

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
(State or Other Jurisdiction of
Incorporation or Organization)

71-1051785
(I.R.S. Employer
Identification Number)

503 Kaliste Saloom Road, Lafayette, Louisiana
(Address of Principal Executive Offices)

70508
(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.

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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.

Table of Contents**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

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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.

Table of Contents**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 ESOP shares released for allocation		(16,042)			22,490			6,448
Share-based compensation cost		459,391		267,810				727,201
		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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	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 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.

<i>(dollars in thousands)</i>	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

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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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<i>(dollars in thousands)</i>	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses Less Than 1 Year		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.

<i>(dollars in thousands)</i>	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	\$