of the potential direct and indirect impact of continuing low energy prices on the abilities of certain borrowers to repay their loans in accordance with their terms. Net loan charge-offs amounted to $54,000 and $229,000, respectively, during the nine months ended September 30, 2016 and September 30, 2015, respectively.

As of September 30, 2016, the Company s ratio of allowance for loan losses to total loans was 0.99%, compared to 0.78% and 0.74% at December 31, 2015 and September 30, 2015, respectively. Excluding acquired loans, the ratio of allowance for loan losses to total loans was 1.36% at September 30, 2016, compared to 1.15% and 1.12% at December 31, 2015 and September 30, 2015, respectively. The ratio of non-performing loans to total assets was 1.20% at September 30, 2016, compared to 0.53% at December 31, 2015.

Noninterest Income The Company s noninterest income was $2.5 million for the quarter ended September 30, 2016, $318,000, or 14.5%, more than the $2.2 million earned for the same period in 2015. Noninterest income was $8.5 million for the nine months ended September 30, 2016, $2.2 million, or 35.1%, higher than the $6.3 million earned for the same period of 2015. The increase in noninterest income in the third quarter of 2016 compared to the third quarter of 2015 resulted primarily from the absence of a $359,000 net loss from the sale of assets recorded in the comparable prior year period. The nine months ended September 30, 2016 included a gain on the sale of a banking center totaling $641,000, pre-tax. Excluding the net gains (losses) on sale of assets, noninterest income increased 7.2% and 15.9% in the quarterly and nine-month comparisons primarily from increased service fees and charges and bank card fees.

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Noninterest Expense The Company s noninterest expense was $10.6 million for the three months ended September 30, 2016, $121,000, or 1.1%, higher than the $10.5 million recorded for the same period in 2015. Noninterest expense was $34.8 million for the nine months ended September 30, 2016, $4.4 million, or 14.3% higher than the $30.5 million for the same period of 2015. Noninterest expense includes merger-related expenses related to the acquisition of Louisiana Bancorp totaling $593,000 for the third quarter of 2015, and $856,000 and $848,000 for the nine months ended September, 30, 2016 and September 30, 2015, respectively. Excluding merger-related expenses, noninterest expense increased $714,000, or 7.2%, for the third quarter of 2016 compared to the third quarter of 2015. Excluding merger-related expenses, noninterest expense increased $4.4 million, or 14.7%, for the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015. The increases in noninterest expense relate primarily to the growth of the Company due to the addition of Louisiana Bancorp branches and employees in the third quarter of 2015. The increases were partially offset by lower expenses on foreclosed assets (down $780,000 resulting from a $560,000 net gain on the sale of foreclosed assets and lower foreclosed asset expenses in the third quarter of 2016).

Income Taxes For the quarters ended September 30, 2016 and September 30, 2015, the Company incurred income tax expense of $2.3 million and $1.7 million, respectively. The Company s effective tax rate was 34.0% and 37.5% during the third quarters of 2016 and 2015, respectively. For the nine months ended September 30, 2016 and September 30, 2015, the Company incurred income tax expense of $6.1 million and $4.6 million, respectively. The Company s effective tax rate amounted to 34.1% and 35.1% during the nine months ended September 30, 2016 and September 30, 2015, respectively. Differences between the effective tax rate and the statutory tax rate primarily relate to variances in items that are non-taxable or non-deductible (e.g., state tax, tax-exempt income, 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, 2015, under the heading Management s Discussion and Analysis of Financial Condition and Results of Operations Asset/Liability Management and Market Risk . Additional information at September 30, 2016 is included herein under Item 2, Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Asset/Liability Management .

Item 4. Controls and Procedures.

Our management evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and regulations and are operating in an effective manner.

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15(d)-15(f) under the Securities Exchange Act of 1934) occurred during the third quarter of 2016 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.

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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, 2015 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)
July 1 July 31, 2016	37	$ 27.54	37	371,034
August 1 August 31, 2016	1,200	28.83	1,200	369,834
September 1 September 30, 2016	354	28.78	354	369,480
Total	1,591	$ 28.79	1,591	369,480

(1) On June 7, 2013, the Company announced the commencement of a stock repurchase program. Under the plan, the Company can repurchase up to 370,000 shares, or approximately 5% of its common stock outstanding, through open market or privately negotiated transactions. On April 26, 2016, the Company announced a new stock repurchase program. Under the plan, the Company can repurchase up to 365,000 shares, or approximately 5% of its common stock outstanding, through open market or privately negotiated transactions.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety 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

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SIGNATURES

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

	HOME BANCORP, INC.
November 8, 2016	By: /s/ John W. Bordelon John W. Bordelon *President, Chief Executive Officer and Director*
November 8, 2016	By: /s/ Joseph B. Zanco Joseph B. Zanco *Executive Vice President and Chief Financial Officer*