HOME BANCORP, INC.
Form 10-Q
August 07, 2018
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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: June 30, 2018

or

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

Commission File Number: 001-34190

HOME BANCORP, INC.

(Exact name of Registrant as specified in its charter)

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

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

Not Applicable

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

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

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

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

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

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

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

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

HOME BANCORP, INC. and SUBSIDIARY

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HOME BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

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

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

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

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HOME BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

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

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

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

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HOME BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

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

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

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HOME BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY (Unaudited)

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

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

(1) See Note 2 - Recent Accounting Pronouncements

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

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HOME BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

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

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

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

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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 six-month period ended June 30, 2018 are not necessarily indicative of the results which may be expected for the entire fiscal year. These statements should be read in conjunction with the Consolidated Financial Statements and notes thereto included in the Company s Annual Report on Form 10-K filed with the Securities and Exchange Commission (SEC) for the year ended December 31, 2017.

Critical Accounting Policies and Estimates

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

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

2. Recent Accounting Pronouncements

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

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

The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount of financial assets. An entity must use judgment in determining the relevant information and estimation methods that are appropriate in its circumstances. The allowance for credit losses for purchased financial assets with a more-than-insignificant amount of credit deterioration since origination that are measured at amortized cost basis is determined in a similar manner to other financial assets measured at amortized cost basis; however, the initial allowance for credit losses is added to the purchase price rather than being reported as a credit loss expense. Only subsequent changes in the allowance for credit losses are recorded as a credit loss expense for these assets. Off-balance-sheet arrangements such as commitments to extend credit, guarantees, and standby letters of credit that and are not unconditionally cancellable are also within the scope of this amendment. Credit losses relating to debt securities should be recorded through an allowance for credit losses. This ASU is effective for fiscal years beginning after December 31, 2019. An entity will apply the amendments in this update on a modified retrospective basis, through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. The Company is currently assessing this accounting standard and the implementation of a new software application during 2018 to assist in determining the impact to our Consolidated Financial Statements. The adoption of this ASU could result in material changes in our accounting for credit losses. The extent of the impact upon adoption will depend on the characteristics of the Company s loan portfolio and economic conditions on that date as well as forecasted conditions thereafter.

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

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

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

3. Investment Securities

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

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

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

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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, 2017					
Available for sale:					
U.S. agency mortgage-backed	$ 84,639	$ 619	$ 270	$ 298	$ 84,690
Collateralized mortgage obligations	115,435	46	671	1,075	113,735
Municipal bonds	25,362	177	17	1	25,521
U.S. government agency	11,026	42	21		11,047
Total available for sale	$ 236,462	$ 884	$ 979	$ 1,374	$ 234,993
Held to maturity:					
Municipal bonds	$ 13,034	$ 54	$ 18	$ 15	$ 13,055
Total held to maturity	$ 13,034	$ 54	$ 18	$ 15	$ 13,055

The estimated fair value and amortized cost by contractual maturity of the Company s investment securities as of June 30, 2018 are shown in the following tables. Securities are classified according to their contractual maturities without consideration of principal amortization, potential prepayments or call options. The expected maturity of a security may differ from its contractual maturity because of prepayments or the exercise of call options. Accordingly, actual maturities may differ from contractual maturities.

(dollars in thousands)	One Year or Less	After One Year through Five Years	After Five Years through Ten Years	After Ten Years	Total
Fair Value					
Securities available for sale:					
U.S. agency mortgage-backed	$ 1,749	$ 11,805	$ 40,672	$ 30,551	$ 84,777
Collateralized mortgage obligations		5,806	15,863	124,895	146,564
Municipal bonds	3,609	9,021	6,968	2,843	22,441
U.S. government agency	1,002	3,962	4,051	1,462	10,477
Total securities available for sale	$ 6,360	$ 30,594	$ 67,554	$ 159,751	$ 264,259
Securities held to maturity:					
Municipal bonds	$	$ 6,568	$ 5,222	$ 1,060	$ 12,850
Total securities held to maturity	$	$ 6,568	$ 5,222	$ 1,060	$ 12,850

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

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

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

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

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

4. Earnings Per Share

Earnings per common share were computed based on the following:

Three Months Ended

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

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

5. Credit Quality and Allowance for Loan Losses

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

Originated Loans

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

Acquired Loans

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

The difference between the fair value of an acquired performing loan pool and the contractual amounts due at the acquisition date (the fair value discount) is accreted into income over the estimated life of the pool. Management estimates an allowance for loan losses for acquired performing loans using a methodology similar to that used for originated loans. The allowance determined for each loan pool is compared to the remaining fair value discount for that pool. If the allowance amount calculated under the Company s methodology is greater than the Company s remaining discount, the additional amount called for is added to the reported allowance through a provision for loan losses. If the allowance amount calculated under the Company s methodology is less than the Company s recorded discount, no additional allowance or provision is recognized. Actual losses first reduce any remaining nonaccretable discount for the loan pool. Once the nonaccretable discount is fully depleted, losses are applied against the allowance established for that pool. Acquired performing loans are placed on nonaccrual status and considered and reported as nonperforming or past due using the same criteria applied to the originated portfolio.

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

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

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Allowance for Loan Losses

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

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

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

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

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

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

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

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

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

Commercial and industrial	184			391	575
Consumer	6			140	146
Total allowance for loan losses	$ 504	$	$	$ 641	$ 1,145
Total loans:					