HOME BANCORP, INC.
Form 10-Q
November 09, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended: September 30, 2010

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 x NO ¨

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES ¨ NO ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	¨	Accelerated filer	x
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 x

At November 8, 2010, the registrant had 8,224,702 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, 2010	(Audited) December 31, 2009
Assets		
Cash and cash equivalents	$ 23,771,777	$ 25,709,597
Interest-bearing deposits in banks	6,387,000	3,529,000
Investment securities available for sale, at fair value	111,607,433	106,752,131
Investment securities held to maturity (fair values of $21,040,963 and $13,176,934, respectively)	20,793,424	13,098,847
Mortgage loans held for sale	6,400,335	719,350
Loans covered by loss sharing agreements	91,346,684	
Noncovered loans, net of unearned income	354,883,203	336,647,292
Total loans, net of unearned income	446,229,887	336,647,292
Allowance for loan losses	(3,923,826)	(3,351,688)
Total loans, net of unearned income and allowance for loan losses	442,306,061	333,295,604
Office properties and equipment, net	23,621,092	16,186,690
Cash surrender value of bank-owned life insurance	16,034,149	15,262,645
FDIC loss sharing receivable	32,262,081	
Accrued interest receivable and other assets	15,297,599	10,081,885
Total Assets	$ 698,480,951	$ 524,635,749
Liabilities		
Deposits:		
Noninterest-bearing	$ 96,733,774	$ 66,955,475
Interest-bearing	449,923,796	304,637,272
Total deposits	546,657,570	371,592,747
Long-term Federal Home Loan Bank advances	16,000,000	16,773,802
Accrued interest payable and other liabilities	3,744,475	3,519,896
Total Liabilities	566,402,045	391,886,445
Shareholders Equity		
Preferred stock, $0.01 par value - 10,000,000 shares authorized; none issued		
Common stock, $0.01 par value - 40,000,000 shares authorized; 8,926,875 shares issued; 8,311,702 and 8,774,975 shares outstanding, respectively	89,270	89,270
Additional paid-in capital	88,437,391	88,072,884
Treasury stock at cost - 615,173 and 151,900 shares, respectively	(7,955,813)	(1,848,862)
Unallocated common stock held by:		
Employee Stock Ownership Plan (ESOP)	(6,427,340)	(6,695,150)
Recognition and Retention Plan (RRP)	(3,432,486)	(4,218,320)
Retained earnings	60,660,647	57,437,444
Accumulated other comprehensive income (loss)	707,237	(87,962)

Total Shareholders Equity	132,078,906	132,749,304
Total Liabilities and Shareholders Equity	$ 698,480,951	$ 524,635,749

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

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HOME BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

	For the Three Months Ended September 30, 2010	For the Three Months Ended September 30, 2009	For the Nine Months Ended September 30, 2010	For the Nine Months Ended September 30, 2009
Interest Income				
Loans, including fees	$ 7,549,667	$ 5,616,351	$ 21,100,559	$ 16,734,665
Investment securities	1,226,765	1,722,460	3,913,125	5,211,929
Other investments and deposits	32,899	296,759	94,226	960,011
Total interest income	8,809,331	7,635,570	25,107,910	22,906,605
Interest Expense				
Deposits	1,403,060	1,371,889	4,021,924	4,219,932
Short-term FHLB advances	2,794	69	7,382	37,749
Long-term FHLB advances	136,727	186,099	446,189	601,594
Total interest expense	1,542,581	1,558,057	4,475,495	4,859,275
Net interest income	7,266,750	6,077,513	20,632,415	18,047,330
Provision for loan losses	167,580	287,061	717,362	709,210
Net interest income after provision for loan losses	7,099,170	5,790,452	19,915,053	17,338,120
Noninterest Income				
Service fees and charges	541,538	471,925	1,535,811	1,370,769
Bank card fees	343,906	277,375	1,012,935	820,635
Gain on sale of loans, net	198,522	105,149	378,817	420,441
Income from bank-owned life insurance	161,540	66,082	473,206	192,845
Other-than-temporary impairment of securities	(870,254)		(1,010,771)	
Gain on sale of securities, net			39,131	
Other income	237,932	29,159	516,689	110,280
Total noninterest income	613,184	949,690	2,945,818	2,914,970
Noninterest Expense				
Compensation and benefits	3,824,287	2,849,756	10,707,803	7,788,637
Occupancy	615,972	325,581	1,652,035	971,983
Marketing and advertising	184,179	131,119	588,116	453,051
Data processing and communication	635,382	328,686	1,648,161	1,048,884
Professional services	198,482	267,118	895,433	729,053
Forms, printing and supplies	128,182	86,300	380,917	290,676
Franchise and shares tax	98,397	226,250	441,104	678,750
Regulatory fees	159,026	155,559	392,282	490,725
Other expenses	510,393	298,092	1,326,228	865,236
Total noninterest expense	6,354,300	4,668,461	18,032,079	13,316,995

Income before income tax expense	1,358,054	2,071,681	4,828,792	6,936,095
Income tax expense	447,061	574,244	1,605,589	2,278,120
Net Income	$ 910,993	$ 1,497,437	$ 3,223,203	$ 4,657,975
Earnings per share:				
Basic	$ 0.12	$ 0.19	$ 0.42	$ 0.57
Diluted	$ 0.12	$ 0.19	$ 0.42	$ 0.57

The accompanying Notes are an integral part of these 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 (Loss)	Total
Balance, December 31, 2008[1]	$ 89,270	$ 87,182,281	$	$ (7,052,230)	$	$ 52,055,071	$ (5,311,666)	$ 126,962,726
Comprehensive income:								
Net income						4,657,975		4,657,975
Change in unrealized gain (loss) on securities available for sale, net of taxes							3,526,347	3,526,347
Total comprehensive income								8,184,322
Cumulative effect adjustment for the adoption for the adoption of FSP FAS 115-2 and FAS 124-2						702,772		702,772
Cost of issuance of common stock		(13,895)						(13,895)
Common stock purchased for RRP					(4,057,177)			(4,057,177)
ESOP shares released for allocation		28,011		267,810				295,821
Share-based compensation cost		518,118						518,118
Balance, September 30, 2009	$ 89,270	$ 87,714,515	$	$ (6,784,420)	$ (4,057,177)	$ 57,415,818	$ (1,785,319)	$ 132,592,687
Balance, December 31, 2009[1]	$ 89,270	$ 88,072,884	$ (1,848,862)	$ (6,695,150)	$ (4,218,320)	$ 57,437,444	$ (87,962)	$ 132,749,304
Comprehensive income:								
Net income						3,223,203		3,223,203
Change in unrealized gain							795,199	795,199

(loss) on securities available for sale, net of taxes								
Total comprehensive income								4,018,402
Treasury stock acquired at cost, 615,173 shares			(6,106,951)					(6,106,951)
RRP shares released for allocation		(730,874)			785,834			54,960
ESOP shares released for allocation		83,730		267,810				351,540
Share-based compensation cost		1,011,651						1,011,651
Balance, September 30, 2010	$ 89,270	$ 88,437,391	$ (7,955,813)	$ (6,427,340)	$ (3,432,486)	$ 60,660,647	$ 707,237	$ 132,078,906

(1) Balances as of December 31, 2008 and December 31, 2009 are audited.

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

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HOME BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	For the Nine Months Ended September 30, 2010	2009
Cash flows from operating activities:		
Net income	$ 3,223,203	$ 4,657,975
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Provision for loan losses	717,362	709,210
Depreciation	792,136	659,362
Amortization of purchase accounting valuations and intangibles	(2,784,958)	
Mortgage servicing amortization	21,970	9,747
Federal Home Loan Bank stock dividends	(7,185)	(3,900)
Net amortization of premium/discount on investments	(927,187)	(567,120)
Gain on sale of investment securities, net	(39,131)	
Other-than-temporary impairment of securities	1,010,771	
Gain on loans sold, net	(378,817)	(420,441)
Proceeds, including principal payments, from loans held for sale	51,630,902	60,360,305
Originations of loans held for sale	(56,070,936)	(61,003,717)
Non-cash compensation	1,363,191	813,939
Goodwill from acquisition	559,987	
Cash retained from tax benefit associated with share-based payment arrangements	(54,960)	
Deferred income tax expense (benefit)	(490,413)	644,912
Decrease (increase) in interest receivable and other assets	1,797,498	(1,753,360)
Increase in cash surrender value of bank-owned life insurance	(771,504)	(192,845)
Increase in accrued interest payable and other liabilities	103,868	1,241,649
Net cash provided by (used in) operating activities	(304,203)	5,155,716
Cash flows from investing activities:		
Purchases of securities available for sale	(25,011,424)	(11,432,148)
Purchases of securities held to maturity	(15,000,000)	(8,150,000)
Proceeds from maturities, prepayments and calls on securities available for sale	32,180,827	27,596,446
Proceeds from sales of securities available for sale	13,978,622	
Proceeds from maturities, prepayments and calls on securities held to maturity	7,303,887	863,387
Increase in certificates of deposit in other institutions	(2,858,000)	(1,465,000)
Decrease in cash invested at other ATM locations		15,441,184
Net decrease (increase) in loans	3,416,561	(4,697,436)
Purchases of office properties and equipment	(8,216,811)	(643,244)
Net cash acquired in FDIC-assisted acquisition	46,892,158	
Purchases of Federal Home Loan Bank stock	(871,500)	
Proceeds from redemption of Federal Home Loan Bank stock	2,705,500	655,900
Net cash provided by investing activities	54,519,820	18,169,089
Cash flows from financing activities:		
Increase (decrease) in deposits	(32,523,050)	22,490,408
Proceeds from Federal Home Loan Bank advances	937,800,000	561,600,000
Payments on Federal Home Loan Bank advances	(955,378,396)	(586,141,769)

Cost of issuance of common stock		(13,895)
Repurchase of common stock for recognition and retention plan		(4,057,177)
Purchases of treasury stock	(6,106,951)	
Cash retained from tax benefit associated with share-based payment arrangements	54,960	
Net cash used in financing activities	(56,153,437)	(6,122,433)
Net change in cash and cash equivalents	(1,937,820)	17,202,372
Cash and cash equivalents at beginning of year	25,709,597	20,150,248
Cash and cash equivalents at end of period	$ 23,771,777	$ 37,352,620

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

HOME BANCORP, INC. AND SUBSIDIARY

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

The accompanying unaudited financial statements of the Company were prepared in accordance with instructions for Form 10-Q and Regulation S-X and do not include information or footnotes necessary for a complete presentation of financial condition, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America. However, in the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the financial statements have been included. The results of operations for the nine-month period ended September 30, 2010 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, 2009.

In preparing the financial statements, the Company is required to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The financial statements reflect all adjustments that are, in the opinion of management, necessary for a fair statement of the Company s financial condition, results of operations, changes in equity and cash flows for the interim periods presented. These adjustments are of a normal recurring nature and include appropriate estimated provisions.

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

2. Acquisition Activity

On March 12, 2010, the Company s subsidiary, Home Bank, entered into a purchase and assumption agreement (the Agreement) with the Federal Deposit Insurance Corporation (FDIC) to purchase certain assets and to assume deposits and certain other liabilities of Statewide Bank (Statewide), a full service community bank headquartered in Covington, Louisiana. As a result of the acquisition, Home Bank now operates six former Statewide branches in the Northshore (of Lake Pontchartrain) region of Louisiana.

In connection with the Agreement, Home Bank entered into loss sharing agreements with the FDIC which cover the acquired loan portfolio (Covered Loans) and repossessed assets (collectively referred to as Covered Assets). Under the terms of the loss sharing agreements, the FDIC will absorb 80% of the first $41,000,000 of losses incurred on Covered Assets and 95% of losses on Covered Assets exceeding $41,000,000. The loss sharing agreements for non-residential and residential loans are in effect for five years and 10 years, respectively, from the March 12, 2010 acquisition date and the loss recovery provisions are in effect for eight years and 10 years, respectively, from the acquisition date. The reimbursable losses expected to be received from the FDIC are based on the book value of the Covered Assets as determined by the FDIC at the date of the transaction. Loans made by the Company prior to the acquisition and new loans made after that date are not covered by the provisions of the loss sharing agreements (Noncovered Loans). Home Bank recorded a receivable from the FDIC that represents the estimated fair value of the FDIC s portion of the losses that are expected to be incurred and reimbursed to the Company. The ultimate collectability of this asset is dependent upon the performance of the underlying Covered Assets, the passage of time and claims paid by the FDIC. As of September 30, 2010, the FDIC loss sharing receivable was $32,262,000.

The FDIC granted Home Bank an option to purchase the premises, furniture, fixtures, and equipment of Statewide and assume the leases associated with leased offices. During the third quarter, the Company finalized its acquisition of six former Statewide branch locations.

The acquisition was accounted for under the purchase method of accounting in accordance with Accounting Standards Codification (ASC) 805, *Business Combinations*. In accordance with ASC 805, the Company

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recorded goodwill totaling $560,000 from the acquisition as a result of an excess of liabilities assumed over assets acquired. Both the assets acquired and liabilities assumed were recorded at their respective acquisition date fair values. Identifiable intangible assets, including core deposit intangible assets, were recorded at fair value.

The fair value estimates of the Statewide assets and liabilities acquired from the FDIC recorded are preliminary and subject to refinement as additional information becomes available. Under current accounting principles, the Company s estimates of fair values may be adjusted for a period of up to one year.

The Company s operating results for the nine months ended September 30, 2010 include the operating results of Statewide from the date of acquisition to September 30, 2010. Due to the significance of the amounts of the fair value adjustments, as well as the nature of the FDIC loss sharing agreements, Statewide s historical results are not believed to be relevant to the Company s results; thus, no pro forma information is presented.

The assets acquired and liabilities assumed, as well as the adjustments to record the assets and liabilities at fair value, are presented in the following table as of March 12, 2010.

(dollars in thousands)	**Acquired from the FDIC**	**Fair Value Adjustments**	**As recorded by Home Bank**
Assets			
Cash and cash equivalents	$ 11,569	$	$ 11,569
Investment securities	24,974	(133)[(a)]	24,841
Loans	157,016	(46,601)[(b)]	110,415
Repossessed assets	2,545	(207)[(c)]	2,338
Core deposit intangible		1,429[(d)]	1,429
FDIC loss sharing receivable		34,422[(e)]	34,422
Other assets	3,076	(64)	3,012
Total assets acquired	$ 199,180	$ (11,154)	$ 188,026
Liabilities			
Interest-bearing deposits	$ 191,014	$ 1,049[(f)]	$ 192,063
Noninterest-bearing deposits	14,862		14,862
FHLB Advances	16,519	305[(g)]	16,824
Other liabilities	161		161
Total liabilities assumed	$ 222,556	$ 1,354	$ 223,910
Excess of liabilities assumed over assets acquired			35,884
Cash payment received from the FDIC			(35,324)
Total goodwill recorded			$ 560

(a) The adjustment is to record the fair value of Statewide s investments based on market values.

(b) The adjustment represents the write down of the book value of Statewide s loans to their estimated fair value based on expected cash flows and includes an estimation of expected future loan losses.

(c) The adjustment represents the write down of the book value of Statewide s repossessed assets to their estimated fair value based on their estimated fair value, as adjusted for estimated costs to sell.

(d) The adjustment represents the value of the core deposit base assumed in the acquisition. The core deposit asset was recorded as an identifiable intangible asset and will be amortized on an accelerated basis over the average life of the deposit base, estimated to be ten years.

(e)

The adjustment is to record the fair value of the amount the Company estimates it will receive from the FDIC under its loss sharing agreements. The value of the receivable represents the fair value of expected cash flows as a result of anticipated future losses on Covered Assets.

(f) The adjustment is to record the fair value of Statewide s certificates of deposit based on market rates at the acquisition date. The fair value adjustment will be amortized as a reduction of interest expense over the expected life of the portfolio, which is estimated at 34 months.

(g) The adjustment is to record the fair value of FHLB advances based on market rates at the acquisition date. The adjustment represents the Company s costs incurred to extinguish the advances prior to their stated maturity.

At the March 12, 2010 acquisition date, we estimated the fair value of the Statewide loan portfolio at $110,415,000, which represented the expected cash flows from the portfolio discounted at current market rates. In estimating the cash flows we used a model based on assumptions about the amount and timing of principal and interest payments, estimated prepayments, estimated default rates, estimated loss severities in the event of defaults, and current market rates.

We evaluated the acquired Covered Loans and have elected to account for such loans under ASC 310-30, *Loans and Debt Securities Acquired with Deteriorated Credit Quality*. In accordance with ASC 310-30 and in estimating the fair value of the Covered Loans at the acquisition date, we (a) calculated the contractual amount and timing of undiscounted principal and interest payments (the undiscounted contractual cash flows) and (b) estimated the amount and timing of undiscounted expected principal and interest payments (the undiscounted expected cash flows). The difference between the undiscounted contractual cash flows and the undiscounted expected cash flows is the nonaccretable difference. The nonaccretable difference totaled $61,478,000 at March 12, 2010 and represented an estimate of the undiscounted loss exposure in the Covered Loans at the acquisition date.

On the acquisition date, the amount by which the undiscounted expected cash flows exceed the estimated fair value of the acquired loans is the accretable yield . The accretable yield is taken into interest income over the life of the loans using the effective yield method. The accretable yield changes over time due to both accretion and as actual and expected cash flows vary from the acquisition date estimated cash flows. The accretable yield is then measured at each financial reporting date and represents the difference between the remaining undiscounted expected cash flows and the current carrying value of the loans. The remaining undiscounted expected cash flows are calculated at each financial reporting date based on information then currently available. Increases in expected cash flows over those originally estimated increase the accretable yield and are recognized as interest income prospectively. Increases in expected cash flows also lead to the reduction of any allowance for loan losses recorded after the acquisition. Decreases in expected cash flows compared to those originally estimated decrease the accretable yield and are recognized by recording an allowance for loan losses. As the accretable yield increases or decreases from changes in cash flow expectations, the offset is a decrease or increase to the nonaccretable difference.

The following table summarizes the accretable yield on the Covered Loans as of March 12, 2010 and the changes therein through September 30, 2010.

(dollars in thousands)	**Accretable Yield**
Estimated fair value of loans acquired	$ 110,415
Less: undiscounted cash flows expected to be collected	
Undiscounted contractual cash flows	$ 183,003
Undiscounted cash flows not expected to be collected (nonaccretable difference)	(61,478)
Undiscounted cash flows expected to be collected	121,525
Accretable yield at March 12, 2010	$ (11,110)
Accretion	3,591
Accretable yield at September 30, 2010	$ (7,519)

At March 12, 2010, the weighted average remaining contractual life of the Covered Loan portfolio was 3.3 years.

Over the life of the Covered Loans, the Company will continue to estimate cash flows expected to be collected on pools of loans sharing common risk characteristics. The Company will evaluate whether the present value of Covered Loans has decreased and if so, a provision for loan loss will be recognized. For any increases in cash flows expected to be collected, the Company will adjust the amount of accretable yield recognized on a prospective basis over the remaining life of the applicable loan or pool of loans.

The FDIC loss sharing receivable will continue to be measured on the same basis as the related Covered Loans. Because the Covered Loans are subject to the accounting prescribed by ASC Topic 310, subsequent changes to the basis of the FDIC loss sharing receivable will also follow that model. Deterioration in the credit quality of the loans (immediately recorded as an adjustment to the allowance for loan losses) would immediately increase the basis of the FDIC loss sharing receivable, with the offset recorded through the consolidated statement of income. Increases in the credit quality or cash flows of loans (reflected as an adjustment to yield and accreted into income over the remaining life of the loans) decrease the basis of the FDIC loss sharing receivable, with such decrease being accreted into income over 1) the same period or 2) the life of the loss sharing agreements, whichever is shorter. Loss assumptions used in the basis of the Covered Loans are consistent with the loss assumptions used to measure the FDIC loss sharing receivable.

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3. Accounting Developments

In January 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2010-06, *Improving Disclosures About Fair Value Measurements,* which added disclosure requirements about transfers in and out of Levels 1 and 2 of the fair value hierarchy, clarified existing fair value disclosure requirements about the appropriate level of disaggregation, and clarified that a description of valuation techniques and inputs used to measure fair value was required for recurring and nonrecurring Level 2 and 3 fair value measurements. The Company adopted the provisions of the ASU in preparing its consolidated financial statements at and for the period ended March 31, 2010. The adoption of the provisions of this ASU, which was subsequently codified into ASC 820, *Fair Value Measurements and Disclosures,* only affected the disclosure requirements for fair value measurements and as a result had no impact on the Company s results of operations or financial position. See Note 6 to the Consolidated Financial Statements for the disclosures required by this ASU.

This ASU also requires that Level 3 activity about purchases, sales, issuances, and settlements be presented on a gross basis rather than as a net number as currently permitted. This provision of the ASU will be effective for the Company s reporting period ending March 31, 2011. As this provision amends only the disclosure requirements for fair value measurements, the adoption will have no impact on the Company s results of operations or financial position.

In February 2010, the FASB issued ASU 2010-09, *Subsequent Events: Amendments to Certain Recognition and Disclosure Requirements*. ASU 2010-09 removes some contradictions between the requirements of U.S. GAAP and the filing rules of the SEC. SEC filers are required to evaluate subsequent events through the date the financial statements are issued, and they are no longer required to disclose the date through which subsequent events have been evaluated. This guidance was effective upon issuance except for the use of the issued date for conduit debt obligors. The adoption of ASU 2010-09 did not have a material impact on the Company s results of operations or financial position. See Note 7 to the Consolidated Financial Statements for the disclosures required by this ASU.

In March 2010, the FASB issued ASU 2010-11, *Derivatives and Hedging: Scope Exception Related to Embedded Credit Derivatives*. ASU 2010-11 clarifies the type of embedded credit derivative that is exempt from embedded derivative bifurcation requirements, by resolving a potential ambiguity about the breadth of the embedded credit derivative scope exception with regard to some types of contracts, such as collateralized debt obligations. The scope exception will no longer apply to some contracts that contain an embedded credit derivative feature that transfers credit risk. The ASU is effective for fiscal quarters beginning after June 15, 2010. The adoption of ASU 2010-11 did not have an impact on the Company s results of operations, financial position or disclosures.

In April 2010, the FASB issued ASU 2010-18, *Effect of a Loan Modification When the Loan is Part of a Pool That is Accounted for as a Single Asset*. ASU 2010-18 allows for the one-time election to terminate accounting for loans as a pool under ASC 310-30, *Loans and Debt Securities Acquired with Deteriorated Credit Quality*. This election may be applied on a pool-by-pool basis and does not preclude an entity from applying pool accounting to subsequent acquisitions of loans with credit deterioration. ASU 2010-18 is effective for modifications of loans accounted for within pools under ASC 310-30 occurring in the first interim or annual period ending on or after July 15, 2010. The adoption of ASU 2010-18 did not have an impact on the Company s results of operations, financial position or disclosures.

In July 2010, the FASB issued ASU 2010-20, *Disclosures about the Credit Quality of Financing Receivable and the Allowance for Credit Losses*. ASU 2010-20 requires significant new disclosures about the allowance for credit losses and the credit quality of financing receivables. The requirements are intended to enhance transparency regarding credit losses and the credit quality of loan and lease receivables. Under this statement, allowance for credit losses and fair value are to be disclosed by portfolio segment, while credit quality information, impaired financing receivables and nonaccrual status are to be presented by class of financing receivable. Disclosure of the nature and extent, the financial impact and segment information of troubled debt restructurings will also be required. The disclosures are to be presented at the level of disaggregation that management uses when assessing and monitoring the portfolio s risk and performance. The ASU is effective for interim and reporting periods ending on or after December 15, 2010. As the adoption of ASU 2010-20 amends only the disclosure requirements for loans and leases and the allowance for credit losses, the adoption will have no impact on the Company s results of operations or financial position.

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4. Investment Securities

Summary information regarding investment securities classified as available for sale and held to maturity as of September 30, 2010 and December 31, 2009 is as follows.

(dollars in thousands)	Amortized Cost(1)	Gross Unrealized Gains	Gross Unrealized Losses		Fair Value
			Less Than 1 Year	Over 1 Year	
September 30, 2010					
Available for sale:					
U.S. agency mortgage-backed	$ 73,019	$ 2,131	$ 2	$	$ 75,148
Non-U.S. agency mortgage-backed	31,342	673	238	1,574	30,203
U.S. government agency	6,174	82			6,256
Total available for sale	$ 110,535	$ 2,886	$ 240	$ 1,574	$ 111,607
Held to maturity:					
U.S. agency mortgage-backed	$ 4,429	$ 113	$	$	$ 4,542
Municipal bonds	1,363	104			1,467
U.S. government agency	15,001	31			15,032
Total held to maturity	$ 20,793	$ 248	$	$	$ 21,041

(1) Net of other-than-temporary impairment charges.

(dollars in thousands)	Amortized Cost(1)	Gross Unrealized Gains	Gross Unrealized Losses		Fair Value
			Less Than 1 Year	Over 1 Year	
December 31, 2009					
Available for sale:					
U.S. agency mortgage-backed	$ 60,338	$ 1,786	$ 31	$ 1	$ 62,092
Non-U.S. agency mortgage-backed	39,707	262		2,116	37,853
U.S. government agency	6,840			33	6,807
Total available for sale	$ 106,885	$ 2,048	$ 31	$ 2,150	$ 106,752
Held to maturity:					
U.S. agency mortgage-backed	$ 5,735	$ 46	$	$	$ 5,781
Municipal bonds	1,364	75			1,439
U.S. government agency	6,000		43		5,957
Total held to maturity	$ 13,099	$ 121	$ 43	$	$ 13,177

(1) Net of other-than-temporary impairment charges.

The amortized cost and estimated fair value by maturity of the Company s investment securities at September 30, 2010 are shown in the following table. Securities are classified according to their contractual maturities without consideration of principal amortization, potential prepayments or call options. The expected maturity of a security, in particular mortgage-backed securities, certain U.S. government agency securities and municipal bonds, may differ from its contractual maturity because of the exercise of call options. Accordingly, actual maturities may differ from contractual maturities.

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(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	$	$ 3,364	$ 2,765	$ 69,019	$ 75,148
Non-U.S. agency mortgage-backed			2,973	27,230	30,203
U.S. government agency				6,256	6,256
Total available for sale	$	$ 3,364	$ 5,738	$ 102,505	$ 111,607
Securities held to maturity:					
U.S. agency mortgage-backed	$	$ 2,795	$ 1,747	$	$ 4,542
Municipal bonds	194	570	703		1,467
U.S. government agency		5,003	10,029		15,032
Total held to maturity	194	8,368	12,479		21,041
Total investment securities	$ 194	$ 11,732	$ 18,217	$ 102,505	$ 132,648

(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	$	$ 3,246	$ 2,683	$ 67,090	$ 73,019
Non-U.S. agency mortgage-backed			2,848	28,494	31,342
U.S. government agency				6,174	6,174
Total available for sale	$	$ 3,246	$ 5,531	$ 101,758	$ 110,535
Securities held to maturity:					
U.S. agency mortgage-backed	$	$ 2,748	$ 1,681	$	$ 4,429
Municipal bonds	190	535	638		1,363
U.S. government agency		5,001	10,000		15,001
Total held to maturity	190	8,284	12,319		20,793
Total investment securities	$ 190	$ 11,530	$ 17,850	$ 101,758	$ 131,328

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 has developed 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. The Company performs a credit analysis based on different credit scenarios at least quarterly to detect impairment on its investment securities. When the Company determines that a security is deemed to be other-than-temporarily impaired, an impairment loss is recognized.

During the nine months ended September 30, 2010, management s assessment of its investment securities concluded the decline in the fair values of certain non-agency (or private-label) mortgage-back securities were other-than-temporary. As a result, the Company recorded impairment charges of $1,011,000 associated with the credit deterioration of those securities. Additionally, management concluded that the unrealized losses of its investment securities summarized in the table above are not deemed to be other-than-temporary.

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5. Earnings Per Share

Earnings per common share were computed based on the following:

(in thousands, except per share data)	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
Numerator:				
Income available to common shareholders	$ 911	$ 1,497	$ 3,223	$ 4,658
Denominator:				
Weighted average common shares outstanding	7,481	7,956	7,603	8,103
Effect of dilutive securities:				
Restricted stock	50	32	63	12
Weighted average common shares outstanding assuming dilution	7,531	7,988	7,666	8,115
Earnings per common share	$ 0.12	$ 0.19	$ 0.42	$ 0.57
Earnings per common share assuming dilution	$ 0.12	$ 0.19	$ 0.42	$ 0.57

Options on 824,080 and 815,080 shares of common stock were not included in computing diluted earnings per shares for the three months ended September 30, 2010 and September 30, 2009, respectively, because the effect of these shares was anti-dilutive. Options on 819,747 and 815,080 shares of common stock were not included in computing diluted earnings per shares for the nine months ended September 30, 2010 and September 30, 2009, because the effect of shares was anti-dilutive.

6. Fair Value Disclosures

The Company groups its financial assets and liabilities measured at fair value in three levels as required by the 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 of inputs used to measure fair value are as follows:

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

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

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

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

Recurring Basis

Investment Securities Available for Sale

Fair values of investment securities available for sale were primarily measured using information from a third-party pricing service. This pricing service provides pricing information by utilizing evaluated pricing models supported with market data information. Standard inputs include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, benchmark securities, bids, offers, and reference data from market research publications. If quoted prices were available in an active market, investment securities were classified as Level 1

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measurements. If quoted prices were not available in an active market, fair values were estimated primarily by the use of pricing models. Level 2 investment securities were primarily comprised of mortgage-backed securities issued by government agencies and U.S. government-sponsored enterprises. In certain cases where there were limited or less transparent information provided by the Company s third-party pricing service, fair value was estimated by the use of secondary pricing services or through the use of non-binding third-party broker quotes. Investment securities are classified within Level 3 when little or no market activity supports the fair value.

Management primarily identifies investment securities which may have traded in illiquid or inactive markets by identifying instances of a significant decrease in the volume and frequency of trades, relative to historical levels, as well as instances of a significant widening of the bid-ask spread in the brokered markets. Investment securities that are deemed to have been trading in illiquid or inactive markets may require the use of significant unobservable inputs. For example, management may use quoted prices for similar investment securities in the absence of a liquid and active market for the investment securities being valued. As of September 30, 2010, management did not make adjustments to prices provided by the third-party pricing service as a result of illiquid or inactive markets.

The following tables present the balances of assets and liabilities measured on a recurring basis as of September 30, 2010 and December 31, 2009.

		Fair Value Measurements Using		
(dollars in thousands)	**September 30, 2010**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Securities available for sale:				
U.S. agency mortgage-backed	$ 75,148	$	$ 75,148	$
Non-U.S. agency mortgage-backed	30,203		24,571	5,632
U.S. government agency	6,256		6,256	

		Fair Value Measurements Using		
(dollars in thousands)	**December 31, 2009**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Securities available for sale:				
U.S. agency mortgage-backed	$ 62,092	$	$ 62,092	$
Non-U.S. agency mortgage-backed	37,853		28,744	9,109
U.S. government agency	6,807		6,807	

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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The following table reconciles assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

(dollars in thousands)		**Non-U.S. agency mortgage-backed securities**
Balance at beginning of year	$	9,109
Total gains or losses (realized/unrealized)		
Included in earnings		(1,011)
Included in other comprehensive income		(828)
Purchases, sales, issuances, and settlements, net		(1,638)
Transfers in and/or out of Level 3		
Balance at September 30, 2010	$	5,632
The amount of total gains or losses for the period included in earnings attributable to the change in unrealized gains or losses relating to assets still held at September 30, 2010	$	(1,011)

Nonrecurring Basis

The Company has segregated all financial assets and liabilities 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, 2010**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets				
Loans, covered by loss sharing agreements	$ 91,347	$	$	$ 91,347
Impaired loans	1,680		1,680	
Repossessed assets	1,786		1,786	
FDIC loss sharing receivable	32,262			32,262
Total	$ 127,075	$	$ 3,466	$ 123,609
Liabilities				
Deposits	$ 81,572	$	$	$ 81,572

		Fair Value Measurements Using		
(dollars in thousands)	**December 31, 2009**	**Quoted Prices in Active Markets for Identical**	**Significant Other Observable Inputs**	**Significant Unobservable Inputs**

			Assets (Level 1)		(Level 2)		(Level 3)
Assets							
Impaired loans	$	2,315	$	$	2,315	$	
Repossessed assets		417			417		
Total	$	2,732	$	$	2,732	$	

In accordance with the provisions of ASC 310, *Receivables*, the Company records loans considered impaired at their 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. Impaired loans are Level 2 assets measured using appraisals from external parties of the collateral less any prior liens. 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 records repossessed assets as Level 2.

Certain assets and liabilities measured on a nonrecurring basis using significant unobservable inputs (Level 3) were acquired as part of the Statewide acquisition discussed further in Note 2 to these consolidated financial statements. These assets and liabilities were recorded at their fair value upon acquisition in accordance with generally accepted accounting principles.

ASC 820 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.

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 third-party pricing services or quoted market prices of securities with similar characteristics.

The fair value of mortgage loans held for sale and 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 fair value for cash surrender value of bank-owned life insurance is based on cash surrender values indicated by the insurance companies.

The fair value of demand deposits, savings, and interest-bearing demand deposits 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 certificates of similar remaining maturities.

The carrying amount of FHLB advances is estimated using the rates currently offered for advances of similar maturities.

The fair value of off-balance sheet financial instruments as of September 30, 2010 was immaterial.

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The following table presents estimated fair values of the Company s financial instruments at September 30, 2010 and December 31, 2009.

(dollars in thousands)	September 30, 2010 Carrying Amount	September 30, 2010 Fair Value	December 31, 2009 Carrying Amount	December 31, 2009 Fair Value
Financial Assets				
Cash and cash equivalents	$ 23,772	$ 23,772	$ 25,710	$ 25,710
Interest-bearing deposits in banks	6,387	6,387	3,529	3,529
Investment securities available for sale	111,607	111,607	106,752	106,752
Investment securities held to maturity	20,793	21,041	13,099	13,177
Mortgage loans held for sale	6,400	6,409	719	699
Loans, net	442,306	458,523	333,296	340,795
Cash surrender value of bank-owned life insurance	16,034	16,034	15,263	15,263
Financial Liabilities				
Deposits	$ 546,658	$ 549,385	$ 371,593	$ 373,624
Long-term FHLB advances	16,000	16,686	16,774	17,011

7. Subsequent Events

The Company evaluated the need for disclosures and/or adjustments resulting from subsequent events through the date the financial statements were available to be issued. This evaluation did not result in any subsequent events that necessitated disclosures and/or adjustments under generally accepted accounting standards.

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

The purpose of this discussion and analysis is to focus on significant changes in the financial condition of Home Bancorp, Inc. and its subsidiary, Home Bank, from December 31, 2009 to September 30, 2010 and on its results of operations for the three and nine months ended September 30, 2010 and September 30, 2009. This discussion and analysis is intended to highlight and supplement information presented elsewhere in this quarterly report on Form 10-Q, particularly the financial statements and related notes appearing in Item 1.

Forward-Looking Statements

To the extent that statements in this Form 10-Q relate to future plans, objectives, financial results or performance of the Company or Bank, these statements are deemed to be forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements, which are based on management s current information, estimates and assumptions and the current economic environment, are generally identified by the use of words such as plan , believe , expect , intend , anticipate , estimate , project or similar expressions, or by conditional terms such as will , would , should , could , may , likely , probably , or possibly . The Company s or the Bank s actual strat in future periods may differ materially from those currently expected due to various risks and uncertainties. Factors that may cause actual results to differ materially from these forward-looking statements include, but are not limited to, the risk factors described under the heading Risk Factors in the Company s Annual Report on Form 10-K filed with the SEC for the year ended December 31, 2009 and this Quarterly Report on Form 10-Q (see Part II: Item 1A). 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.