REFINITIV

DELTA REPORT

10-Q

HBCP - HOME BANCORP, INC.

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	699
CHANGES	338
DELETIONS	184
ADDITIONS	177

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, 2023 March 31, 2024

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)

Securities registered pursuant to Section 12(b) of the Exchange Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock	HBCP	NASDAQ Stock Market

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 (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer ☐	Accelerated filer ☒
Non-accelerated filer ☐	Smaller reporting company ☐
	Emerging growth company ☐

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

At October 30, 2023 May 2, 2024, the registrant had 8,147,869 8,128,334 shares of common stock, $0.01 par value, outstanding.

HOME BANCORP, INC. and SUBSIDIARY

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PART I - FINANCIAL INFORMATION

HOME BANCORP, INC. and SUBSIDIARY

GLOSSARY OF DEFINED TERMS

Below is a listing of certain acronyms, abbreviations and defined terms, among others, used throughout this Quarterly Report on Form 10-Q, including in "Item 1. Financial Statements" and "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations." The terms "we," "our" or "us" refer to Home Bancorp, Inc. and its consolidated subsidiaries, unless the context otherwise requires.

ACL	–	Allowance for credit losses
ALL	–	Allowance for loan losses
AOCI	–	Accumulated other comprehensive income
ASC	–	Accounting Standards Codification
ASU	–	Accounting Standards Update
Bank	–	Home Bank, N. A., a wholly-owned subsidiary of the Company
BOLI	–	Bank-owned life insurance
bps	–	basis points, 100 basis points being equal to 1.0%
BTFP	–	Bank Term Funding Program
C&D	–	Construction and land
C&I	–	Commercial and industrial
CARES Act	–	Coronavirus Aid, Relief, and Economic Security Act
CECL	–	Current expected credit losses
Company	–	Home Bancorp, Inc., a Louisiana corporation and the holding company for Home Bank, N. A.
COVID-19	–	The novel coronavirus
CRE	–	Commercial real estate
EPS	–	Earnings per common share
FASB	–	Financial Accounting Standards Board
FHLB	–	Federal Home Loan Bank
GAAP	–	Generally Accepted Accounting Principles
LTV	–	Loan-to-value
NPA(s)	–	Nonperforming asset(s)
OCI	–	Other comprehensive income
ORE	–	Other real estate
PCD	–	Purchased credit deteriorated
PPP	–	Paycheck Protection Program
SBA	–	U.S. Small Business Association
SEC	–	U.S. Securities and Exchange Commission
TDR	–	Troubled debt restructuring
TE	–	Taxable equivalent
U.S.	–	United States

HOME BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

		(Unaudited)	(Audited)				
		(Unaudited)				(Unaudited)	(Audited)
(dollars in thousands)	*(dollars in thousands)*	**September 30, 2023**	**December 31, 2022**	*(dollars in thousands)*	**March 31, 2024**	**December 31, 2023**	
Assets	**Assets**						
Cash and cash equivalents	Cash and cash equivalents	$ 84,520	$ 87,401				
Cash and cash equivalents							
Cash and cash equivalents							
Interest-bearing deposits in banks	Interest-bearing deposits in banks	99	349				

Investment securities available for sale, at fair value	Investment securities available for sale, at fair value	427,019	486,518
Investment securities held to maturity (fair values of $1,052 and $1,072, respectively)		1,065	1,075
Investment securities held to maturity (fair values of $1,062 and $1,066, respectively)			
Mortgage loans held for sale	Mortgage loans held for sale	467	98
Loans, net of unearned income	Loans, net of unearned income	2,569,094	2,430,750
Allowance for loan losses	Allowance for loan losses	(31,123)	(29,299)
Total loans, net of unearned income and allowance for loan losses	Total loans, net of unearned income and allowance for loan losses	2,537,971	2,401,451
Office properties and equipment, net	Office properties and equipment, net	42,402	43,560
Cash surrender value of bank-owned life insurance	Cash surrender value of bank-owned life insurance	47,054	46,276
Goodwill and core deposit intangibles	Goodwill and core deposit intangibles	86,749	87,973
Accrued interest receivable and other assets	Accrued interest receivable and other assets	90,383	73,579
Total Assets	**Total Assets**	$ 3,317,729	$ 3,228,280
Liabilities	**Liabilities**		
Deposits:	Deposits:		
Deposits:			
Deposits:			
Noninterest-bearing			
Noninterest-bearing			
Noninterest-bearing	Noninterest-bearing	$ 785,448	$ 904,301
Interest-bearing	Interest-bearing	1,812,036	1,728,880
Total Deposits	Total Deposits	2,597,484	2,633,181
Other borrowings	Other borrowings	5,539	5,539

Subordinated debt, net of issuance cost	Subordinated debt, net of issuance cost	54,187	54,013
Short-term Federal Home Loan Bank advances	Short-term Federal Home Loan Bank advances	241,000	155,000
Long-term Federal Home Loan Bank advances	Long-term Federal Home Loan Bank advances	42,826	21,213
Accrued interest payable and other liabilities	Accrued interest payable and other liabilities	31,361	29,380
Total Liabilities	**Total Liabilities**	2,972,397	2,898,326
Shareholders’ Equity	**Shareholders’ Equity**		
Preferred stock, $0.01 par value - 10,000,000 shares authorized; none issued	Preferred stock, $0.01 par value - 10,000,000 shares authorized; none issued	—	—
Common stock, $0.01 par value - 40,000,000 shares authorized; 8,163,655 and 8,286,084 shares issued and outstanding, respectively		81	83
Preferred stock, $0.01 par value - 10,000,000 shares authorized; none issued			
Preferred stock, $0.01 par value - 10,000,000 shares authorized; none issued			
Common stock, $0.01 par value - 40,000,000 shares authorized; 8,140,380 and 8,158,281 shares issued and outstanding, respectively			
Additional paid-in capital	Additional paid-in capital	165,149	164,942
Unallocated common stock held by:	Unallocated common stock held by:		
Employee Stock Ownership Plan (ESOP)			
Employee Stock Ownership Plan (ESOP)			
Employee Stock Ownership Plan (ESOP)	Employee Stock Ownership Plan (ESOP)	(1,785)	(2,053)
Recognition and Retention Plan (RRP)	Recognition and Retention Plan (RRP)	(2)	(7)

Retained earnings	Retained earnings	227,649	206,296
Accumulated other comprehensive loss	Accumulated other comprehensive loss	(45,760)	(39,307)
Total Shareholders' Equity	**Total Shareholders' Equity**	345,332	329,954
Total Liabilities and Shareholders' Equity	**Total Liabilities and Shareholders' Equity**	$ 3,317,729	$3,228,280

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

HOME BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

		Three Months Ended September 30,		Nine Months Ended September 30,	
		Three Months Ended March 31,			
		Three Months Ended March 31,			
		Three Months Ended March 31,			
(dollars in thousands, except per share data)					
(dollars in thousands, except per share data)					
(dollars in thousands, except per share data)	***(dollars in thousands, except per share data)***	**2023**	**2022**	**2023**	**2022**
Interest Income	**Interest Income**				
Interest Income					
Interest Income					
Loans, including fees					
Loans, including fees					
Loans, including fees	Loans, including fees	$ 38,490	$ 29,859	$ 109,518	$ 79,834
Investment securities:	Investment securities:				
Investment securities:					
Investment securities:					
Taxable interest					
Taxable interest					
Taxable interest	Taxable interest	2,863	2,812	8,772	6,576
Tax-exempt interest	Tax-exempt interest	76	146	295	338
Tax-exempt interest					
Tax-exempt interest					
Other investments and deposits					
Other investments and deposits					
Other investments and deposits	Other investments and deposits	649	1,447	1,679	2,587
Total interest income	Total interest income	42,078	34,264	120,264	89,335
Total interest income					
Total interest income					
Interest Expense					
Interest Expense					

Interest Expense	**Interest Expense**				
Deposits	Deposits	8,181	1,270	16,968	3,266
Deposits					
Deposits					
Other borrowings					
Other borrowings					
Other borrowings	Other borrowings	53	53	161	160
Subordinated debt expense	Subordinated debt expense	845	859	2,546	859
Subordinated debt expense					
Subordinated debt expense					
Short-term Federal Home Loan Bank advances					
Short-term Federal Home Loan Bank advances					
Short-term Federal Home Loan Bank advances	Short-term Federal Home Loan Bank advances	3,150	—	8,382	—
Long-term Federal Home Loan Bank advances	Long-term Federal Home Loan Bank advances	340	105	797	321
Long-term Federal Home Loan Bank advances					
Long-term Federal Home Loan Bank advances					
Total interest expense					
Total interest expense					
Total interest expense	Total interest expense	12,569	2,287	28,854	4,606
Net interest income	Net interest income	29,509	31,977	91,410	84,729
Net interest income					
Net interest income					
Provision for loan losses					
Provision for loan losses					
Provision for loan losses	Provision for loan losses	351	1,696	1,676	5,502
Net interest income after provision for loan losses	Net interest income after provision for loan losses	29,158	30,281	89,734	79,227
Net interest income after provision for loan losses					
Net interest income after provision for loan losses					
Noninterest Income					
Noninterest Income					
Noninterest Income	**Noninterest Income**				
Service fees and charges	Service fees and charges	1,277	1,300	3,757	3,722
Service fees and charges					
Service fees and charges					
Bank card fees					
Bank card fees					
Bank card fees	Bank card fees	1,903	1,623	5,405	4,713
Gain on sale of loans, net	Gain on sale of loans, net	687	78	770	641
Gain on sale of loans, net					
Gain on sale of loans, net					

Income from bank-owned life insurance					
Income from bank-owned life insurance					
Income from bank-owned life insurance	Income from bank-owned life insurance	265	231	778	658
Loss on sale of securities, net	Loss on sale of securities, net	—	—	(249)	—
(Loss) gain on sale of assets, net		—	18	(20)	17
Loss on sale of securities, net					
Loss on sale of securities, net					
Gain (loss) on sale of assets, net					
Gain (loss) on sale of assets, net					
Gain (loss) on sale of assets, net					
Other income					
Other income					
Other income	Other income	267	224	717	795
Total noninterest income	Total noninterest income	4,399	3,474	11,158	10,546
Total noninterest income					
Total noninterest income					
Noninterest Expense					
Noninterest Expense					
Noninterest Expense	**Noninterest Expense**				
Compensation and benefits	Compensation and benefits	12,492	12,128	37,532	34,870
Compensation and benefits					
Compensation and benefits					
Occupancy					
Occupancy					
Occupancy	Occupancy	2,410	2,297	7,207	6,454
Marketing and advertising	Marketing and advertising	638	658	1,387	1,713
Marketing and advertising					
Marketing and advertising					
Data processing and communication					
Data processing and communication					
Data processing and communication	Data processing and communication	2,496	2,284	6,949	7,012
Professional services	Professional services	402	331	1,225	1,348
Professional services					
Professional services					
Forms, printing and supplies					
Forms, printing and supplies					
Forms, printing and supplies	Forms, printing and supplies	195	185	586	584
Franchise and shares tax	Franchise and shares tax	542	633	1,624	1,415
Franchise and shares tax					
Franchise and shares tax					
Regulatory fees					
Regulatory fees					
Regulatory fees	Regulatory fees	511	467	1,451	1,611
Foreclosed assets and ORE, net	Foreclosed assets and ORE, net	99	101	(590)	493

Foreclosed assets and ORE, net					
Foreclosed assets and ORE, net					
Amortization of acquisition intangible					
Amortization of acquisition intangible					
Amortization of acquisition intangible	Amortization of acquisition intangible	389	453	1,224	1,159
Provision for credit losses on unfunded commitments	Provision for credit losses on unfunded commitments	—	146	361	448
Provision for credit losses on unfunded commitments					
Provision for credit losses on unfunded commitments					
Other expenses					
Other expenses					
Other expenses	Other expenses	1,164	1,040	3,281	3,621
Total noninterest expense	Total noninterest expense	21,338	20,723	62,237	60,728
Total noninterest expense					
Total noninterest expense					
Income before income tax expense					
Income before income tax expense					
Income before income tax expense	Income before income tax expense	12,219	13,032	38,655	29,045
Income tax expense	Income tax expense	2,465	2,598	7,800	5,749
Income tax expense					
Income tax expense					
Net Income					
Net Income					
Net Income	**Net Income**	$ 9,754	$ 10,434	$ 30,855	$ 23,296
Earnings per share:	**Earnings per share:**				
Earnings per share:					
Earnings per share:					
Basic					
Basic					
Basic	Basic	$ 1.22	$ 1.29	$ 3.84	$ 2.86
Diluted	Diluted	$ 1.22	$ 1.28	$ 3.82	$ 2.84
Diluted					
Diluted					
Cash dividends declared per common share	**Cash dividends declared per common share**	$ 0.25	$ 0.23	$ 0.75	$ 0.69
Cash dividends declared per common share					
Cash dividends declared per common share					

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

HOME BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)

	Three Months Ended September 30,	Nine Months Ended September 30,
	Three Months Ended March 31,	

		2023	2022	2023	2022
		Three Months Ended March 31,			
		Three Months Ended March 31,			
(dollars in thousands)					
(dollars in thousands)					
(dollars in thousands)	*(dollars in thousands)*	**2023**	**2022**	**2023**	**2022**
Net Income	**Net Income**	$ 9,754	$ 10,434	$ 30,855	$ 23,296
Other Comprehensive Loss					
Unrealized losses on available for sale investment securities		(10,218)	(25,149)	(8,894)	(58,980)
Unrealized gains on cash flow hedges		183	1,297	476	3,793
Net Income					
Net Income					
Other Comprehensive (Loss) Income					
Other Comprehensive (Loss) Income					
Other Comprehensive (Loss) Income					
Unrealized (losses) gains on available for sale investment securities					
Unrealized (losses) gains on available for sale investment securities					
Unrealized (losses) gains on available for sale investment securities					
Unrealized gains (losses) on cash flow hedges					
Unrealized gains (losses) on cash flow hedges					
Unrealized gains (losses) on cash flow hedges					
Reclassification adjustment for losses included in net income					
Reclassification adjustment for losses included in net income					
Reclassification adjustment for losses included in net income	Reclassification adjustment for losses included in net income	—	—	249	—
Tax effect	Tax effect	2,108	5,009	1,716	11,589
Other comprehensive loss, net of taxes		(7,927)	(18,843)	(6,453)	(43,598)
Tax effect					
Tax effect					
Other comprehensive (loss) income, net of taxes					
Other comprehensive (loss) income, net of taxes					
Other comprehensive (loss) income, net of taxes					
Comprehensive Income (Loss)	**Comprehensive Income (Loss)**	$ 1,827	$ (8,409)	$ 24,402	$ (20,302)
Comprehensive Income (Loss)					
Comprehensive Income (Loss)					

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

HOME BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS’ EQUITY
(Unaudited)

(dollars in thousands, except per share data)	*(dollars in thousands, except per share data)*	Common stock	Additional Paid-in capital	Unallocated Common Stock Held by ESOP	Unallocated Common Stock Held by RRP	Retained Earnings	Accumulated Other Comprehensive Loss	Total	*(dollars in thousands, except per share data)*	Common stock	Additional Paid-in capital	Unallocated Common Stock Held by ESOP	Unallocate Common St Held by RF
Balance, June 30, 2022		$ 84	$ 164,177	$ (2,231)	$ (9)	$191,114	$ (24,011)	$329,124					
Balance, December 31, 2022													
Net income	Net income					10,434		10,434					
Other comprehensive loss							(18,843)	(18,843)					
Purchase of Company's common stock at cost, 77,021 shares		(1)	(770)			(2,084)		(2,855)					
Cash dividends declared, $0.23 per share						(1,910)		(1,910)					
Common Stock issued under incentive plans, net of shares surrendered in payment, including tax benefit, 3,260 shares		—	97			(1)		96					
Other comprehensive income													
Purchase of Company's common stock at cost, 10,199 shares													
Cash dividends declared, $0.25 per share													
Common Stock issued under incentive plans, net of shares surrendered in payment, including tax benefit, 4,029 shares													
Exercise of stock options	Exercise of stock options	—	53					53					
RRP shares released for allocation	RRP shares released for allocation		(1)		1			—					
ESOP shares released for allocation	ESOP shares released for allocation		309	89				398					
Share-based compensation cost	Share-based compensation cost		159					159					
Balance, September 30, 2022		$ 83	$ 164,024	$ (2,142)	$ (8)	$197,553	$ (42,854)	$316,656					
Balance, June 30, 2023		$ 82	$ 164,945	$ (1,875)	$ (3)	$220,801	$ (37,833)	$346,117					
Balance, March 31, 2023													
Balance, December 31, 2023													
Net income	Net income					9,754		9,754					
Other comprehensive loss	Other comprehensive loss						(7,927)	(7,927)					

	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
Purchase of Company's common stock at cost, 37,805 shares	(1)	(378)			(856)		(1,235)
Purchase of Company's common stock at cost, 21,303 shares							
Cash dividends declared, $0.25 per share					(2,049)		(2,049)
Common Stock issued under incentive plans, net of shares surrendered in payment, including tax benefit, 2,801 shares	—	71			(1)		70
Common Stock issued under incentive plans, net of shares surrendered in payment, including tax benefit, 3,402 shares							
Exercise of stock options	—	17					17
RRP shares released for allocation		(1)		1			—
ESOP shares released for allocation		264	90				354
Share-based compensation cost		231					231
Balance, September 30, 2023	$ 81	$ 165,149	$ (1,785)	$ (2)	$ 227,649	$ (45,760)	$ 345,332
Balance, March 31, 2024							

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

HOME BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY - CONTINUED
(Unaudited)

(dollars in thousands, except per share data)	**Common stock**	**Additional Paid-in capital**	**Unallocated Common Stock Held by ESOP**	**Unallocated Common Stock Held by RRP**	**Retained Earnings**	**Accumulated Other Comprehensive Income (Loss)**	**Total**
Balance, December 31, 2021	$ 85	$ 164,982	$ (2,410)	$ (13)	$ 188,515	$ 744	$ 351,903
Net income					23,296		23,296
Other comprehensive loss						(43,598)	(43,598)
Purchase of Company's common stock at cost, 287,035 shares	(2)	(2,868)			(8,407)		(11,277)
Cash dividends declared, $0.69 per share					(5,790)		(5,790)
Common Stock issued under incentive plans, net of shares surrendered in payment, including tax benefit, 22,837 shares	—	304			(61)		243
Exercise of stock options	—	182					182
RRP shares released for allocation		(5)		5			—
ESOP shares released for allocation		933	268				1,201
Share-based compensation cost		496					496
Balance, September 30, 2022	$ 83	$ 164,024	$ (2,142)	$ (8)	$ 197,553	$ (42,854)	$ 316,656

Balance, December 31, 2022	$ 83	$ 164,942	$ (2,053)	$ (7)	$ 206,296	$ (39,307)	$ 329,954
Net income					30,855		30,855
Other comprehensive loss						(6,453)	(6,453)
Purchase of Company's common stock at cost, 147,738 shares	(2)	(1,476)			(3,240)		(4,718)
Cash dividends declared, $0.75 per share					(6,185)		(6,185)
Common Stock issued under incentive plans, net of shares surrendered in payment, including tax benefit, 20,259 shares		98			(77)		21
Exercise of stock options	—	102					102
RRP shares released for allocation		(5)		5			—
ESOP shares released for allocation		821	268				1,089
Share-based compensation cost		667					667
Balance, September 30, 2023	$ 81	$ 165,149	$ (1,785)	$ (2)	$ 227,649	$ (45,760)	$ 345,332

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

HOME BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

		For the Nine Months Ended September 30,			For the Three Months Ended March 31,	
(dollars in thousands)	*(dollars in thousands)*	**2023**	**2022**	*(dollars in thousands)*	**2024**	**2023**
Cash flows from operating activities:	**Cash flows from operating activities:**					
Net income	Net income	$ 30,855	$ 23,296			
Net income						
Net income						
Adjustments to reconcile net income to net cash provided by operating activities:	Adjustments to reconcile net income to net cash provided by operating activities:					
Provision for loan losses						
Provision for loan losses						
Provision for loan losses	Provision for loan losses	1,676	5,502			
Depreciation	Depreciation	2,659	2,538			
Amortization and accretion of purchase accounting valuations and intangibles	Amortization and accretion of purchase accounting valuations and intangibles	2,807	3,020			
Federal Home Loan Bank stock dividends	Federal Home Loan Bank stock dividends	(391)	(22)			
Federal Home Loan Bank stock dividends						
Federal Home Loan Bank stock dividends						

Net amortization of discount on investments	Net amortization of discount on investments	292	871
Amortization of subordinated debt issuance cost	Amortization of subordinated debt issuance cost	174	60
Loss on sale of securities, net		249	—
Gain on sale of securities, net			
Gain on loans sold, net	Gain on loans sold, net	(770)	(641)
Proceeds, including principal payments, from loans held for sale	Proceeds, including principal payments, from loans held for sale	12,510	64,755
Originations of loans held for sale	Originations of loans held for sale	(12,749)	(63,179)
Loss (gain) on sale of assets, net		20	(17)
(Gain) loss on sale of assets, net			
Non-cash compensation	Non-cash compensation	1,756	1,697
Deferred income tax (benefit) expense		31	(425)
Deferred income tax benefit			
Increase in accrued interest receivable and other assets	Increase in accrued interest receivable and other assets	(9,641)	(9,207)
Increase in cash surrender value of bank-owned life insurance	Increase in cash surrender value of bank-owned life insurance	(778)	(658)
Decrease in accrued interest payable and other liabilities		2,469	9,085
Increase (decrease) in accrued interest payable and other liabilities			

Net cash provided by operating activities	Net cash provided by operating activities	31,169	36,675
Cash flows from investing activities:	**Cash flows from investing activities:**		
Purchases of securities available for sale		—	(236,236)
Proceeds from maturities, prepayments and calls on securities available for sale	Proceeds from maturities, prepayments and calls on securities available for sale	36,561	44,692
Proceeds from maturities, prepayments and calls on securities held to maturity		—	1,000
Proceeds from maturities, prepayments and calls on securities available for sale			
Proceeds from maturities, prepayments and calls on securities available for sale			
Proceeds from sales of securities available for sale			
Proceeds from sales of securities available for sale			
Proceeds from sales of securities available for sale	Proceeds from sales of securities available for sale	13,762	—
Increase in loans, net	Increase in loans, net	(139,803)	(151,039)
Decrease in interest-bearing deposits in banks	Decrease in interest-bearing deposits in banks	250	—
Proceeds from sale of foreclosed assets	Proceeds from sale of foreclosed assets	426	2,557
Purchases of office properties and equipment	Purchases of office properties and equipment	(1,525)	(1,904)
Net cash disbursed in sale of banking center		—	(11,182)
Net cash disbursed in business combination		—	(16,123)
Purchase of bank-owned life insurance		—	(5,000)
Proceeds from sale of office properties and equipment			

Proceeds from sale of office properties and equipment			
Proceeds from sale of office properties and equipment	Proceeds from sale of office properties and equipment	4	73
Purchase of Federal Home Loan Bank stock	Purchase of Federal Home Loan Bank stock	(5,215)	—
Proceeds from redemption of Federal Home Loan Bank stock			
Net cash used in investing activities	Net cash used in investing activities	(95,540)	(373,162)
Cash flows from financing activities:	**Cash flows from financing activities:**		
Decrease in deposits, net		(35,340)	(150,411)
Increase (decrease) in deposits, net			
Increase (decrease) in deposits, net			
Increase (decrease) in deposits, net			
Borrowings on Federal Home Loan Bank advances	Borrowings on Federal Home Loan Bank advances	15,695,975	—
Repayments of Federal Home Loan Bank advances	Repayments of Federal Home Loan Bank advances	(15,588,365)	(1,245)
Proceeds from issuance of subordinated debt, net of issuance cost		—	53,898
Proceeds from other borrowings			
Proceeds from exercise of stock options			
Proceeds from exercise of stock options			
Proceeds from exercise of stock options	Proceeds from exercise of stock options	102	182
Issuance of stock under incentive plans, net	Issuance of stock under incentive plans, net	21	243
Dividends paid to shareholders	Dividends paid to shareholders	(6,185)	(5,790)
Purchase of Company's common stock	Purchase of Company's common stock	(4,718)	(11,277)

	Net cash provided by (used in) financing activities	61,490	(114,400)
	Net cash provided by financing activities		
Net change in cash and cash equivalents	Net change in cash and cash equivalents	(2,881)	(450,887)
Cash and cash equivalents, beginning	Cash and cash equivalents, beginning	87,401	601,443
Cash and cash equivalents, ending	Cash and cash equivalents, ending	$ 84,520	$150,556
Supplementary cash flow information:			
Interest paid on deposits and borrowed funds			
Interest paid on deposits and borrowed funds			
Interest paid on deposits and borrowed funds			
Income taxes paid			

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

HOME BANCORP, INC. AND SUBSIDIARY

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

The accompanying unaudited consolidated 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, 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. Certain reclassifications have been made to prior period balances to conform to the current period presentation. The results of operations for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 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 SEC for the year ended December 31, 2022 December 31, 2023.

Critical Accounting Policies and Estimates

Critical accounting policies are defined as those that are reflective of significant judgments and uncertainties and could reflect materially different results under different assumptions and conditions. Methodologies the Company uses when applying critical accounting policies and developing critical accounting estimates are included in its Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

There have been no material changes from the critical accounting policies previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023. In preparing its 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.

Reclassifications

Certain reclassifications have been made to prior period balances to conform to the current period presentation.

2. Recent Accounting Pronouncements

Accounting Standards Adopted in 2023 2024

Accounting Standard Update ("ASU") ASU 2022-01, 2022-03, *"Derivatives and Hedging Fair Value Measurement (Topic 815) 820): Fair Value Hedging - Portfolio Layer Method." Measurement of Equity Securities Subject to Contractual Sale Restrictions* Under prior guidance, entities can apply ("ASU 2022-03"). ASU 2022-03 clarifies that a contractual restriction on the last-of-layer hedging method to hedge the exposure sale of a closed portfolio of prepayable financial assets to fair value changes due to changes in interest rates for a portion an equity security is not considered part of the portfolio that unit of account of the equity security and, therefore, is not expected considered in measuring fair value. ASU 2022-03 also clarifies that an entity cannot, as a separate unit of account, recognize and measure a contractual sale restriction and requires certain new disclosures for equity securities subject to be affected by prepayments, defaults, and other events affecting the timing and amount of cash flows. contractual sale restrictions. ASU 2022-01 expands the last-of-layer method, which permits only one hedge layer, to allow multiple hedged layers of a single closed portfolio. To reflect that expansion, the last-of-layer method is renamed the portfolio layer method. ASU 2022-01 also (i) expands the scope of the portfolio layer method to include non-prepayable financial assets, (ii) specifies eligible hedging instruments in a single-layer hedge, (iii) provides additional guidance on the accounting for and disclosure of hedge basis adjustments under the portfolio layer method and (iv) specifies how hedge basis adjustments should be considered when determining credit losses for the assets included in the closed portfolio. ASU 2022-01 2022-03 is effective for fiscal years and interim periods after December, 15, 2022. 2023, though early adoption is permitted. The adoption of ASU 2022-01 did not impact our Consolidated Financial Statements.

ASU 2022-02, *"Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures."* ASU 2022-02 eliminates the accounting guidance for troubled debt restructurings in Accounting Standards Codification ("ASC") Subtopic 310-40, Receivables - Troubled Debt Restructurings by Creditors, while enhancing disclosure requirements for certain loan refinancing and restructurings by creditors when a borrower is experiencing financial difficulty. Additionally, ASU 2022-02 requires entities to disclose current-period gross write-offs by year of origination for financing receivables and net investments in leases within the scope of ASC Subtopic 326-20, Financial Instruments - Credit Losses - Measured at Amortized Cost. ASU 2022-02 is effective for fiscal years and interim periods after December, 15, 2022. The Company adopted ASU 2022-02 on a prospective basis on January 1, 2023. The adoption of ASU 2022-02 2022-03 did not have a significant impact on our Consolidated Financial Statements. consolidated financial statements.

Issued but Not Yet Adopted Accounting Standards

Accounting Standard Update ("ASU") ASU 2023-01, *"Leases (Topic 842): Common Control Arrangements" Arrangements:* ("ASU 2023-01") clarifies the accounting for leasehold improvements associated with common control leases to public business entities. This update is effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. The adoption of ASU 2023-01 is did not expected to have a significant impact on our consolidated financial statements. Consolidated Financial Statements.

ASU 2023-02, *"Investments—Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method" Method* ("ASU 2023-02") permits reporting entities to elect to account for their tax equity investments, regardless of the tax credit program from which the income tax credits are received, using the proportional amortization method if certain conditions are met. This update is effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. The adoption of ASU 2023-02 did not have a significant impact on our Consolidated Financial Statements.

Issued but Not Yet Adopted Accounting Standards

ASU 2023-06, "*Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative*" ("ASU 2023-06") related to disclosure or presentation requirements for various subtopics in the

FASB's Accounting Standards Codification ("Codification"). The amendments in the update are intended to align the requirements in the Codification with the U.S. Securities and Exchange Commission's ("SEC") regulations and facilitate the application of GAAP for all entities. The effective date for each amendment is the date on which the SEC removal of the related disclosure requirement from Regulation S-X or Regulation S-K becomes effective, or if the SEC has not expected removed the requirements by June 30, 2027, this amendment will be removed from the Codification and will not become effective for any entity. Early adoption is prohibited. We do not expect this update to have a material impact on our consolidated financial statements.

ASU No. 2023-07, "*Improvements to Reportable Segment Disclosures*" ("ASU 2023-07") primarily will require enhanced disclosures about significant segment expenses. The amendments in ASU 2023-07 are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted, and are to be applied on a retrospective basis. We do not expect this update to have a material impact on our consolidated financial statements.

ASU No. 2023-09, "*Improvements to Income Tax Disclosures*" ("ASU 2023-09") is intended to enhance the transparency and decision usefulness of income tax disclosures primarily through changes to the rate reconciliation and income taxes paid information. This update is effective for annual periods beginning after December 15, 2024, though early adoption is permitted. We do not expect it to have a material effect on our consolidated financial statements.

3. Investment Securities

The following tables summarize the Company's available for sale and held to maturity investment securities at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
September 30, 2023				
Available for sale:				
U.S. agency mortgage-backed	$ 324,459	$ 2	$ 44,290	$ 280,171
Collateralized mortgage obligations	84,009	1	5,731	78,279
Municipal bonds	55,705	1	10,669	45,037
U.S. government agency	19,278	—	1,834	17,444

Corporate bonds	6,982	—	894	6,088
Total available for sale	$ 490,433	$ 4	$ 63,418	$ 427,019
Held to maturity:				
Municipal bonds	$ 1,065	$ —	$ 13	$ 1,052
Total held to maturity	$ 1,065	$ —	$ 13	$ 1,052

(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
March 31, 2024				
U.S. agency mortgage-backed				
U.S. agency mortgage-backed				
Municipal bonds				
Municipal bonds				

(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2022				
Available for sale:				
U.S. agency mortgage-backed	$ 355,014	$ 63	$ 38,245	$ 316,832
Collateralized mortgage obligations	91,217	1	4,873	86,345
Municipal bonds	67,476	50	9,901	57,625
U.S. government agency	20,600	—	1,267	19,333
Corporate bonds	6,980	—	597	6,383
Total available for sale	$ 541,287	$ 114	$ 54,883	$ 486,518
Held to maturity:				
Municipal bonds	$ 1,075	$ —	$ 3	$ 1,072
Total held to maturity	$ 1,075	$ —	$ 3	$ 1,072

(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2023				
Available for sale:				
U.S. agency mortgage-backed	$ 314,569	$ 91	$ 30,807	$ 283,853
Collateralized mortgage obligations	82,764	1	3,503	79,262
Municipal bonds	53,891	4	7,221	46,674
U.S. government agency	19,151	—	1,102	18,049
Corporate bonds	6,982	—	894	6,088
Total available for sale	$ 477,357	$ 96	$ 43,527	$ 433,926
Held to maturity:				
Municipal bonds	$ 1,065	$ 1	$ —	$ 1,066
Total held to maturity	$ 1,065	$ 1	$ —	$ 1,066

The estimated fair value and amortized cost by contractual maturity of the Company's investment securities as of September 30, 2023 March 31, 2024 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. The Company's investment securities portfolio had an effective duration of 4.5 4.2 years at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

(dollars in thousands)	*(dollars in thousands)*	One Year or Less	After One Year through Five Years	After Five Years through Ten Years	After Ten Years	Total
(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	**Fair Value**					
Available for sale:	**Available for sale:**					
Available for sale:						
Available for sale:						
U.S. agency mortgage-backed						
U.S. agency mortgage-backed						
U.S. agency mortgage-backed	U.S. agency mortgage-backed	$ 2,885	$ 64,645	$ 88,804	$123,837	$280,171
Collateralized mortgage obligations	Collateralized mortgage obligations	430	54,915	4,636	18,298	78,279
Municipal bonds	Municipal bonds	1,705	1,707	19,721	21,904	45,037
U.S. government agency	U.S. government agency	—	5,164	11,964	316	17,444
Corporate bonds	Corporate bonds	—	—	6,088	—	6,088
Total available for sale	Total available for sale	$ 5,020	$ 126,431	$131,213	$164,355	$427,019
Held to maturity:	**Held to maturity:**					
Municipal bonds	Municipal bonds	$ —	$ 1,052	$ —	$ —	$ 1,052
Municipal bonds						
Municipal bonds						
Total held to maturity	Total held to maturity	$ —	$ 1,052	$ —	$ —	$ 1,052

(dollars in thousands)	*(dollars in thousands)*	One Year or Less	After One Year through Five Years	After Five Years through Ten Years	After Ten Years	Total
(dollars in thousands)						
(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	**Amortized Cost**					
Available for sale:	**Available for sale:**					
Available for sale:						
Available for sale:						
U.S. agency mortgage-backed						
U.S. agency mortgage-backed						

U.S. agency mortgage-backed	U.S. agency mortgage-backed	$ 2,909	$ 71,833	$ 99,747	$149,970	$324,459
Collateralized mortgage obligations	Collateralized mortgage obligations	433	58,262	5,405	19,909	84,009
Municipal bonds	Municipal bonds	1,705	1,892	23,606	28,502	55,705
U.S. government agency	U.S. government agency	—	5,292	13,669	317	19,278
Corporate bonds	Corporate bonds	—	—	6,982	—	6,982
Total available for sale	Total available for sale	$ 5,047	$ 137,279	$149,409	$198,698	$490,433
Held to maturity:	**Held to maturity:**					
Municipal bonds	Municipal bonds	$ —	$ 1,065	$ —	$ —	$ 1,065
Municipal bonds						
Municipal bonds						
Total held to maturity	Total held to maturity	$ —	$ 1,065	$ —	$ —	$ 1,065

Management evaluates securities for impairment from credit losses at least quarterly, and more frequently when economic and market conditions warrant such evaluations. Consideration is given to numerous factors including, but not limited to, the extent to which the fair value is less than the amortized cost basis; adverse conditions causing changes in the financial condition of the issuer of the security or underlying loan guarantors; changes to the rating of the security by a rating agency; and 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 determine whether the decline in the fair value of securities has resulted from credit losses or other factors. 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. If this evaluation indicates the existence of credit losses, the Company compares the present value of cash flows expected to be collected from the security with the amortized cost basis. If the present value of expected cash flows is less than the amortized cost basis, an ACL is recorded, limited by the amount that the fair value of the security is less than its amortized cost.

The Company's investment securities with unrealized losses, aggregated by type and length of time that individual securities have been in a continuous loss position, are summarized in the following tables.

(dollars in thousands)	*(dollars in thousands)*	**Less Than 1 Year**		**Over 1 Year**		**Total**	
September 30, 2023		**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
March 31, 2024							
Available for sale:	**Available for sale:**						
U.S. agency mortgage-backed							
U.S. agency mortgage-backed							
U.S. agency mortgage-backed	U.S. agency mortgage-backed	$10,320	$ 421	$269,593	$ 43,869	$279,913	$ 44,290
Collateralized mortgage obligations	Collateralized mortgage obligations	—	—	78,271	5,731	78,271	5,731
Municipal bonds	Municipal bonds	1,887	95	42,649	10,574	44,536	10,669

(dollars in thousands)	**Less Than 1 Year**		**Over 1 Year**		**Total**	
March 31, 2024	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**

U.S. government agency	U.S. government agency	3,649	305	13,795	1,529	17,444	1,834
Corporate bonds	Corporate bonds	—	—	6,088	894	6,088	894
Total available for sale	Total available for sale	$15,856	$ 821	$410,396	$ 62,597	$426,252	$ 63,418
Held to maturity:	**Held to maturity:**						
Municipal bonds	Municipal bonds	$ 1,052	$ 13	$ —	$ —	$ 1,052	$ 13
Municipal bonds							
Municipal bonds							
Total held to maturity	Total held to maturity	$ 1,052	$ 13	$ —	$ —	$ 1,052	$ 13

(dollars in thousands)	*(dollars in thousands)*	**Less Than 1 Year**		**Over 1 Year**		**Total**	
December 31, 2022		**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
December 31, 2023							
Available for sale:	**Available for sale:**						
U.S. agency mortgage-backed							
U.S. agency mortgage-backed							
U.S. agency mortgage-backed	U.S. agency mortgage-backed	$184,896	$ 14,828	$129,248	$ 23,417	$314,144	$ 38,245
Collateralized mortgage obligations	Collateralized mortgage obligations	85,715	4,860	620	13	86,335	4,873
Municipal bonds	Municipal bonds	28,710	3,245	24,100	6,656	52,810	9,901
U.S. government agency	U.S. government agency	18,718	1,259	615	8	19,333	1,267
Corporate bonds	Corporate bonds	3,233	247	3,150	350	6,383	597
Total available for sale	Total available for sale	$321,272	$ 24,439	$157,733	$ 30,444	$479,005	$ 54,883
Held to maturity:	**Held to maturity:**						
Municipal bonds	Municipal bonds	$ 1,072	$ 3	$ —	$ —	$ 1,072	$ 3
Municipal bonds							
Municipal bonds							
Total held to maturity	Total held to maturity	$ 1,072	$ 3	$ —	$ —	$ 1,072	$ 3

(dollars in thousands)	**Less Than 1 Year**		**Over 1 Year**		**Total**	
December 31, 2023	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**

At September 30, 2023 March 31, 2024, 305 291 of the Company's debt securities had unrealized losses totaling 12.9% 10.0% of the individual securities' amortized cost basis and 12.9% 9.9% of the Company's total amortized cost basis of the investment securities portfolio. At such date, 290 280 of the 305 291 securities had been in a continuous loss position for over 12 months. Management has determined that the declines in the fair value of these securities were not attributable to credit losses. As a result, no ACL was recorded for available for sale investment securities at September 30, 2023 March 31, 2024.

At September 30, 2023 March 31, 2024, it was determined that no ACL was required for the Company's held-to-maturity investment securities. The Company monitors credit quality of debt securities held-to-maturity through the use of credit ratings. The following tables present the amortized cost of the Company's held-to-maturity securities by credit quality rating at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

		Credit Ratings		
		Credit Ratings		
(dollars in thousands)	*(dollars in thousands)*	AAA/AA/A	BBB/BB/B	Total
September 30, 2023				
(dollars in thousands)				
(dollars in thousands)		**AAA/AA/A**	**BBB/BB/B**	**Total**
March 31, 2024				
Held to maturity:				
Held to maturity:				
Held to maturity:	**Held to maturity:**			
Municipal bonds	Municipal bonds	$ 1,065	$ —	$1,065
Municipal bonds				
Municipal bonds				

		Credit Ratings		
		Credit Ratings		
(dollars in thousands)	*(dollars in thousands)*	AAA/AA/A	BBB/BB/B	Total
December 31, 2022				
(dollars in thousands)				
(dollars in thousands)		**AAA/AA/A**	**BBB/BB/B**	**Total**
December 31, 2023				
Held to maturity:				
Held to maturity:				
Held to maturity:	**Held to maturity:**			
Municipal bonds	Municipal bonds	$ 1,075	$ —	$1,075
Municipal bonds				
Municipal bonds				

For the three and nine months ended September 30, 2023 March 31, 2024, there were no gross gains or losses related to the sale of investment securities. For the three months ended March 31, 2023, the Company recorded gross gains of $0 and $98,000 respectively, and gross losses of $0 and $347,000 respectively, related to the sale of investment securities. There were no gross gains or gross losses related to the sale of investment securities for the three and nine months ended September 30, 2022.

Accrued interest receivable on the Company's investment securities was $1,374,000 $1,311,000 and $1,798,000 $1,563,000 at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. These amounts are recorded in accrued interest receivable and other assets on the Consolidated Statements of Financial Condition.

At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Company had $127,860,000 $135,483,000 and $170,036,000, $127,172,000, respectively, of securities pledged to secure public deposits. In addition at March 31, 2024, the Company had $135,000,000 of securities pledged to BTFP borrowings. There were no securities pledged to BTFP borrowings at December 31, 2023,

4. Earnings Per Share

Earnings per common share was computed based on the following:

	Three Months Ended September 30,	Nine Months Ended September 30,

Three Months Ended March 31,

Three Months Ended March 31,

Three Months Ended March 31,

(in thousands, except per share data)

(in thousands, except per share data)

(in thousands, except per share data)	*(in thousands, except per share data)*	2023	2022	2023	2022
Numerator:	**Numerator:**				
Numerator:					
Numerator:					
Net income available to common shareholders					
Net income available to common shareholders					
Net income available to common shareholders	Net income available to common shareholders	$ 9,754	$ 10,434	$ 30,855	$ 23,296
Denominator:	**Denominator:**				
Denominator:					
Denominator:					
Weighted average common shares outstanding					
Weighted average common shares outstanding					
Weighted average common shares outstanding	Weighted average common shares outstanding	8,006	8,089	8,045	8,162
Effect of dilutive securities:	Effect of dilutive securities:				
Effect of dilutive securities:					
Effect of dilutive securities:					
Restricted stock					
Restricted stock					
Restricted stock	Restricted stock	14	11	17	14
Stock options	Stock options	19	38	22	43
Stock options					
Stock options					
Weighted average common shares outstanding – assuming dilution					
Weighted average common shares outstanding – assuming dilution					
Weighted average common shares outstanding – assuming dilution	Weighted average common shares outstanding – assuming dilution	8,039	8,138	8,084	8,219
Basic earnings per common share	Basic earnings per common share	$ 1.22	$ 1.29	$ 3.84	$ 2.86
Basic earnings per common share					
Basic earnings per common share					

Diluted earnings per common share	Diluted earnings per common share	$ 1.22	$ 1.28	$ 3.82	$ 2.84
Diluted earnings per common share					
Diluted earnings per common share					

Options for 131,180 58,392 and 75,789 63,558 shares of common stock were not included in the computation of diluted EPS for the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively, because the effect of those shares was anti-dilutive. For the nine months ended September 30, 2023 and 2022, options on 102,493 and 66,866, respectively, shares of common stock were not included in the computation of diluted EPS because the effect of those shares was anti-dilutive.

5. Credit Quality and Allowance for Credit Losses

The following briefly describes the distinction between originated and acquired loans and certain significant accounting policies.

Loans

Loans are reported at the principal balance outstanding net of unearned income and fair value discounts, if applicable. Interest on loans and the 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 is discontinued when it is probable the borrower will not be able to meet payment obligations as they become due. It is our policy, with certain limited exceptions, to discontinue accruing interest and reverse any interest accrued on any loan which is 90 days or more past due. Interest income is not accrued on these loans until the borrower's financial condition and payment record demonstrate an ability to service the debt. If it is determined that all or part of a loan is uncollectible, the potion of the loan deemed uncollectible is charged to the allowance for credit losses.

Allowance for Credit Losses

The allowance for credit losses ("ACL") , which equals the sum of the ALL and the ACL on unfunded lending commitments, is established through provisions for credit losses. Management recalculates the ACL at least quarterly to reassess the estimate of credit losses for the total portfolio at the relevant reporting date. Under ASC Topic 326, the ACL is measured on a pool basis when similar risk characteristics exist. For each pool of loans, management also evaluates and applies qualitative adjustments to the calculated ACL based on several factors, including, but not limited to, changes in current and expected future economic conditions, changes in industry experience and industry loan concentrations, changes in the volume and severity of nonperforming assets, changes in lending policies and personnel and changes in the competitive and regulatory environment of the banking industry. Loans that do not share similar risk characteristics are individually evaluated and are excluded from the pooled loan analysis.

The ACL policy described above is supplemented by periodic reviews and validations performed by independent loan reviewers. The results of the reviews are reported to the Audit Committee of the Board of Directors. The establishment of the ACL is significantly affected by management judgment. There is likelihood that different amounts would be reported under different conditions or assumptions. Federal regulatory agencies, as an integral part of their examination process, periodically review our ACL. Such agencies may require management to make additional provisions for estimated losses based upon judgments different from those of management.

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

The Company's loans, net of unearned income, consisted of the following as of the dates indicated.

(dollars in thousands)	*(dollars in thousands)*	September 30, 2023	December 31, 2022	*(dollars in thousands)*	March 31, 2024	December 31, 2023
Real estate loans:	**Real estate loans:**					
One- to four-family first mortgage						
One- to four-family first mortgage						
One- to four-family first mortgage	One- to four-family first mortgage	$ 432,092	$ 389,616			
Home equity loans and lines	Home equity loans and lines	69,350	61,863			
Commercial real estate	Commercial real estate	1,178,111	1,152,537			
Construction and land	Construction and land	342,711	313,175			
Multi-family residential	Multi-family residential	106,411	100,588			

Total real estate loans	Total real estate loans	2,128,675	2,017,779
Other loans:	**Other loans:**		
Commercial and industrial	Commercial and industrial	407,189	377,894
Commercial and industrial			
Commercial and industrial			
Consumer	Consumer	33,230	35,077
Total other loans	Total other loans	440,419	412,971
Total loans	Total loans	$2,569,094	$2,430,750

The net discount on the Company's acquired loans was $4,920,000 $3,820,000 and $6,866,000 $4,340,000 at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. In addition, loan balances as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 are reported net of unearned income of $5,179,000 $5,227,000 and $4,580,000, $5,321,000, respectively.

Accrued interest receivable on the Company's loans was $11,485,000 $12,748,000 and $9,520,000 $11,986,000 at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively, and is excluded from the estimate of the ACL. Those amounts are recorded in accrued interest receivable and other assets on the Consolidated Statements of Financial Condition.

Allowance for Credit Losses

The ACL, which includes the ALL and the ACL on unfunded lending commitments, and recorded investment in loans as of the dates indicated are as follows.

		September 30, 2023				**March 31, 2024**		
(dollars in thousands)	*(dollars in thousands)*	**Collectively Evaluated**	**Individually Evaluated**	**Total**	*(dollars in thousands)*	**Collectively Evaluated**	**Individually Evaluated**	**Total**
Allowance for credit losses:	**Allowance for credit losses:**							
One- to four-family first mortgage								
One- to four-family first mortgage								
One- to four-family first mortgage	One- to four-family first mortgage	$ 3,320	$ —	$ 3,320				
Home equity loans and lines	Home equity loans and lines	742	—	742				
Commercial real estate	Commercial real estate	14,185	230	14,415				
Construction and land	Construction and land	5,123	—	5,123				
Multi-family residential	Multi-family residential	523	—	523				
Commercial and industrial	Commercial and industrial	6,161	105	6,266				
Consumer	Consumer	734	—	734				
Total allowance for loan losses	Total allowance for loan losses	$ 30,788	$ 335	$31,123				
Unfunded lending commitments(1)	Unfunded lending commitments(1)	$ 2,454	$ —	$ 2,454				
Unfunded lending commitments(1)								

Unfunded lending commitments(1)				
Total allowance for credit losses	Total allowance for credit losses	$ 33,242	$ 335	$33,577

(dollars in thousands)	(dollars in thousands)	September 30, 2023 Collectively Evaluated	Individually Evaluated(2)	Total	(dollars in thousands)	March 31, 2024 Collectively Evaluated	Individually Evaluated(2)	Total
Loans:	**Loans:**							
One- to four-family first mortgage								
One- to four-family first mortgage								
One- to four-family first mortgage	One- to four-family first mortgage	$ 432,092	$ —	$ 432,092				
Home equity loans and lines	Home equity loans and lines	69,350	—	69,350				
Commercial real estate	Commercial real estate	1,173,506	4,605	1,178,111				
Construction and land	Construction and land	342,711	—	342,711				
Multi-family residential	Multi-family residential	106,411	—	106,411				
Commercial and industrial	Commercial and industrial	407,057	132	407,189				
Consumer	Consumer	33,230	—	33,230				
Total loans	Total loans	$ 2,564,357	$ 4,737	$2,569,094				

(dollars in thousands)	(dollars in thousands)	December 31, 2022 Collectively Evaluated	Individually Evaluated	Total	(dollars in thousands)	December 31, 2023 Collectively Evaluated	Individually Evaluated	Total
Allowance for credit losses:	**Allowance for credit losses:**							
One- to four-family first mortgage								
One- to four-family first mortgage								
One- to four-family first mortgage	One- to four-family first mortgage	$ 2,883	$ —	$ 2,883				
Home equity loans and lines	Home equity loans and lines	624	—	624				
Commercial real estate	Commercial real estate	13,264	550	13,814				
Construction and land	Construction and land	4,680	—	4,680				
Multi-family residential	Multi-family residential	572	—	572				
Commercial and industrial	Commercial and industrial	5,853	171	6,024				
Consumer	Consumer	702	—	702				

Total allowance for loan losses	Total allowance for loan losses	$ 28,578	$ 721	$ 29,299
Unfunded lending commitments(1)	Unfunded lending commitments(1)	$ 2,093	$ —	$ 2,093
Unfunded lending commitments(1)				
Unfunded lending commitments(1)				
Total allowance for credit losses	Total allowance for credit losses	$ 30,671	$ 721	$ 31,392

		December 31, 2022				December 31, 2023		
(dollars in thousands)	*(dollars in thousands)*	**Collectively Evaluated**	**Individually Evaluated(2)**	**Total**	*(dollars in thousands)*	**Collectively Evaluated**	**Individually Evaluated(2)**	**Total**
Loans:	**Loans:**							
One- to four-family first mortgage								
One- to four-family first mortgage								
One- to four-family first mortgage	One- to four-family first mortgage	$ 389,616	$ —	$ 389,616				
Home equity loans and lines	Home equity loans and lines	61,863	—	61,863				
Commercial real estate	Commercial real estate	1,147,794	4,743	1,152,537				
Construction and land	Construction and land	313,175	—	313,175				
Multi-family residential	Multi-family residential	100,588	—	100,588				
Commercial and industrial	Commercial and industrial	377,690	204	377,894				
Consumer	Consumer	34,991	86	35,077				
Total loans	Total loans	$ 2,425,717	$ 5,033	$ 2,430,750				

(1) The ACL on unfunded lending commitments is recorded within accrued interest payable and other liabilities on the Consolidated Statements of Financial Condition.

(2) One PCD loan was individually evaluated at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

A summary of activity in the ACL for the nine three months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023 follows.

		Nine Months Ended September 30, 2023						Three Months Ended March 31, 2024				
(dollars in thousands)	*(dollars in thousands)*	**Beginning Balance**	**Charge-offs**	**Recoveries**	**Provision (Reversal)**	**Ending Balance**	*(dollars in thousands)*	**Beginning Balance**	**Charge-offs**	**Recoveries**	**Provision (Reversal)**	**Ending Balance**
Allowance for credit losses:	**Allowance for credit losses:**											
One- to four-family first mortgage												
One- to four-family first mortgage												
One- to four-family first mortgage	One- to four-family first mortgage	$ 2,883	$ —	$ 43	$ 394	$ 3,320						

Home equity loans and lines	Home equity loans and lines	624	—	5	113	742
Commercial real estate	Commercial real estate	13,814	—	55	546	14,415
Construction and land	Construction and land	4,680	—	—	443	5,123
Multi-family residential	Multi-family residential	572	—	—	(49)	523
Commercial and industrial	Commercial and industrial	6,024	(86)	165	163	6,266
Consumer	Consumer	702	(62)	28	66	734
Total allowance for loan losses	Total allowance for loan losses	$ 29,299	$ (148)	$ 296	$ 1,676	$31,123
Unfunded lending commitments	Unfunded lending commitments	$ 2,093	$ —	$ —	$ 361	$ 2,454
Unfunded lending commitments						
Unfunded lending commitments						
Total allowance for credit losses	Total allowance for credit losses	$ 31,392	$ (148)	$ 296	$ 2,037	$33,577

		Nine Months Ended September 30, 2022							Three Months Ended March 31, 2023				
(dollars in thousands)	*(dollars in thousands)*	**Beginning Balance**	**Allowance for Acquired PCD Loans (1)**	**Charge-offs**	**Recoveries**	**Provision (Reversal)**	**Ending Balance**	*(dollars in thousands)*	**Beginning Balance**	**Charge-offs**	**Recoveries**	**Provision (Reversal)**	**Ending Balance**
Allowance for credit losses:	**Allowance for credit losses:**												
One- to four-family first mortgage													
One- to four-family first mortgage													
One- to four-family first mortgage	One- to four-family first mortgage	$ 1,944	$ —	$ —	$ 6	$ 375	$ 2,325						
Home equity loans and lines	Home equity loans and lines	508	—	—	7	(15)	500						
Commercial real estate	Commercial real estate	10,454	1,220	(270)	—	2,293	13,697						
Construction and land	Construction and land	3,572	—	—	—	1,401	4,973						
Multi-family residential	Multi-family residential	457	—	—	—	41	498						
Commercial and industrial	Commercial and industrial	3,520	195	(750)	468	1,278	4,711						
Consumer	Consumer	634	—	(240)	124	129	647						

Total allowance for loan losses	Total allowance for loan losses	$ 21,089	$ 1,415	$(1,260)	$ 605	$ 5,502	$27,351
Unfunded lending commitments	Unfunded lending commitments	$ 1,815	$ —	$ —	$ —	$ 448	$ 2,263
Unfunded lending commitments							
Unfunded lending commitments							
Total allowance for credit losses	Total allowance for credit losses	$ 22,904	$ 1,415	$(1,260)	$ 605	$ 5,950	$29,614

(1) Allowance recorded for PCD loans in the Company's acquisition of Friendswood Capital Corporation at the acquisition date of March 26, 2022.

Credit Quality

The following tables present the Company's loan portfolio by credit quality classification and origination year as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

		September 30, 2023								
		Term Loans by Origination Year								
(dollars in thousands)										
(dollars in thousands)										
(dollars in thousands)	*(dollars in thousands)*	2023	2022	2021	2020	2019	Prior	Revolving Loans	Revolving Loans Converted to Term Loans	Total
One- to four-family first mortgage:	**One- to four-family first mortgage:**									
Pass										
Pass										
Pass	Pass	$ 82,292	$107,715	$ 73,509	$ 34,415	$ 30,035	$ 97,105	$ 3,438	$ 502	$ 429,011
Special Mention	Special Mention	149	498	188	—	—	35	—	—	870
Substandard	Substandard	—	167	117	312	83	1,532	—	—	2,211
Doubtful	Doubtful	—	—	—	—	—	—	—	—	—
Total one- to four-family first mortgages	Total one- to four-family first mortgages	$ 82,441	$108,380	$ 73,814	$ 34,727	$ 30,118	$ 98,672	$ 3,438	$ 502	$ 432,092
Current period gross charge-offs	Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Home equity loans and lines:	**Home equity loans and lines:**									
Pass	Pass	$ 1,711	$ 1,676	$ 1,273	$ 778	$ 1,297	$ 3,300	$ 58,677	$ 513	$ 69,225
Pass										

March 31, 2024									March 31, 20
Term Loans by Origination Year									
2024	2023	2022	2021	2020	Prior	Revolving Loans	Revolving Loans Converted to Term Loans	T	

Pass										
Special Mention	Special Mention	—	—	—	—	—	—	—	—	—
Substandard	Substandard	—	—	—	—	—	96	—	29	125
Doubtful	Doubtful	—	—	—	—	—	—	—	—	—
Total home equity loans and lines	Total home equity loans and lines	$ 1,711	$ 1,676	$ 1,273	$ 778	$ 1,297	$ 3,396	$ 58,677	$ 542	$ 69,350
Current period gross charge-offs	Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Commercial real estate:	**Commercial real estate:**									
Pass										
Pass										
Pass	Pass	$122,107	$289,147	$256,212	$191,091	$140,184	$121,539	$ 40,995	$ 820	$1,162,095
Special Mention	Special Mention	—	—	—	330	—	—	—	—	330
Substandard	Substandard	—	16	1,623	2,652	5,471	5,761	100	63	15,686
Doubtful	Doubtful	—	—	—	—	—	—	—	—	—
Total commercial real estate loans	Total commercial real estate loans	$122,107	$289,163	$257,835	$194,073	$145,655	$127,300	$ 41,095	$ 883	$1,178,111
Current period gross charge-offs	Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Construction and land:	**Construction and land:**									
Pass	Pass	$ 90,344	$162,894	$ 54,384	$ 7,017	$ 7,789	$ 4,284	$ 3,800	$ —	$ 330,512
Pass										
Pass										
Special Mention	Special Mention	466	174	4,597	151	—	—	—	—	5,388
Substandard	Substandard	—	2,054	658	—	—	52	4,047	—	6,811
Doubtful	Doubtful	—	—	—	—	—	—	—	—	—
Total construction and land loans	Total construction and land loans	$ 90,810	$165,122	$ 59,639	$ 7,168	$ 7,789	$ 4,336	$ 7,847	$ —	$ 342,711
Current period gross charge-offs	Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

September 30, 2023

Term Loans by Origination Year

March 31, 2024 **March 31, 202**

Term Loans by Origination Year

(dollars in thousands)

(dollars in thousands)

(dollars in thousands)	*(dollars in thousands)*	2023	2022	2021	2020	2019	Prior	Revolving Loans	Revolving Loans Converted to Term Loans	Total
Multi-family residential:	**Multi-family residential:**									
Pass										
Pass										
Pass	Pass	$ 13,434	$ 37,503	$ 11,954	$ 21,762	$ 12,673	$ 3,540	$ 2,041	$ —	$ 102,907
Special Mention	Special Mention	—	—	—	—	—	—	—	—	—
Substandard	Substandard	—	—	—	—	—	3,504	—	—	3,504
Doubtful	Doubtful	—	—	—	—	—	—	—	—	—
Total multi-family residential loans	Total multi-family residential loans	$ 13,434	$ 37,503	$ 11,954	$ 21,762	$ 12,673	$ 7,044	$ 2,041	$ —	$ 106,411
Current period gross charge-offs	Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Commercial and industrial:	**Commercial and industrial:**									
Pass	Pass	$ 59,926	$ 84,770	$ 34,459	$ 11,518	$ 6,076	$ 6,277	$ 194,352	$ 4,874	$ 402,252
Pass										
Pass										
Special Mention	Special Mention	—	1,157	—	338	—	220	743	—	2,458
Substandard	Substandard	1,569	132	32	13	4	525	154	50	2,479
Doubtful	Doubtful	—	—	—	—	—	—	—	—	—
Total commercial and industrial loans	Total commercial and industrial loans	$ 61,495	$ 86,059	$ 34,491	$ 11,869	$ 6,080	$ 7,022	$ 195,249	$ 4,924	$ 407,189
Current period gross charge-offs	Current period gross charge-offs	$ —	$ —	$ —	$ 30	$ 7	$ —	$ 49	$ —	$ 86
Consumer:	**Consumer:**									
Pass										
Pass										
Pass	Pass	$ 4,803	$ 6,389	$ 1,129	$ 1,033	$ 398	$ 11,246	$ 8,002	$ —	$ 33,000
Special Mention	Special Mention	—	—	—	—	—	—	—	—	—
Substandard	Substandard	—	29	9	6	8	178	—	—	230
Doubtful	Doubtful	—	—	—	—	—	—	—	—	—
Total consumer loans	Total consumer loans	$ 4,803	$ 6,418	$ 1,138	$ 1,039	$ 406	$ 11,424	$ 8,002	$ —	$ 33,230

2024	2023	2022	2021	2020	Prior	Revolving Loans	Revolving Loans Converted to Term Loans	To

Current period gross charge-offs	Current period gross charge-offs	$ —	$ 15	$ 2	$ —	$ —	$ 5	$ 40	$ —	$ 62
Total loans:	**Total loans:**									
Pass	Pass	$374,617	$690,094	$432,920	$267,614	$198,452	$247,291	$ 311,305	$ 6,709	$2,529,002
Pass										
Pass										
Special Mention	Special Mention	615	1,829	4,785	819	—	255	743	—	9,046
Substandard	Substandard	1,569	2,398	2,439	2,983	5,566	11,648	4,301	142	31,046
Doubtful	Doubtful	—	—	—	—	—	—	—	—	—
Total loans	Total loans	$376,801	$694,321	$440,144	$271,416	$204,018	$259,194	$ 316,349	$ 6,851	$2,569,094
Current period gross charge-offs	Current period gross charge-offs	$ —	$ 15	$ 2	$ 30	$ 7	$ 5	$ 89	$ —	$ 148

December 31, 2022

Term Loans by Origination Year

December 31, 2023

December 31, 2023

Term Loans by Origination Year

(dollars in thousands)

(dollars in thousands)

(dollars in thousands)	*(dollars in thousands)*	2022	2021	2020	2019	2018	Prior	Revolving Loans	Revolving Loans Converted to Term Loans	Total	2023	2022	2021	2020	2019	Prior	Revolving Loans	Revolving Loans Converted to Term Loans	To
One- to four-family first mortgage:	**One- to four-family first mortgage:**																		
Pass																			
Pass																			
Pass	Pass	$107,546	$ 78,744	$ 37,876	$ 34,114	$26,455	$ 94,729	$ 5,387	$ 348	$ 385,199									
Special Mention	Special Mention	150	189	—	—	—	355	—	500	1,194									
Substandard	Substandard	272	56	368	145	372	2,010	—	—	3,223									
Doubtful	Doubtful	—	—	—	—	—	—	—	—	—									
Total one- to four-family first mortgages	Total one- to four-family first mortgages	$107,968	$ 78,989	$ 38,244	$ 34,259	$26,827	$ 97,094	$ 5,387	$ 848	$ 389,616									
Current period gross charge-offs																			
Home equity loans and lines:	**Home equity loans and lines:**																		
Pass																			

Pass										
Pass	Pass	$ 1,898	$ 1,453	$ 783	$ 1,142	$ 604	$ 3,453	$ 51,502	$ 995	$ 61,830
Special Mention	Special Mention	—	—	—	—	—	—	—	—	—
Substandard	Substandard	—	—	—	—	—	33	—	—	33
Doubtful	Doubtful	—	—	—	—	—	—	—	—	—
Total home equity loans and lines	Total home equity loans and lines	$ 1,898	$ 1,453	$ 783	$ 1,142	$ 604	$ 3,486	$ 51,502	$ 995	$ 61,863
Current period gross charge-offs										
Commercial real estate:	**Commercial real estate:**									
Pass										
Pass										
Pass	Pass	$292,894	$279,397	$210,983	$159,169	$64,554	$ 95,083	$ 35,918	$ 586	$1,138,584
Special Mention	Special Mention	—	179	345	—	—	—	—	—	524
Substandard	Substandard	97	—	167	5,579	294	7,292	—	—	13,429
Doubtful	Doubtful	—	—	—	—	—	—	—	—	—
Total commercial real estate loans	Total commercial real estate loans	$292,991	$279,576	$211,495	$164,748	$64,848	$102,375	$ 35,918	$ 586	$1,152,537
Current period gross charge-offs										
Construction and land:	**Construction and land:**									
Pass										
Pass										
Pass	Pass	$170,744	$101,321	$ 19,620	$ 8,912	$ 2,534	$ 2,716	$ 4,434	$ 1,727	$ 312,008
Special Mention	Special Mention	—	520	—	—	—	—	—	—	520
Substandard	Substandard	417	—	152	—	—	78	—	—	647
Doubtful	Doubtful	—	—	—	—	—	—	—	—	—
Total construction and land loans	Total construction and land loans	$171,161	$101,841	$ 19,772	$ 8,912	$ 2,534	$ 2,794	$ 4,434	$ 1,727	$ 313,175
Current period gross charge-offs										
Multi-family residential:										
Pass										
Pass										
Pass										

Special Mention

Substandard

(dollars in thousands)		December 31, 2022								
		Term Loans by Origination Year								
		December 31, 2023								
		Term Loans by Origination Year								
(dollars in thousands)	(dollars in thousands)	2022	2021	2020	2019	2018	Prior	Revolving Loans	Revolving Loans Converted to Term Loans	Total
Multi-family residential:										
Pass		$ 33,822	$ 15,775	$ 25,661	$ 13,070	$ 2,241	$ 2,491	$ 1,302	$ 2,840	$ 97,202
Special Mention		—	—	—	—	3,312	—	—	—	3,312
Substandard		—	—	—	—	74	—	—	—	74

(dollars in thousands)

(dollars in thousands)	2023	2022	2021	2020	2019	Prior	Revolving Loans	Revolving Loans Converted to Term Loans	To

Doubtful	Doubtful	—	—	—	—	—	—	—	—	—
Total multi-family residential loans	Total multi-family residential loans	$ 33,822	$ 15,775	$ 25,661	$ 13,070	$ 5,627	$ 2,491	$ 1,302	$ 2,840	$ 100,588
Current period gross charge-offs										
Commercial and industrial:	**Commercial and industrial:**									
Pass										
Pass										
Pass	Pass	$108,464	$ 50,850	$ 16,043	$ 8,599	$ 11,203	$ 2,759	$174,145	$ 712	$ 372,775
Special Mention	Special Mention	338	—	—	—	7	—	1,188	—	1,533
Substandard	Substandard	590	—	2,317	8	—	293	328	50	3,586
Doubtful	Doubtful	—	—	—	—	—	—	—	—	—
Total commercial and industrial loans	Total commercial and industrial loans	$109,392	$ 50,850	$ 18,360	$ 8,607	$ 11,210	$ 3,052	$175,661	$ 762	$ 377,894
Current period gross charge-offs										
Consumer:	**Consumer:**									
Pass										
Pass										

Pass	Pass	$ 10,012	$ 2,048	$ 1,577	$ 536	$ 136	$ 12,785	$ 7,420	$ 29	$ 34,543
Special Mention	Special Mention	—	—	—	—	—	—	—	—	—
Substandard	Substandard	9	298	—	—	—	227	—	—	534
Doubtful	Doubtful	—	—	—	—	—	—	—	—	—
Total consumer loans	Total consumer loans	$ 10,021	$ 2,346	$ 1,577	$ 536	$ 136	$ 13,012	$ 7,420	$ 29	$ 35,077
Current period gross charge-offs										
Total loans:	**Total loans:**									
Pass										
Pass										
Pass	Pass	$725,380	$529,588	$312,543	$225,542	$107,727	$214,016	$ 280,108	$ 7,237	$2,402,141
Special Mention	Special Mention	488	888	345	—	3,319	355	1,188	500	7,083
Substandard	Substandard	1,385	354	3,004	5,732	740	9,933	328	50	21,526
Doubtful	Doubtful	—	—	—	—	—	—	—	—	—
Total loans	Total loans	$727,253	$530,830	$315,892	$231,274	$111,786	$224,304	$ 281,624	$ 7,787	$2,430,750
Current period gross charge-offs										

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

- Pass loans are of satisfactory quality.
- Special mention loans have an existing weakness that could cause future impairment, including the deterioration of financial ratios, past due status, questionable management capabilities and possible reduction in the collateral values.
- Substandard loans have an existing specific and well-defined weakness that may include poor liquidity and deterioration of financial performance. Such loans may be past due and related deposit accounts experiencing overdrafts. Immediate corrective action is necessary.
- Doubtful loans have specific weaknesses that are severe enough to make collection or liquidation in full highly questionable and improbable.

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

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

		September 30, 2023							March 31, 2024					
(dollars in thousands)	*(dollars in thousands)*	**30-59 Days Past Due**	**60-89 Days Past Due**	**Greater Than 90 Days Past Due**	**Total Past Due**	**Current Loans**	**Total Loans**	*(dollars in thousands)*	**30-59 Days Past Due**	**60-89 Days Past Due**	**Greater Than 90 Days Past Due**	**Total Past Due**	**Current Loans**	**Total Loans**
Originated loans:	**Originated loans:**													
Real estate loans:	Real estate loans:													
Real estate loans:														
Real estate loans:														
One- to four-family first mortgage														
One- to four-family first mortgage														

One- to four-family first mortgage	One- to four-family first mortgage	$ 2,404	$ 47	$ 409	$ 2,860	$ 351,315	$ 354,175
Home equity loans and lines	Home equity loans and lines	83	—	6	89	60,712	60,801
Commercial real estate	Commercial real estate	69	163	231	463	901,994	902,457
Construction and land	Construction and land	5,532	130	1,121	6,783	311,353	318,136
Multi-family residential	Multi-family residential	3,987	—	—	3,987	98,431	102,418
Total real estate loans	Total real estate loans	12,075	340	1,767	14,182	1,723,805	1,737,987
Other loans:	Other loans:						
Commercial and industrial	Commercial and industrial	77	123	721	921	375,952	376,873
Commercial and industrial							
Commercial and industrial							
Consumer	Consumer	259	—	90	349	30,219	30,568
Total other loans	Total other loans	336	123	811	1,270	406,171	407,441
Total originated loans	Total originated loans	$12,411	$463	$ 2,578	$15,452	$2,129,976	$2,145,428
Acquired loans:	**Acquired loans:**						
Real estate loans:	Real estate loans:						
Real estate loans:							
Real estate loans:							
One- to four-family first mortgage							
One- to four-family first mortgage							
One- to four-family first mortgage	One- to four-family first mortgage	$ 1,729	$125	$ 454	$ 2,308	$ 75,609	$ 77,917
Home equity loans and lines	Home equity loans and lines	49	—	—	49	8,500	8,549
Commercial real estate	Commercial real estate	175	—	—	175	275,479	275,654
Construction and land	Construction and land	—	—	21	21	24,554	24,575
Multi-family residential	Multi-family residential	—	—	—	—	3,993	3,993
Total real estate loans	Total real estate loans	1,953	125	475	2,553	388,135	390,688
Other loans:	Other loans:						
Commercial and industrial	Commercial and industrial	1	—	32	33	30,283	30,316
Commercial and industrial							

Commercial and industrial							
Consumer	Consumer	9	1	55	65	2,597	2,662
Total other loans	Total other loans	10	1	87	98	32,880	32,978
Total acquired loans	Total acquired loans	$ 1,963	$126	$ 562	$ 2,651	$ 421,015	$ 423,666
Total loans:	**Total loans:**						
Real estate loans:	Real estate loans:						
Real estate loans:							
Real estate loans:							
One- to four-family first mortgage							
One- to four-family first mortgage							
One- to four-family first mortgage	One- to four-family first mortgage	$ 4,133	$172	$ 863	$ 5,168	$ 426,924	$ 432,092
Home equity loans and lines	Home equity loans and lines	132	—	6	138	69,212	69,350

		September 30, 2023							March 31, 2024					
(dollars in thousands)	*(dollars in thousands)*	**30-59 Days Past Due**	**60-89 Days Past Due**	**Greater Than 90 Days Past Due**	**Total Past Due**	**Current Loans**	**Total Loans**	*(dollars in thousands)*	**30-59 Days Past Due**	**60-89 Days Past Due**	**Greater Than 90 Days Past Due**	**Total Past Due**	**Current Loans**	**Total Loans**
Commercial real estate	Commercial real estate	244	163	231	638	1,177,473	1,178,111							
Construction and land	Construction and land	5,532	130	1,142	6,804	335,907	342,711							
Multi-family residential	Multi-family residential	3,987	—	—	3,987	102,424	106,411							
Total real estate loans	Total real estate loans	14,028	465	2,242	16,735	2,111,940	2,128,675							
Other loans:	Other loans:													
Commercial and industrial	Commercial and industrial	78	123	753	954	406,235	407,189							
Commercial and industrial														
Commercial and industrial														
Consumer	Consumer	268	1	145	414	32,816	33,230							
Total other loans	Total other loans	346	124	898	1,368	439,051	440,419							
Total loans	Total loans	$14,374	$589	$ 3,140	$18,103	$2,550,991	$2,569,094							

		December 31, 2022							December 31, 2023					
(dollars in thousands)	*(dollars in thousands)*	**30-59 Days Past Due**	**60-89 Days Past Due**	**Greater Than 90 Days Past Due**	**Total Past Due**	**Current Loans**	**Total Loans**	*(dollars in thousands)*	**30-59 Days Past Due**	**60-89 Days Past Due**	**Greater Than 90 Days Past Due**	**Total Past Due**	**Current Loans**	**Total Loans**

Originated loans:	**Originated loans:**						
Real estate loans:	Real estate loans:						
Real estate loans:							
Real estate loans:							
One- to four-family first mortgage							
One- to four-family first mortgage							
One- to four-family first mortgage	One- to four-family first mortgage	$ 490	$147	$ 646	$1,283	$ 298,547	$ 299,830
Home equity loans and lines	Home equity loans and lines	40	—	—	40	52,950	52,990
Commercial real estate	Commercial real estate	3,210	179	27	3,416	853,096	856,512
Construction and land	Construction and land	345	160	147	652	284,740	285,392
Multi-family residential	Multi-family residential	—	—	—	—	96,400	96,400
Total real estate loans	Total real estate loans	4,085	486	820	5,391	1,585,733	1,591,124
Other loans:	Other loans:						
Commercial and industrial	Commercial and industrial	152	—	210	362	338,418	338,780
Commercial and industrial							
Commercial and industrial							
Consumer	Consumer	264	7	191	462	31,059	31,521
Total other loans	Total other loans	416	7	401	824	369,477	370,301
Total originated loans	Total originated loans	$4,501	$493	$ 1,221	$6,215	$1,955,210	$1,961,425
Acquired loans:	**Acquired loans:**						
Real estate loans:	Real estate loans:						
Real estate loans:							
Real estate loans:							
One- to four-family first mortgage							
One- to four-family first mortgage							
One- to four-family first mortgage	One- to four-family first mortgage	$1,591	$136	$ 519	$2,246	$ 87,540	$ 89,786
Home equity loans and lines	Home equity loans and lines	116	—	1	117	8,756	8,873
Commercial real estate	Commercial real estate	294	—	566	860	295,165	296,025
Construction and land	Construction and land	—	—	132	132	27,651	27,783

Multi-family residential	Multi-family residential	—	—	—	—	4,188	4,188
Total real estate loans	Total real estate loans	2,001	136	1,218	3,355	423,300	426,655
Other loans:	Other loans:						
Commercial and industrial	Commercial and industrial	—	225	38	263	38,851	39,114
Commercial and industrial							
Commercial and industrial							
Consumer	Consumer	41	3	21	65	3,491	3,556
Total other loans	Total other loans	41	228	59	328	42,342	42,670
Total acquired loans	Total acquired loans	$2,042	$364	$ 1,277	$3,683	$ 465,642	$ 469,325
Total loans:	**Total loans:**						
Real estate loans:	Real estate loans:						
Real estate loans:							
Real estate loans:							
One- to four-family first mortgage	One- to four-family first mortgage	$2,081	$283	$ 1,165	$3,529	$ 386,087	$ 389,616
One- to four-family first mortgage							
One- to four-family first mortgage							

		December 31, 2022							**December 31, 2023**					
(dollars in thousands)	*(dollars in thousands)*	**30-59 Days Past Due**	**60-89 Days Past Due**	**Greater Than 90 Days Past Due**	**Total Past Due**	**Current Loans**	**Total Loans**	*(dollars in thousands)*	**30-59 Days Past Due**	**60-89 Days Past Due**	**Greater Than 90 Days Past Due**	**Total Past Due**	**Current Loans**	**Total Loans**
Home equity loans and lines	Home equity loans and lines	156	—	1	157	61,706	61,863							
Commercial real estate	Commercial real estate	3,504	179	593	4,276	1,148,261	1,152,537							
Construction and land	Construction and land	345	160	279	784	312,391	313,175							
Multi-family residential	Multi-family residential	—	—	—	—	100,588	100,588							
Total real estate loans	Total real estate loans	6,086	622	2,038	8,746	2,009,033	2,017,779							
Other loans:	Other loans:													
Commercial and industrial	Commercial and industrial	152	225	248	625	377,269	377,894							
Commercial and industrial														
Commercial and industrial														
Consumer	Consumer	305	10	212	527	34,550	35,077							

Total other loans	Total other loans	457	235	460	1,152	411,819	412,971
Total loans	Total loans	$6,543	$857	$ 2,498	$9,898	$2,420,852	$2,430,750

There were $43,000 $4,978,000 and $2,000 $0 of loans greater than 90 days past due and accruing at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

The following tables summarize information pertaining to nonaccrual loans as of dates indicated.

		September 30, 2023 March 31, 2024 March 31, 2024 March 31, 2024						
(dollars in thousands)	*(dollars in thousands)*	**With Related Allowance**	**Without Related Allowance**	**Total**	*(dollars in thousands)*	**With Related Allowance**	**Without Related Allowance**	**Total**
Nonaccrual loans(1):	**Nonaccrual loans(1):**							
One- to four-family first mortgage								
One- to four-family first mortgage								
One- to four-family first mortgage	One- to four-family first mortgage	$ 1,682	$ —	$ 1,682				
Home equity loans and lines	Home equity loans and lines	126	—	126				
Commercial real estate	Commercial real estate	3,589	2,624	6,213				
Construction and land	Construction and land	2,765	—	2,765				
Multi-family residential	Multi-family residential	—	—	—				
Commercial and industrial	Commercial and industrial	889	—	889				
Consumer	Consumer	231	—	231				
Total	Total	$ 9,282	$ 2,624	$11,906				

		December 31, 2022 December 31, 2023 December 31, 2023 December 31, 2023						
(dollars in thousands)	*(dollars in thousands)*	**With Related Allowance**	**Without Related Allowance**	**Total**	*(dollars in thousands)*	**With Related Allowance**	**Without Related Allowance**	**Total**
Nonaccrual loans(1):	**Nonaccrual loans(1):**							
One- to four-family first mortgage								
One- to four-family first mortgage								
One- to four-family first mortgage	One- to four-family first mortgage	$ 2,300	$ —	$ 2,300				

Home equity loans and lines	Home equity loans and lines	34	—	34
Commercial real estate	Commercial real estate	4,031	2,914	6,945
Construction and land	Construction and land	315	—	315
Multi-family residential	Multi-family residential	—	—	—
Commercial and industrial	Commercial and industrial	365	13	378
Consumer	Consumer	455	86	541
Total	Total	$ 7,500	$ 3,013	$10,513

(1) Nonaccrual acquired loans include PCD loans of $1,452,000 $1,368,000 and $1,530,000 $1,410,000 at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

All interest accrued but not received for loans placed on nonaccrual status is reversed against interest income. All payments received while on nonaccrual status are applied against the principal balance of nonaccrual loans. The Company does not recognize interest income while loans are on nonaccrual status.

Collateral Dependent Loans

The Company held loans that were individually evaluated for credit losses at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 for which the repayment, on the basis of our assessment at the reporting date, is expected to be provided substantially through the operation or sale of the collateral and the borrower is experiencing financial difficulty. The ACL for these collateral-dependent loans is primarily based on the fair value of the underlying collateral at the reporting date. The following describes the types of collateral that secure collateral dependent loans:

- One- to four-family first mortgages are primarily secured by first liens on residential real estate.
- Home equity loans and lines are primarily secured by first and junior liens on residential real estate.
- Commercial real estate loans are primarily secured by office and industrial buildings, warehouses, retail shopping facilities and various special purpose properties, including hotels and restaurants.
- Construction and land loans are primarily secured by residential and commercial properties, which are under construction and/or redevelopment, and by raw land.
- Commercial and industrial loans considered collateral dependent are primarily secured by accounts receivable, inventory and equipment.

The tables below summarize collateral dependent loans and the related ACL at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

		September 30, 2023				
		March 31, 2024				March 31, 2024
(dollars in thousands)	*(dollars in thousands)*	**Loans**	**ACL**	*(dollars in thousands)*	**Loans**	**ACL**
One- to four-family first mortgage	One- to four-family first mortgage	$ —	$ —			
Home equity loans and lines	Home equity loans and lines	—	—			
Commercial real estate	Commercial real estate	4,605	230			
Construction and land	Construction and land	—	—			
Multi-family residential	Multi-family residential	—	—			
Commercial and industrial	Commercial and industrial	132	105			
Consumer	Consumer	—	—			

Total	Total	$4,737	$335			
		December 31, 2022				
		December 31, 2023				
		December 31, 2023				
		December 31, 2023				
(dollars in thousands)	***(dollars in thousands)***	**Loans**	**ACL**	***(dollars in thousands)***	**Loans**	**ACL**
One- to four-family first mortgage	One- to four-family first mortgage	$ —	$ —			
Home equity loans and lines	Home equity loans and lines	—	—			
Commercial real estate	Commercial real estate	4,743	550			
Construction and land	Construction and land	—	—			
Multi-family residential	Multi-family residential	—	—			
Commercial and industrial	Commercial and industrial	204	171			
Consumer	Consumer	86	—			
Total	Total	$5,033	$721			

Loan Modifications Made to Borrowers Experiencing Financial Difficulty

Occasionally, the Company modifies loans to borrowers in financial distress by providing certain concessions, such as principal forgiveness, term extension, an other-than-insignificant payment delay, interest only for a specified period of time, an interest rate reduction, or a combination of such concessions. When principal forgiveness is provided, the amount of forgiveness is charged-off against the allowance for credit losses. Upon the Company's determination that a modified loan (or portion of a loan) has subsequently been deemed uncollectible, the loan (or portion of the loan) is charged-off. During the nine months

ended September 30, 2023, there were no modifications The balance of loans to borrowers who were experiencing financial difficulty. The Company did not provide any modifications under these circumstances to borrowers. Ten loans were modified during the nine months ended September 30, 2022 and they did not default within twelve months of modification. loan

modifications, segregated by type of modification, to borrowers experiencing financial difficulty are set forth in the table below for the periods indicated.

	Three Months Ended March 31, 2024						
(dollars in thousands)	**Payment Deferral**	**Principal Forgiveness**	**Term Extension**	**Interest Rate Reduction**	**Combination Term Extension and Principal Forgiveness**	**Combination Term Extension and Interest Rate Reduction**	**Percent of Total Class of Loans**
One-to four-family first mortgage	$ —	$ —	$ 668	$ —	$ —	$ —	0.2 %
Home equity loans and lines	—	—	—	—	—	—	—
Commercial real estate	—	—	1,081	—	—	—	0.1
Construction and land	—	—	29	—	—	—	—
Multi-family residential	—	—	—	—	—	—	—
Commercial and industrial	—	—	—	—	—	—	—
Consumer	—	—	—	—	—	—	—
Total	$ —	$ —	$ 1,778	$ —	$ —	$ —	0.1 %

	Three Months Ended March 31, 2023						
(dollars in thousands)	Payment Deferral	Principal Forgiveness	Term Extension	Interest Rate Reduction	Combination Term Extension and Principal Forgiveness	Combination Term Extension and Interest Rate Reduction	Percent of Total Class of Loans
One-to four-family first mortgage	$ —	$ —	$ 232	$ —	$ —	$ —	0.1 %
Home equity loans and lines	—	—	—	—	—	—	—
Commercial real estate	—	—	1,319	—	—	—	0.1
Construction and land	—	—	33	—	—	—	—
Multi-family residential	—	—	—	—	—	—	—
Commercial and industrial	—	—	1,569	—	—	—	0.4
Consumer	—	—	—	—	—	—	—
Total	$ —	$ —	$ 3,153	$ —	$ —	$ —	0.1 %

During the three months ended March 31, 2024 and 2023, no loan experienced a default subsequent to being granted a payment deferral or term extension. Default is defined as movement to past due 90 days, foreclosure or charge-off, whichever occurs first.

The following table details the financial impacts of loan modifications made to borrowers experiencing financial difficulty for the periods presented.

	March 31, 2024		March 31, 2023	
	Minimum Term Extensions (*in months*)	Maximum Term Extensions (*in months*)	Minimum Term Extensions (*in months*)	Maximum Term Extensions (*in months*)
One-to four-family first mortgage	12	96	12	12
Home equity loans and lines	0	0	0	0
Commercial real estate	12	12	12	12
Construction and land	12	12	12	12
Multi-family residential	0	0	0	0
Commercial and industrial	0	0	10	10
Consumer	0	0	0	0

The table below reflects the performance of loans that have been modified in the last 12 months.

(dollars in thousands)	30-89 Days Past Due	90+ Days Past Due	Nonaccrual	Current	Total
March 31, 2024					
One-to four-family first mortgage	$ —	$ —	$ —	$ 1,499	$ 1,499
Home equity loans and lines	—	—	—	57	57
Commercial real estate	—	—	—	1,360	1,360
Construction and land	—	—	—	29	29
Multi-family residential	—	—	—	—	—
Commercial and industrial	—	—	—	1,389	1,389
Consumer	—	—	—	—	—
Total	$ —	$ —	$ —	$ 4,334	$ 4,334

The loan modifications reported in the table above did not significantly impact the Company's allowance for loan losses during 2024.

Foreclosed Assets and ORE

Foreclosed assets and ORE include real property and other assets that have been acquired as a result of foreclosure, and real property no longer used in the Bank's business. Foreclosed assets and ORE totaled $362,000 $1,601,000 and $461,000 $1,575,000 at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. These amounts are recorded in accrued interest receivable and other assets on the Consolidated Statements of Financial Condition.

The carrying amount of foreclosed residential real estate properties held at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 totaled $362,000 $141,000 and $231,000, $115,000, respectively. Loans secured by single family residential real estate that were in the process of foreclosure at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 totaled $114,000 $809,000 and $179,000, $517,000, respectively.

6. Derivatives and Hedging Activities

Risk Management Objective of Using Derivatives

The Company is exposed to certain risk arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk primarily by managing the amount, sources, and duration of its assets and liabilities and the use of derivative financial instruments. Specifically, the Company enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates.

The Company's existing credit derivatives result from loan participation arrangements, therefore, are not used to manage interest rate risk in the Company's assets or liabilities. The Company occasionally enters into credit risk participation agreements with counterparty banks to accept a portion of the credit risk related to interest rate swaps. The agreements, which are typically executed in conjunction with a participation in a loan with the same customer, allow customers to execute an interest rate swap with one bank while allowing for the distribution of the credit risk among participating members. Collateral used to support the credit risk for the underlying lending relationship is also available to offset the risk of credit risk participations and customer derivative positions.

Cash Flow Hedges of Interest Rate Risk

The Company's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. As part of its efforts to accomplish this objective, the Company entered into certain interest rate swap agreements as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. Such derivatives were used to hedge the variable cash flows associated with existing variable rate liabilities.

For derivatives designated and that qualify as cash flow hedges of interest rate risk, the gain or loss on the derivative is recorded in Accumulated Other Comprehensive Income and subsequently reclassified into interest expense in the same period(s) during which the hedged transaction affects earnings. Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest expense as interest payments are made on the Company's variable rate liabilities. During the next twelve months, the Company estimates that an additional $2,313,000 $2,086,000 will be reclassified as additional interest income. expense.

Non-designated Hedges

The Company's existing credit derivatives result from participations in interest rate swaps provided by external lenders as part of loan participation arrangements, therefore, are not used to manage interest rate risk in the Company's assets or liabilities. Derivatives not designated as hedges are not speculative and result from a service the Company provides to certain lenders which participate in loans. For derivative instruments that are not designated as hedging instruments, changes in the fair value of the derivatives are recognized in earnings immediately.

Fair Values of Derivative Instruments

The tables below present the fair value of the Company's derivative financial instruments as well as their classification on the Consolidated Statement of Financial Condition as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

		September 30, 2023			
		Derivative Assets(1)		Derivative Liabilities(1)	
		March 31, 2024			
		Derivative Assets(1)		Derivative Liabilities(1)	
(dollars in thousands)	*(dollars in thousands)*	Notional Amount	Fair Value	Notional Amount	Fair Value
Derivatives designated as hedging instruments:	**Derivatives designated as hedging instruments:**				
Interest rate swaps - variable rate liabilities	Interest rate swaps - variable rate liabilities	$60,000	$5,690	$ —	$ —
Interest rate swaps - variable rate liabilities					
Interest rate swaps - variable rate liabilities					
Derivatives not designated as hedging instruments:	**Derivatives not designated as hedging instruments:**				
Derivatives not designated as hedging instruments:					

Derivatives not designated as hedging instruments:				
Risk participation agreements	—	—	11,858	1
Netting adjustments		—		—
Net derivative amounts		$5,690		$ 1

Risk participation agreements
Risk participation agreements
Netting adjustments
Netting adjustments
Net derivative amounts
Net derivative amounts

	December 31, 2022	
	Derivative Assets(1)	Derivative Liabilities(1)

	December 31, 2023			
	Derivative Assets(1)		Derivative Liabilities(1)	
(dollars in thousands)	Notional Amount	Fair Value	Notional Amount	Fair Value
Derivatives designated as hedging instruments:				
Interest rate swaps - variable rate liabilities	$40,000	$5,144	$ —	$ —
Derivatives not designated as hedging instruments:				
Risk participation agreements	—	—	12,036	9

December 31, 2023
December 31, 2023
(dollars in thousands)
(dollars in thousands)
Derivatives designated as hedging instruments:
Interest rate swaps - variable rate liabilities
Interest rate swaps - variable rate liabilities
Derivatives not designated as hedging instruments:
Derivatives not designated as hedging instruments:
Derivatives not designated as hedging instruments:
Risk participation agreements
Risk participation agreements
Risk participation agreements

Netting adjustments			
Netting adjustments			
Netting adjustments	Netting adjustments	—	—
Net derivative amounts	Net derivative amounts	$5,144	$ 9
Net derivative amounts			
Net derivative amounts			

(1) Derivative assets and liabilities are reported at fair value in accrued interest receivable and other assets and accrued interest payable and other liabilities, respectively, in the Consolidated Statements of Financial Condition.

At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, accumulated unrealized gains, net of taxes, on derivative instruments totaled $4,337,000 $3,306,000 and $3,961,000, $2,928,000, respectively.

Effect of Cash Flow Hedge Accounting on Accumulated Other Comprehensive Income and the Consolidated Statements of Income

The tables below present the effect of cash flow hedge accounting on Accumulated Other Comprehensive Income and the Consolidated Statements of Income as of September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023.

	Three Months Ended September 30, 2023				
	Amount of Gain Recognized in OCI		Location of Gain Reclassified from AOCI into Income	Amount of Gain Reclassified from AOCI into Income	
	Three Months Ended March 31, 2024				Three Months Ended
	Amount of Gain Recognized in OCI		Location of Gain Reclassified from AOCI into Income		Amount of Gain Recognized in OCI / Location of Gain Reclassified from AOCI into Income
(dollars in thousands)	Total	Included Component	Location of Gain Reclassified from AOCI into Income	Total	Included Component
(dollars in thousands)	Total	Included Component		Total	Included Component
Derivatives in cash flows hedging relationships:					
Interest rate swaps - variable rate liabilities					
Interest rate swaps - variable rate liabilities					
Interest rate swaps - variable rate liabilities	$ 785	$ 785	Interest income	$ 602	$ 602

	Nine Months Ended September 30, 2023				
	Amount of Gain Recognized in OCI		Location of Gain Reclassified from AOCI into Income	Amount of Gain Reclassified from AOCI into Income	
(dollars in thousands)	Total	Included Component		Total	Included Component
Derivatives in cash flows hedging relationships:					
Interest rate swaps - variable rate liabilities	$2,047	$ 2,047	Interest income	$1,571	$ 1,571

	Three Months Ended September 30, 2022				
	Amount of Gain Recognized in OCI		Location of Gain Reclassified from AOCI into Income	Amount of Gain Reclassified from AOCI into Income	
(dollars in thousands)	Total	Included Component		Total	Included Component
Derivatives in cash flows hedging relationships:					
Interest rate swaps - variable rate liabilities	$1,490	$ 1,490	Interest income	$193	$ 193

	Three Months Ended March 31, 2023					
	Amount of Loss Recognized in OCI		Location of Gain Reclassified from AOCI into Income			
(dollars in thousands)	Total	Included Component		Total	Included Component	
Derivatives in cash flows hedging relationships:						
Interest rate swaps - variable rate liabilities						
Interest rate swaps - variable rate liabilities						

	Three Months Ended				
	Amount of Loss Recognized in OCI		Location of Gain Reclassified from AOCI into Income		
(dollars in thousands)	Total	Included Component		Total	Included Compon

	Nine Months Ended September 30, 2022				
	Amount of Gain Recognized in OCI		Location of Gain Reclassified from AOCI into Income	Amount of Gain Reclassified from AOCI into Income	
(dollars in thousands)	Total	Included Component		Total	Included Component
Derivatives in cash flows hedging relationships:					
Interest rate swaps - variable rate liabilities	$4,024	$ 4,024	Interest income	$231	$ 231

Effect of Derivatives Not Designated as Hedging Instruments on the Consolidated Statements of Income

The table below presents the effect of the Company's derivative financial instruments that are not designated as hedging instruments on the Consolidated Statements of Income as of September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023.

(dollars in thousands)	Location of Income Recognized on Non-designated Hedges	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2023
Effects of non-designated hedges			
Risk participation agreements	Other noninterest income	$ 6	$ 8

(dollars in thousands)	Location of Income Recognized on Non-designated Hedges	Three Months Ended September 30, 2022	Nine months ended September 30, 2022
Effects of non-designated hedges			
Risk participation agreements	Other noninterest income	$ 6	$ 73

(dollars in thousands)	Location of Income Recognized on Non-designated Hedges	Three Months Ended March 31, 2024	
Effects of non-designated hedges			
Risk participation agreements	Other noninterest income	$	2

(dollars in thousands)	Location of Income Recognized on Non-designated Hedges	Three Months Ended March 31, 2023	
Effects of non-designated hedges			
Risk participation agreements	Other noninterest income	$	(1)

Credit-risk-related Contingent Features

The Company has agreements with each of its derivative counterparties that contain a provision to the effect that, if the Company (either) defaults (or is capable of being declared in default) on any of its indebtedness, then the Company could also be declared in default on its derivative obligations.

The Company has agreements with certain of its derivative counterparties that contain a provision to the effect that, if the Company fails to maintain its status as a well or adequately capitalized institution, then the Company could be required to post additional collateral.

As of September 30, 2023 March 31, 2024, there were no derivatives with credit-risk-related contingent features in a net liability position. Such derivatives are measured at fair value, which includes accrued interest but excludes any adjustment for nonperformance risk. If the Company had breached any provisions at September 30, 2023 March 31, 2024, it would not have been required to settle any obligations under the agreements since the termination value was $0.

7. Long Term Long-term Debt and Borrowings

Subordinated Debt

On June 30, 2022, the Company issued $55,000,000 in aggregate principal amount of its 5.75% Fixed-to-Floating Rate Subordinated Notes (the "Notes") due 2032. The Notes were issued at a price equal to 100% of the aggregate principal amount. The Notes have a stated maturity date of June 30, 2032 and bear interest at a fixed rate of 5.75% per year from and including the issue date to but excluding June 30, 2027. From June 30, 2027, the Notes will bear interest at a floating rate equal to the then current three-month term secured overnight financing rate ("SOFR"), plus 282 basis points. The Notes may be redeemed by the Company, in whole or in part, on or after June 30, 2027. The Notes are intended to qualify as Tier 2 capital for regulatory purposes.

The carrying value of subordinated debt was $54,187,000 $54,294,000 and $54,013,000 $54,241,000 at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. The subordinated debt was recorded net of issuance costs which is being amortized using the straight-line method over five years.

Other Borrowings

On March 12, 2023, the Federal Reserve Board created the BTFP, which offers loans to banks with a term up to one year with no prepayment penalty. The loans are secured by pledging qualifying securities and are valued at par for collateral. In 2024, the Bank participated in the BTFP and had an outstanding debt of $135.0 million at March 31, 2024. The average balance of other borrowings, which included the BTFP loan was $126.0 million for the first quarter of 2024, up $120.4 million compared to the first quarter of 2023.

Federal Home Loan Bank Advances

The average balance of total FHLB advances was $71.7 million for the first quarter of 2024, down $143.8 million compared to the first quarter of 2023.

The Company had no short-term FHLB advances as of March 31, 2024 compared to $150.0 million as of December 31, 2023. At March 31, 2024 and December 31, 2023, the Company had $38.6 million and $42.7 million in long-term FHLB advances, respectively, and $1.1 billion and $1.0 billion in additional FHLB advances available, respectively.

8. Fair Value Measurements and Disclosures

The Company utilizes fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. The Company groups assets and liabilities measured or disclosed at fair value in three levels as required by ASC 820, *Fair Value Measurements and Disclosures*. Under this guidance, fair value should be based on the assumptions market participants would use when pricing the asset or liability and establishes a fair value hierarchy that prioritizes the inputs used to develop those assumptions and measure fair value. The hierarchy requires companies to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels used to measure fair value are as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

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

Recurring Basis

Investment Securities Available for Sale

Fair values of investment securities available for sale are primarily measured using information from a third-party pricing service. This pricing service provides pricing information by utilizing pricing models supported with market data information. Standard inputs include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, benchmark securities bids, offers and other reference data from market research publications. If quoted prices are available in an active market, investment securities are classified as Level 1 measurements. If quoted prices are not available in an active market, fair values are estimated primarily by the use of pricing models. Level 2 investment securities are primarily comprised of mortgage-backed securities issued by government agencies and U.S. government-sponsored enterprises. In certain cases, where there is limited or less transparent information provided by the Company's third-party pricing service, fair value is 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, 2023 March 31, 2024, management did not make adjustments to prices provided by the third-party pricing service as a result of illiquid or inactive markets.

Derivative Assets and Liabilities

Derivative assets and liabilities are reported at fair value in accrued interest receivable and other assets and accrued interest payable and other liabilities, respectively, in the Consolidated Statements of Financial Condition. The fair value of these derivative financial instruments is obtained from a third-party pricing service that uses widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. The analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves and implied volatilities. The fair values of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash receipts (or payments) and the discounted expected variable cash payments (or receipts). The variable cash payments (or receipts) are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves. The Company has determined that its derivative valuations are classified in Level 2 of the fair vale hierarchy.

The following tables present the balances of assets measured for fair value on a recurring basis as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

(dollars in thousands)	March 31, 2024	Level 1	Level 2	Level 3
Assets				
Available for sale securities:				
U.S. agency mortgage-backed	$ 274,686	$ —	$ 274,686	$ —
Collateralized mortgage obligations	77,277	—	77,277	—
Municipal bonds	46,096	—	46,096	—
U.S. government agency	17,618	—	17,618	—
Corporate bonds	6,136	—	6,136	—
Total	$ 421,813	$ —	$ 421,813	$ —
Derivative assets	$ 4,392	$ —	$ 4,392	$ —
Total	$ 426,205	$ —	$ 426,205	$ —
Liabilities				
Derivative liabilities	$ 2	$ —	$ 2	$ —

(dollars in thousands)	September 30, 2023	Level 1	Level 2	Level 3
Assets				
Available for sale securities:				
U.S. agency mortgage-backed	$ 280,171	$ —	$ 280,171	$ —
Collateralized mortgage obligations	78,279	—	78,279	—
Municipal bonds	45,037	—	45,037	—
U.S. government agency	17,444	—	17,444	—
Corporate bonds	6,088	—	6,088	—
Total	$ 427,019	$ —	$ 427,019	$ —
Derivative assets	$ 5,690	$ —	$ 5,690	$ —

Total	$ 432,709	$ —	$ 432,709	$ —
Liabilities				
Derivative liabilities	$ 1	$ —	$ 1	$ —

(dollars in thousands)	*(dollars in thousands)*	December 31, 2022	Level 1	Level 2	Level 3	*(dollars in thousands)*	December 31, 2023	Level 1	Level 2	Level 3
Assets	**Assets**									
Available for sale securities:	Available for sale securities:									
Available for sale securities:										
Available for sale securities:										
U.S. agency mortgage-backed										
U.S. agency mortgage-backed										
U.S. agency mortgage-backed	U.S. agency mortgage-backed	$ 316,832	$ —	$316,832	$ —					
Collateralized mortgage obligations	Collateralized mortgage obligations	86,345	—	86,345	—					
Municipal bonds	Municipal bonds	57,625	—	57,625	—					
U.S. government agency	U.S. government agency	19,333	—	19,333	—					
Corporate bonds	Corporate bonds	6,383	—	6,383	—					
Total	Total	$ 486,518	$ —	$486,518	$ —					
Derivative assets	Derivative assets	$ 5,144	$ —	$ 5,144	$ —					
Derivative assets										
Derivative assets										
Total	Total	$ 491,662	$ —	$491,662	$ —					
Liabilities	**Liabilities**									
Liabilities										
Liabilities										
Derivative liabilities	Derivative liabilities	$ 9	$ —	$ 9	$ —					
Derivative liabilities										
Derivative liabilities										

Nonrecurring Basis

The Company records loans individually evaluated for credit losses at fair value on a nonrecurring basis. Fair value is measured at the fair value of the collateral for collateral-dependent loans. For non-collateral-dependent loans, fair value is measured by present valuing expected future cash flows. Loans individually evaluated are classified as Level 3 assets when measured using appraisals from third parties of the collateral less any prior liens and when there is no observable market price.

Foreclosed assets and ORE are also recorded at fair value on a nonrecurring basis. Foreclosed assets are initially recorded at fair value less estimated costs to sell. ORE is recorded at the lower of its net book value or fair value at the date of transfer to ORE. The fair value of foreclosed assets and ORE is based on property appraisals and an analysis of similar properties available. As such, the Company classifies foreclosed and ORE assets as Level 3 assets.

The Company has segregated all financial assets that are measured at fair value on a nonrecurring basis into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date as reflected in the table below.

Fair Value Measurements Using	Fair Value Measurements Using

(dollars in thousands)	*(dollars in thousands)*	September 30, 2023	Level 1	Level 2	Level 3	*(dollars in thousands)*	March 31, 2024	Level 1	Level 2	Level 3
Assets	**Assets**									
Loans individually evaluated	Loans individually evaluated	$ 4,402	$ —	$ —	$ 4,402					
Loans individually evaluated										
Loans individually evaluated										
Foreclosed assets and ORE	Foreclosed assets and ORE	362	—	—	362					
Total	Total	$ 4,764	$ —	$ —	$ 4,764					

			Fair Value Measurements Using					Fair Value Measurements Using		
(dollars in thousands)	*(dollars in thousands)*	December 31, 2022	Level 1	Level 2	Level 3	*(dollars in thousands)*	December 31, 2023	Level 1	Level 2	Level 3
Assets	**Assets**									
Loans individually evaluated	Loans individually evaluated	$ 4,312	$ —	$ —	$ 4,312					
Loans individually evaluated										
Loans individually evaluated										
Foreclosed assets and ORE	Foreclosed assets and ORE	461	—	—	461					
Total	Total	$ 4,773	$ —	$ —	$ 4,773					

The following table shows significant unobservable inputs used in the fair value measurement of Level 3 assets.

(dollars in thousands)	*(dollars in thousands)*	Fair Value	Valuation Technique	Unobservable Inputs	Range of Discounts	Weighted Average Discount	*(dollars in thousands)*	Fair Value		Valuation Technique	Unobser Input
September 30, 2023											
March 31, 2024											
Loans individually evaluated											
Loans individually evaluated											
Loans individually evaluated	Loans individually evaluated	$4,402	Third party appraisals and discounted cash flows	Collateral values, market discounts and estimated costs to sell	0% - 80%	7%		$3,658	Third party appraisals and discounted cash flows	Third party appraisals and discounted cash flows	Collate values, m discounts estima costs to
Foreclosed assets and ORE	Foreclosed assets and ORE	$ 362	Third party appraisals, sales contracts, broker price opinions	Collateral values, market discounts and estimated costs to sell	12% - 44%	33%	Foreclosed assets and ORE	$1,601	Third party appraisals, sales contracts, broker price opinions	Third party appraisals, sales contracts, broker price opinions	Collater market and es costs

(dollars in thousands)	*(dollars in thousands)*	Fair Value	Valuation Technique	Unobservable Inputs	Range of Discounts	Weighted Average Discount	*(dollars in thousands)*	Fair Value	Valuation Technique	Unobser Input
December 31, 2022										

December 31, 2023

Loans individually evaluated

Loans individually evaluated

Loans individually evaluated	Loans individually evaluated	$4,312	Third party appraisals and discounted cash flows	Collateral values, market discounts and estimated costs to sell	0% - 89%	14%		$3,797	Third party appraisals and discounted cash flows	Third party appraisals and discounted cash flows	Collate values, m discounts estima costs to
Foreclosed assets and ORE	Foreclosed assets and ORE	$ 461	Third party appraisals, sales contracts, broker price opinions	Collateral values, market discounts and estimated costs to sell	6% - 31%	16%	Foreclosed assets and ORE	$1,575	Third party appraisals, sales contracts, broker price opinions	Third party appraisals, sales contracts, broker price opinions	Collater market and es costs

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

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

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

Methods and assumptions used to estimate fair value of each class of financial instruments for which it is practicable to estimate fair value are described in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023. The fair value of subordinated debt is estimated based on current market rates on similar debt in the market. The Company classifies this debt in Level 2 of the fair value table. There have been no other material changes from the fair value estimate methods and assumptions previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

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

		Fair Value Measurements at September 30, 2023			
(dollars in thousands)	**Carrying Amount**	**Total**	**Level 1**	**Level 2**	**Level 3**
Financial Assets					
Cash and cash equivalents	$ 84,520	$ 84,520	$ 84,520	$ —	$ —
Interest-bearing deposits in banks	99	99	99	—	—
Investment securities available for sale	427,019	427,019	—	427,019	—
Investment securities held to maturity	1,065	1,052	—	1,052	—
Mortgage loans held for sale	467	467	—	467	—
Loans, net	2,537,971	2,357,045	—	2,352,643	4,402
Cash surrender value of BOLI	47,054	47,054	47,054	—	—
Derivative assets(1)	5,690	5,690	—	5,690	—
Financial Liabilities					
Deposits	$ 2,597,484	$ 2,589,335	$ 2,041,027	$ 548,308	$ —
Other borrowings	5,539	5,342	—	5,342	—
Subordinated debt, net of issuance cost	54,187	48,312	—	48,312	—
Short-term FHLB advances	241,000	241,000	241,000	—	—
Long-term FHLB advances	42,826	41,321	—	41,321	—
Derivative liabilities(1)	1	1	—	1	—

(dollars in thousands)	*(dollars in thousands)*	Carrying Amount	Fair Value Measurements at December 31, 2022				*(dollars in thousands)*	Carrying Amount	Fair Value Measurements at March 31, 2024			
			Total	Level 1	Level 2	Level 3			Total	Level 1	Level 2	Level 3
Financial Assets	**Financial Assets**											
Cash and cash equivalents												
Cash and cash equivalents												
Cash and cash equivalents												
Investment securities available for sale												
Investment securities available for sale												
Investment securities available for sale												
Investment securities held to maturity												
Mortgage loans held for sale												
Loans, net												
Cash surrender value of BOLI												
Derivative assets(1)												
Financial Liabilities												
Deposits												
Deposits												
Deposits												
Other borrowings												
Subordinated debt, net of issuance cost												
Long-term FHLB advances												
Long-term FHLB advances												
Long-term FHLB advances												
Derivative liabilities(1)												

(dollars in thousands)	*(dollars in thousands)*	Carrying Amount	Fair Value Measurements at December 31, 2023			
			Total	Level 1	Level 2	Level 3
Financial Assets						
Cash and cash equivalents						
Cash and cash equivalents						

Cash and cash equivalents	Cash and cash equivalents	$ 87,401	$ 87,401	$ 87,401	$ —	$ —
Interest-bearing deposits in banks	Interest-bearing deposits in banks	349	349	349	—	—
Investment securities available for sale	Investment securities available for sale	486,518	486,518	—	486,518	—
Investment securities held to maturity	Investment securities held to maturity	1,075	1,072	—	1,072	—
Mortgage loans held for sale	Mortgage loans held for sale	98	98	—	98	—
Loans, net	Loans, net	2,401,451	2,326,104	—	2,321,792	4,312
Cash surrender value of BOLI	Cash surrender value of BOLI	46,276	46,276	46,276	—	—
Derivative assets(1)	Derivative assets(1)	5,144	5,144	—	5,144	—
Financial Liabilities	**Financial Liabilities**					
Deposits	Deposits	$2,633,181	$2,620,577	$2,297,736	$ 322,841	$ —
Deposits						
Deposits						
Other borrowings	Other borrowings	5,539	5,388	—	5,388	—
Subordinated debt, net of issuance cost	Subordinated debt, net of issuance cost	54,013	51,287	—	51,287	—
Short-term FHLB advances	Short-term FHLB advances	155,000	155,000	155,000	—	—
Long-term FHLB advances	Long-term FHLB advances	21,213	20,019	—	20,019	—
Derivative liabilities(1)	Derivative liabilities(1)	9	9	—	9	—

(1) Derivative assets and liabilities are reported at fair value in accrued interest receivable and other assets and accrued interest payable and other liabilities, respectively, in the Consolidated Statements of Financial Condition.

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 the Company and the Bank from December 31, 2022 December 31, 2023 through September 30, 2023 March 31, 2024 and on its results of operations for the three and nine months ended September 30, 2023 March 31, 2024 and 2022. 2023. This discussion and analysis is intended to highlight and supplement information presented elsewhere in this quarterly report on Form 10-Q, particularly the consolidated financial statements and related notes appearing in Item 1.

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 future or conditional terms such as "will", "would", "should", "could", "may", "likely", "probably", or "possibly". The Company's or the Bank's actual strategies and results in future periods may differ materially from those currently expected due to various risks and uncertainties. Certain risks, uncertainties and other factors, including those set forth 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, 2022 December 31, 2023 and any subsequent Quarterly Report on Form 10-Q or Current Report on Form 8-K, may cause actual results to differ materially from the results discussed in the forward-looking statements appearing in this discussion and analysis and may include factors such as, but not limited to, our lending activities, our use of municipal deposits as a source of funds, credit quality and risk, the COVID-19 pandemic, industry and technological changes, cyber incidents or other failures, disruptions or security breaches, interest rates, commercial and residential real estate values, economic and market conditions in the markets we operate in or generally in the United States, or internationally, fund funds availability, accounting estimates and risk management processes, the transition away from the London Interbank Offered Rate (LIBOR), legislative and regulatory changes, the fair values of our acquired assets and our investment securities portfolio, business strategy execution, key personnel, competition, mortgage markets, fraud, environmental liability and severe weather, natural disasters, acts of war or terrorism or other external events. The Company undertakes no obligation to update these forward-looking statements to reflect events or circumstances that occur after the date on which such statements were made.

EXECUTIVE OVERVIEW

The Company reported net income for the third first quarter of 2023 2024 of $9.8 million $9.2 million, or $1.22 $1.14 diluted EPS, down $680,000 $2.1 million compared to the third first quarter of 2022. 2023. Net income for the third first quarter of 2022 2023 totaled $10.4 million $11.3 million, or $1.28 $1.39 diluted EPS. The

third quarter of 2022 included merger expenses related to the acquisition of Friendswood Capital Corporation (“Friendswood”) on March 26, 2022 totaling $41,000, net of taxes.

For the nine months ended September 30, 2023, the Company reported net income $30.9 million, or $3.82 diluted EPS, up $7.6 million from $23.3 million, or $2.84 diluted EPS, reported for the nine months ended September 30, 2022. The nine months ended September 30, 2022 includes merger expenses related to the acquisition of Friendswood totaling $1.6 million, net of taxes.

Key components of the Company’s performance during the three and nine months ended September 30, 2023 March 31, 2024 include:

- Assets increased $89.4 million $37.5 million, or 2.8% 1.1%, from December 31, 2022 December 31, 2023 to $3.3 billion $3.4 billion at September 30, 2023 March 31, 2024.
- Total loans were $2.6 billion at September 30, 2023 March 31, 2024, up $138.3 million $40.1 million, or 5.7% 1.6%, from December 31, 2022 December 31, 2023.
- During the three and nine months ended September 30, 2023 March 31, 2024, the Company provisioned $351,000 and $1.7 million, respectively, $141,000 to the allowance for loan losses, primarily due to loan growth. losses. During the three and nine months ended September 30, 2022 March 31, 2023, the Company provisioned $1.7 million and $5.5 million, respectively, $814,000 to the allowance for loan losses primarily due to the acquisition of Friendswood's loan portfolio and loan growth. losses.
- The ALL totaled $31.1 million $31.5 million, or 1.21% 1.20% of total loans, at September 30, 2023 March 31, 2024 compared to $29.3 million $31.5 million, or 1.21% 1.22% of total loans, at December 31, 2022 December 31, 2023. The ACL, which is comprised of the allowance for loan losses plus the allowance for unfunded lending commitments, totaled $33.6 million $34.1 million, or 1.31% 1.30% of total loans, at September 30, 2023 March 31, 2024 compared to $31.4 million $34.1 million, or 1.29% 1.32% of total loans, at December 31, 2022 December 31, 2023.
- Nonperforming assets increased $1.3 million $11.6 million, or 12.2% 111.3%, from $11.0 million $10.4 million, or 0.34% 0.31% of total assets, at December 31, 2022 December 31, 2023 to $12.3 million $22.0 million, or 0.37% 0.65% of total assets, at September 30, 2023 March 31, 2024. The increase in NPAs was nonperforming assets is primarily due to three credit two loan relationships placed on nonaccrual. which were classified as nonperforming in the first quarter of 2024, for which management does not anticipate any loss.
- Total deposits amounted to $2.6 billion $2.7 billion at September 30, 2023 March 31, 2024, a decrease an increase of $35.7 million $52.0 million, or 1.4% 1.9%, from December 31, 2022 December 31, 2023.
- The net interest margin was 3.75% and 3.95% 3.64% for the three and nine months ended September 30, 2023 March 31, 2024, respectively, down 36 bps and up 18 54 bps from the three and nine months ended September 30, 2022, respectively. March 31, 2023.
- The average rate paid on total interest-bearing deposits was 1.84% 2.52% for the third first quarter of 2023, 2024, which was up 157 175 bps from the third first quarter of 2022. For the nine months ended September 30, 2023, the average rate paid on total interest-bearing deposits was 1.32%, up 109 bps from the nine months ended September 30, 2022. 2023.
- Total interest expense for the third first quarter of 2023 2024 was up $10.3 million $8.7 million, or 449.6% 133.5%, compared to the third first quarter of 2022 2023 primarily due to the rising interest rate environment and the higher costs on deposits, and an increase in short-term FHLB borrowings in the 2023 period. For the nine months ended September 30, 2023, total interest expense was up $24.2 million, or 526.4%, from the comparable period in 2022. deposits.
- Noninterest income for the third first quarter of 2023 2024 was up $925,000, $238,000, or 26.6% 7.2%, compared to the third first quarter of 2022, 2023, primarily due to an increase in gains on sale other income of loans (up $609,000, $131,000 and the absence of which $640,000 was related to the sale of SBA loans during the third quarter of 2023) and an increase in bank card fees (up $280,000). For the nine months ended September 30, 2023, noninterest income was up $612,000, or 5.8%, from the comparable period in 2022 primarily due to an increase in bank card fees (up $692,000) and an increase in gains on sale of loans (up $129,000), which were partially offset by a $249,000 loss on sale of securities totaling $249,000 that occurred during the first quarter of 2023. 2023, which were partially offset with a decrease in bank card fees of $212,000.
- Noninterest expense for the third first quarter of 2023 2024 was up $615,000, $928,000, or 3.0% 4.7%, compared to the third first quarter of 2022. For the nine months ended September 30, 2023, noninterest expense was up $1.5 million, or 2.5%, from the comparable period 2023, primarily due to increases in 2022. Noninterest expense for the three and nine months ended September 30, 2022 included $60,000 and $2.0 million (pre-tax), respectively, of merger-related expenses for the Friendswood acquisition. The increase in noninterest expense for the nine months ended September 30, 2023 related foreclosed assets (up $804,000 primarily due to the growth absence of the Company's employee base, occupancy, data processing and communications, professional fees and franchise tax expenses as a result of the Friendswood acquisition, which were partially offset by a $739,000 recovery of a previous loss on a foreclosed asset in OREO sale that occurred during the first quarter of 2023. 2023), marketing and advertising (up $159,000), and professional

services (up $111,000), which were partially offset by the absence of any provision for credit losses on unfunded commitments in the 2024 period.

FINANCIAL CONDITION

Loans, Allowance for Credit Losses and Asset Quality

Loans

Total loans at September 30, 2023 March 31, 2024 were $2.6 billion, up $138.3 million $40.1 million, or 5.7% 1.6%, from December 31, 2022 December 31, 2023. The loan growth resulted primarily from the additions of loans across all loan types, with the exception of consumer construction and land loans and most markets of the Company. consumer loans.

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

(dollars in thousands)	*(dollars in thousands)*	**September 30, 2023**	**December 31, 2022**	**Increase/(Decrease)**		*(dollars in thousands)*	**March 31, 2024**		**December 31, 2023**		**In**
Real estate loans:	Real estate loans:										
One-to four-family first mortgage											
One-to four-family first mortgage											
One-to four-family first mortgage	One-to four-family first mortgage	$ 432,092	$ 389,616	$ 42,476	10.9 %		$436,659	$	$433,401	$	$3,258
Home equity loans and lines	Home equity loans and lines	69,350	61,863	7,487	12.1						
Commercial real estate	Commercial real estate	1,178,111	1,152,537	25,574	2.2						
Construction and land	Construction and land	342,711	313,175	29,536	9.4						
Multi-family residential	Multi-family residential	106,411	100,588	5,823	5.8						
Total real estate loans	Total real estate loans	2,128,675	2,017,779	110,896	5.5 %	Total real estate loans	2,181,681	2,143,056	2,143,056	38,625	
Other loans:	Other loans:										
Commercial and industrial	Commercial and industrial	407,189	377,894	29,295	7.8						
Commercial and industrial											
Commercial and industrial											
Consumer	Consumer	33,230	35,077	(1,847)	(5.3)						
Total other loans	Total other loans	440,419	412,971	27,448	6.6						
Total loans	Total loans	$2,569,094	$2,430,750	$ 138,344	5.7 %	Total loans	$2,621,690	$	$2,581,638	$	$40,0

Allowance for Credit Losses

The ACL which equals the sum of the ALL and the ACL on unfunded lending commitments, is established through provisions for credit losses. Management recalculates the ACL at least quarterly to reassess the estimate of credit losses for the total portfolio at the relevant reporting date. Under ASC Topic 326, the ACL is measured on a pool basis when similar risk characteristics exist. For each pool of loans, management also evaluates and applies qualitative adjustments to the calculated ACL based on several factors, including, but not limited to, changes in current and expected future economic conditions, changes in industry experience and industry loan concentrations, changes in the volume and severity of nonperforming assets, changes in lending policies and personnel and changes in the competitive and regulatory environment of the banking industry. Loans that do not share similar risk characteristics are individually evaluated and are excluded from the pooled loan analysis.

The ACL policy described above is supplemented by periodic reviews and validations performed by independent loan reviewers. The results of the reviews are reported to the Audit Committee of the Board of Directors. The establishment of the ACL is significantly affected by management judgment. There is likelihood that different amounts would be reported under different conditions or assumptions. Federal regulatory agencies, as an integral part of their examination process, periodically review our ACL. Such agencies may require management to make additional provisions for estimated losses based upon judgments different from those of management.

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

At September 30, 2023, March 31, 2024, the ALL totaled $31.1 million $31.5 million, or 1.21% 1.20% of total loans, up $1.8 million down $76,000 from $29.3 million $31.5 million, or 1.21% 1.22% of total loans, at December 31, 2022 December 31, 2023. During the nine three months ended September 30, 2023 March 31, 2024, the Company provisioned $1.7 million $141,000 of the allowance loan losses primarily due to loan growth. Net loan recoveries charge-offs totaled $148,000 $217,000 for the nine three months ended September 30, 2023 March 31, 2024.

Asset Quality

One of management's key objectives has been, and continues to be, maintaining a high level of asset quality. In addition to maintaining credit standards for new loan originations, we proactively monitor loans and collection and workout processes of delinquent or problem loans. When a borrower fails to make a scheduled payment, we attempt to cure the deficiency by making personal contact with the borrower. Initial contacts are generally made within 10 days after the date payment is due. In most cases, deficiencies are promptly resolved. If the delinquency continues, late charges are assessed and additional efforts are made to collect the deficiency. All loans which are designated as "special mention," classified or which are delinquent 90 days or more are reported to the Board of Directors of the Bank monthly. For loans where the collection of principal or interest payments is doubtful, the accrual of interest income ceases. It is our policy, with certain limited exceptions, to discontinue accruing interest and reverse any interest accrued on any loan which is 90 days or more past due. On occasion, this action may be taken earlier if the financial condition of the borrower raises significant concern with regard to their ability to service the debt in accordance with the terms of the loan agreement. Interest income is not accrued on these loans until the borrower's financial condition and payment record demonstrate an ability to service the debt.

Under our allowance policy, credit losses are measured on a pool basis when similar risk characteristics exist. Loans that do not share similar risk characteristics are individually evaluated for credit losses and are excluded from the pooled loan analysis. At least quarterly, management evaluates the loan portfolio to determine which loans should be individually evaluated for credit losses. Management's evaluation involves an analysis of larger (i.e., loans with balances of $500,000 or greater) commercial real estate loans, multi-family residential loans, construction and land loans and commercial and industrial loans. Third party property valuations are obtained at the time of origination for real estate secured loans. When a determination is made that a loan has deteriorated to the point of becoming a problem loan, updated valuations may be ordered to determine if a short-fall exists, which may lead to a recommendation for partial charge off or appropriate allowance allocation. Property valuations are ordered through, and are reviewed by, an appraisal officer at the Bank. The Company typically orders an "as is" valuation for collateral property if a loan is in a criticized loan classification. Loans individually evaluated for credit losses are reported to the Board of Directors monthly.

At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, loans identified as credit deteriorated loans and individually evaluated for expected losses were $4.7 million $3.9 million and $5.0 million $4.2 million, respectively. The following tables provide a summary of loans individually evaluated for credit losses as of the dates indicated.

	September 30, 2023			March 31, 2024		
(dollars in thousands)	Recorded investment	Allowance for Loan Losses	Allowance to Total Loans	Recorded investment	Allowance for Loan Losses	Allowance to Total Loans
Loans Individually Evaluated						
One- to four-family first mortgage	$ —	$ —	— %	$—	$ $—	— — %
Home equity loans and lines	—	—	—			
Commercial real estate	4,605	230	4.99			
Construction and land	—	—	—			
Multi-family residential	—	—	—			

Commercial and industrial	Commercial and industrial	132	105	79.55				
Consumer	Consumer	—	—	—				
Total	Total	$ 4,737	$ 335	7.07 %	Total	$ 3,931	$ 273	6.94 6.94 %

	December 31, 2022		
(dollars in thousands)	**Recorded investment**	**Allowance for Loan Losses**	**Allowance to Total Loans**
Loans Individually Evaluated			
One- to four-family first mortgage	$ —	$ —	— %
Home equity loans and lines	—	—	—
Commercial real estate	4,743	550	11.60
Construction and land	—	—	—
Multi-family residential	—	—	—
Commercial and industrial	204	171	83.82
Consumer	86	—	—
Total	$ 5,033	$ 721	14.33 %

	December 31, 2023		
(dollars in thousands)	**Recorded investment**	**Allowance for Loan Losses**	**Allowance to Total Loans**
Loans Individually Evaluated			
One- to four-family first mortgage	$ —	$ —	— %
Home equity loans and lines	—	—	—
Commercial real estate	3,957	201	5.08
Construction and land	147	123	83.67
Multi-family residential	—	—	—
Commercial and industrial	112	95	84.82
Consumer	—	—	—
Total	$ 4,216	$ 419	9.94 %

Federal regulations and our policies require that we utilize an internal asset classification system as a means of reporting problem and potential problem assets. We have incorporated an internal asset classification system, substantially consistent with Federal banking regulations, as a part of our credit monitoring system. Federal banking regulations set forth a classification scheme for problem and potential problem assets as “substandard,” “doubtful” or “loss” assets. An asset is considered “substandard” if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. “Substandard” assets include those characterized by the “distinct possibility” that the insured institution will sustain “some loss” if the deficiencies are not corrected. Assets classified as “doubtful” have all of the weaknesses inherent in those classified “substandard” with the added characteristic that the weaknesses present make “collection or liquidation in full,” on the basis of currently existing facts, conditions and values, “highly questionable and improbable.” Assets classified as “loss” are those considered “uncollectible” and of such little value that their continuance as assets without the establishment of a specific loss reserve is not warranted.

At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, loans classified as substandard totaled $31.0 million $35.1 million and $21.5 million $28.2 million, respectively. There were no assets classified as doubtful at either date. For additional information, refer to Note 5 to the Consolidated Financial Statements. The $9.5 million $7.0 million, or 44.2% 24.7%, increase in substandard loans at September 30, 2023 March 31, 2024 compared to December 31, 2022 December 31, 2023 was primarily due to four two credit relationships being downgraded, to substandard, partially offset by loan payoffs and improvements in other classified loans.

The following tables provide a summary of loans classified as special mention and substandard as of the dates indicated.

(dollars in thousands)	*(dollars in thousands)*	September 30, 2023	December 31, 2022	Increase/(Decrease)	*(dollars in thousands)*	March 31, 2024	December 31, 2023	Increase/(Decrease)
Special Mention Loans	**Special Mention Loans**							
One- to four-family first mortgage								

One- to four-family first mortgage										
One- to four-family first mortgage	One- to four-family first mortgage	$ 870	$ 1,194	$ (324)	(27.1) %		$865	$ $868	$ $(3)	(0.3) (0.3) %
Home equity loans and lines	Home equity loans and lines	—	—	—	—					
Commercial real estate	Commercial real estate	330	524	(194)	(37.0)					
Construction and land	Construction and land	5,388	520	4,868	936.2					
Multi-family residential	Multi-family residential	—	3,312	(3,312)	(100.0)					
Commercial and industrial	Commercial and industrial	2,458	1,533	925	60.3					
Consumer	Consumer	—	—	—	—					
Total special mention loans	Total special mention loans	$ 9,046	$ 7,083	$ 1,963	27.7 %	Total special mention loans	$ 8,578	$ $ 7,928	$ $ 650	8.2 8.2 %

(dollars in thousands)	*(dollars in thousands)*	**September 30, 2023**	**December 31, 2022**	**Increase/(Decrease)**		*(dollars in thousands)*	**March 31, 2024**	**December 31, 2023**	**Increase/(Decrea**	
Substandard Loans	**Substandard Loans**									
One- to four-family first mortgage										
One- to four-family first mortgage										
One- to four-family first mortgage	One- to four-family first mortgage	$ 2,211	$ 3,223	$ (1,012)	(31.4) %		$6,306	$ $2,569	$ $3,737	145.5
Home equity loans and lines	Home equity loans and lines	125	33	92	278.8					
Commercial real estate	Commercial real estate	15,686	13,429	2,257	16.8					
Construction and land	Construction and land	6,811	647	6,164	952.7					
Multi-family residential	Multi-family residential	3,504	74	3,430	4,635.1					
Commercial and industrial	Commercial and industrial	2,479	3,586	(1,107)	(30.9)					
Consumer	Consumer	230	534	(304)	(56.9)					
Total substandard loans	Total substandard loans	$ 31,046	$ 21,526	$ 9,520	44.2 %	Total substandard loans	$35,128	$ $ 28,168	$ $6,960	24.7

Total nonperforming loans increased by $11.5 million, or 130.9%, to $20.3 million at March 31, 2024, compared to $8.8 million at December 31, 2023. The primary reason for the increase was two loan relationships with an aggregate outstanding balance of $9.7 million at March 31, 2024 that became nonperforming during the first quarter of 2024. The first relationship is a $5.0 million construction and land loan for the construction of two multi-family, 15 condominium units to be sold and three commercial spaces for lease in Bay St. Louis, Mississippi that were more than 90-days past due and still accruing at March 31. 2024. There have been delays in the developer's receipt of necessary certificates of occupancy which impeded its ability to sell the units and bring the loan current. Recently, the developer has begun receiving the certificates of occupancy and entered into purchase agreements on two of the units. Upon such sales, the loans were brought current, and the outstanding balance of this relationship has been reduced by $170,000 since March 31, 2024. We do not anticipate any loss on this relationship. The second relationship that was the primary reason for our increase in nonperforming loans is a $4.7 million relationship which was placed on non-accrual status during the first quarter and is secured by 17 residential units in eight investment properties in New Orleans and have a loan-to-value ratio of approximately 65%. We have commenced foreclosure proceedings on this relationship and do not expect any loss.

A bank's determination as to the classification of its assets and the amount of its valuation allowances is subject to review by Federal bank regulators which can order the establishment of additional general or specific loss allowances. The Federal banking agencies have adopted an interagency policy statement on the allowance for loan and lease losses. The policy statement provides guidance for financial institutions on both the responsibilities of management for the assessment and establishment of allowances and guidance for banking agency examiners to use in determining the adequacy of general valuation guidelines. Generally, the policy statement recommends that institutions have effective systems and controls to identify, monitor and address asset quality problems; that management analyze all significant factors that affect the collectability of the portfolio in a reasonable manner; and that management establish acceptable allowance evaluation processes that meet the objectives set forth in the policy statement. Due to the adoption of ASC Topic 326 on January 1, 2020, management Management maintains, based on current and forecasted information, an ACL that reflects a current estimate of expected credit losses for the estimated life of the loan portfolio at reporting periods subsequent to the adoption date. For all reporting periods, actual losses are uncertain and dependent upon future events and, as such, further additions to the level of ACL may become necessary.

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

	September 30, 2023			December 31, 2022		
(dollars in thousands)	**Originated**	**Acquired(1)**	**Total**	**Originated**	**Acquired(1)**	**Total**
Nonaccrual loans(2):						
Real estate loans:						
One- to four-family first mortgage	$ 578	$ 1,104	$ 1,682	$ 711	$ 1,589	$ 2,300
Home equity loans and lines	58	68	126	—	34	34
Commercial real estate	3,632	2,581	6,213	3,039	3,906	6,945
Construction and land	2,712	53	2,765	147	168	315
Multi-family residential	—	—	—	—	—	—
Other loans:						
Commercial and industrial	856	33	889	224	154	378
Consumer	165	66	231	215	326	541
Total nonaccrual loans	8,001	3,905	11,906	4,336	6,177	10,513
Accruing loans 90 days or more past due	43	—	43	2	—	2
Total nonperforming loans	8,044	3,905	11,949	4,338	6,177	10,515
Foreclosed assets and ORE	221	141	362	151	310	461
Total nonperforming assets	8,265	4,046	12,311	4,489	6,487	10,976
Performing troubled debt restructurings(2)	—	—	—	4,600	1,605	6,205
Total nonperforming assets and troubled debt restructurings	$ 8,265	$ 4,046	$ 12,311	$ 9,089	$ 8,092	$ 17,181
Nonperforming loans to total loans			0.47 %			0.43 %
Nonperforming loans to total assets			0.36 %			0.33 %
Nonperforming assets to total assets			0.37 %			0.34 %

	March 31, 2024			December 31, 2023		
(dollars in thousands)	**Originated**	**Acquired(1)**	**Total**	**Originated**	**Acquired(1)**	**Total**
Nonaccrual loans:						
Real estate loans:						
One- to four-family first mortgage	$ 4,266	$ 1,529	$ 5,795	$ 528	$ 1,072	$ 1,600
Home equity loans and lines	179	63	242	143	65	208
Commercial real estate	5,300	2,450	7,750	2,691	2,512	5,203
Construction and land	883	37	920	1,136	45	1,181
Multi-family residential	—	—	—	—	—	—
Other loans:						
Commercial and industrial	385	1	386	298	33	331
Consumer	219	59	278	227	64	291
Total nonaccrual loans	11,232	4,139	15,371	5,023	3,791	8,814
Accruing loans 90 days or more past due	4,978	—	4,978	—	—	—
Total nonperforming loans	16,210	4,139	20,349	5,023	3,791	8,814
Foreclosed assets and ORE	1,539	62	1,601	1,495	80	1,575
Total nonperforming assets	17,749	4,201	21,950	6,518	3,871	10,389

Nonperforming loans to total loans	0.78 %	0.34 %
Nonperforming loans to total assets	0.61 %	0.27 %
Nonperforming assets to total assets	0.65 %	0.31 %

(1) Nonaccrual acquired loans include PCD loans of $1.5 million $1.4 million and $1.5 million $1.4 million at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

(2) Nonaccrual loans include originated restructured loans placed on nonaccrual totaling $3.1 million at December 31, 2022. Acquired restructured loans placed on nonaccrual totaled $3.7 million at December 31, 2022. With the adoption of ASU 2022-02, effective January 1, 2023, TDR accounting has been eliminated.

Foreclosed assets and ORE includes real property and other assets that have been acquired as a result of foreclosure, and real property no longer used in the Bank's business. Foreclosed assets and ORE are classified as such until sold or disposed. Foreclosed assets are recorded at fair value less estimated selling costs based on third party property valuations which are obtained at the time the asset is repossessed and periodically until the property is liquidated. ORE is recorded at the lower of its net book value or fair value at the date of transfer to ORE. Foreclosed assets and ORE holding costs are charged to expense. Gains and losses on the sale of foreclosed assets and ORE are charged to operations, as incurred. Costs associated with acquiring and improving a foreclosed property or ORE are capitalized to the extent that the carrying value does not exceed fair value less estimated selling costs.

Investment Securities

The Company's investment securities portfolio totaled $428.1 million $422.9 million as of September 30, 2023 March 31, 2024, a decrease of $59.5 million $12.1 million, or 12.2% 2.8%, from December 31, 2022 December 31, 2023. During the first quarter 2023, of 2024, the Company recorded a net loss of $249,000 had no gain or losses related to the sale of available-for-sale investment securities totaling $14.0 million compared to a net loss of securities. $249,000 during the first quarter of 2023. At September 30, 2023 March 31, 2024, the Company had a net unrealized loss on its available for sale investment securities portfolio of $63.4 million $46.6 million, compared to a net unrealized loss of $54.8 million $43.4 million at December 31, 2022 December 31, 2023. The Company's investment securities portfolio had an effective duration of 4.5 4.2 years at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

The following table summarizes activity in the Company's investment securities portfolio during the nine three months ended September 30, 2023 March 31, 2024.

(dollars in thousands)	*(dollars in thousands)*	**Available for Sale**	**Held to Maturity**	*(dollars in thousands)*	**Available for Sale**	**Held to Maturity**
Balance, December 31, 2022		$ 486,518	$ 1,075			
Balance, December 31, 2023						
Purchases	Purchases	—	—			
Sales	Sales	(14,011)	—			
Principal maturities, prepayments and calls	Principal maturities, prepayments and calls	(36,561)	—			
Amortization of premiums and accretion of discounts	Amortization of premiums and accretion of discounts	(282)	(10)			
Decrease in market value	Decrease in market value	(8,645)	—			
Balance, September 30, 2023		$ 427,019	$ 1,065			
Balance, March 31, 2024						

Funding Sources

Deposits

Deposits totaled $2.6 billion $2.7 billion at September 30, 2023 March 31, 2024, a decrease an increase of $35.7 million $52.0 million, or 1.4% 1.9%, compared to December 31, 2022 December 31, 2023. The following table summarizes the changes in the Company's deposits from December 31, 2022 December 31, 2023 to September 30, 2023 March 31, 2024.

(dollars in thousands)	*(dollars in thousands)*	**September 30, 2023**	**December 31, 2022**	**Increase/(Decrease)**	*(dollars in thousands)*	**March 31, 2024**	**December 31, 2023**	**Increase/(Decrease)**

Demand deposit	Demand deposit	$ 785,448	$ 904,301	$ (118,853)	(13.1) %	Demand deposit	$ 742,177	$ $ 744,424	$ $ (2,247)	(0.3)	(0.3) %
Savings	Savings	246,402	305,871	(59,469)	(19.4)						
Money market	Money market	392,174	423,990	(31,816)	(7.5)						
NOW	NOW	617,003	663,574	(46,571)	(7.0)						
Certificates of deposit	Certificates of deposit	556,457	335,445	221,012	65.9						
Total deposits	Total deposits	$2,597,484	$2,633,181	$ (35,697)	(1.4) %	Total deposits	$ 2,722,578	$ $ 2,670,624	$ $ 51,954	1.9	1.9 %

The average rate paid on interest-bearing deposits was 1.84% 2.52% for the third first quarter of 2023, 2024, up 157 175 bps compared to the third first quarter of 2022. 2023. At September 30, 2023 March 31, 2024, certificates of deposit maturing within the next 12 months totaled $460.6 million $640.2 million.

We obtain most of our deposits from individuals, small businesses and public funds in our market areas. The following table presents our deposits per customer type for the periods indicated.

		September 30, 2023	December 31, 2022			
		March 31, 2024			March 31, 2024	December 31, 2023
Individuals	Individuals	52%	51%	Individuals	54%	53%
Small businesses	Small businesses	39	40	Small businesses	36	38
Public funds	Public funds	7	7	Public funds	8	7
Broker	Broker	2	2	Broker	2	
Total	Total	100%	100%	Total	100%	

The total amounts of our uninsured deposits (deposits in excess of $250,000, as calculated in accordance with FDIC regulations) were $755.5 $781.9 million at September 30, 2023 March 31, 2024 and $830.9 $748.6 million at December 31, 2022 December 31, 2023. Public funds in excess of the FDIC insurance limits are fully collateralized.

Subordinated Debt

On June 30, 2022, The the Company issued $55.0 million in aggregate principal amount of its 5.75% Fixed-to-Floating Rate Subordinated Notes due 2032. The Notes were issued at a price equal to 100% of the aggregate principal amount. The Notes have a stated maturity date of June 30, 2032 and bear interest at a fixed rate of 5.75% per year from and including the issue date to but excluding June 30, 2027. From June 30, 2027, the Notes will bear interest at a floating rate equal to the then current three-month term secured overnight financing rate (“SOFR”), plus 282 basis points. The Notes may be redeemed by the Company, in whole or in part, on or after June 30, 2027. The Notes are intended to qualify as Tier 2 capital for regulatory purposes.

The carrying value of subordinated debt was $54.3 million and $54.2 million at March 31, 2024 and $54.0 million at September 30, 2023 and December 31, 2022 December 31, 2023, respectively. The subordinated debt was recorded net of issuance costs and amortized using the straight-line method over five years.

Other Borrowings

On March 12, 2023, the Federal Reserve Board created the BTFP, which offers loans to banks with a term up to one year with no prepayment penalty. The loans are secured by pledging qualifying securities and are valued at par for collateral. In 2024, the Bank participated in the BTFP and had an outstanding debt of $135.0 million at March 31, 2024. The average balance of other borrowings, which included the BTFP loan was $126.0 million for the first quarter of 2024, up $120.4 million compared to the first quarter of 2023.

Federal Home Loan Bank Advances

The average balance of total FHLB advances was $273.1 million $71.7 million for the third first quarter of 2023, up $248.1 million 2024, down $143.8 million compared to the third first quarter of 2022. For the nine months ended September 30, 2023, the average balance of total FHLB advances was $254.0 million, up $228.6 million compared to the nine months ended September 30, 2022. Given the reduction in total deposits during the quarter, we increased our utilization of FHLB advances as a source of funds in order to, among other things, fund our loan growth during the period. 2023.

The Company had $241.0 million no short-term FHLB advances as of September 30, 2023 March 31, 2024 compared to $155.0 million $150.0 million as of December 31, 2022 December 31, 2023. As discussed above, the increase in FHLB advances was due to loan growth At March 31, 2024 and a decline in deposits. At September 30, 2023 and December 31, 2022 December 31, 2023, the Company had $42.8 million $38.6 million and $21.2 million $42.7 million in long-term FHLB advances, respectively, and $914.1 million $1.1 billion and $937.4 million $1.0 billion in additional FHLB advances available, respectively.

Shareholders' Equity

Total shareholders' equity increased $15.4 million $4.8 million, or 4.7% 1.3%, from $330.0 million $367.4 million at December 31, 2022 December 31, 2023 to $345.3 million $372.3 million at September 30, 2023 March 31, 2024. Shareholders' equity increased primarily due to net income of $30.9 million $9.2 million, which was partially offset by an increase in accumulated other comprehensive loss on available for sale investment securities, cash dividends and share repurchases during the nine three months ended September 30, 2023 March 31, 2024.

At September 30, 2023 March 31, 2024, the Company and the Bank had regulatory capital amounts that were well in excess of regulatory requirements. The following table presents actual and required capital ratios for the Company and the Bank under the Basel III Capital Rules. The minimum required capital amounts presented include the minimum required capital levels as of September 30, 2023 March 31, 2024 based on the required capital levels as of January 1, 2019 when the Basel III Capital Rules were fully phased-in. Capital levels required to be considered well capitalized are based upon prompt corrective action regulations, as amended to reflect the changes under the Basel III Capital Rules.

		Actual		Minimum Capital Required – Basel III Fully Phased-In		To Be Well Capitalized Under Prompt Corrective Action Provisions	
(dollars in thousands)	*(dollars in thousands)*	Amount	Ratio	Amount	Ratio	Amount	Ratio
Company:	**Company:**						
	Tier 1 risk-based capital	304,343	11.13	232,503	8.50	N/A	N/A
Total risk-based capital	Total risk-based capital	391,907	14.33	287,210	10.50	N/A	N/A
Tier 1 leverage capital	Tier 1 leverage capital	304,343	9.53	127,774	4.00	N/A	N/A
Bank:	**Bank:**						
Common equity Tier 1 capital (to risk-weighted assets)	Common equity Tier 1 capital (to risk-weighted assets)	$341,207	12.51 %	$190,940	7.00 %	$177,302	6.50 %
Tier 1 risk-based capital	Tier 1 risk-based capital	341,207	12.51	231,856	8.50	218,218	8.00
Total risk-based capital	Total risk-based capital	374,584	13.73	286,411	10.50	272,772	10.00
Tier 1 leverage capital	Tier 1 leverage capital	341,207	10.71	127,463	4.00	159,328	5.00

	Actual				Minimum Capital Required – Basel III Fully Phased-In		
(dollars in thousands)	Amount		Ratio		Amount		
Company:							
Tier 1 risk-based capital							
Tier 1 risk-based capital	319,767		11.57		234,825		
Total risk-based capital	407,916	14.77	14.77	290,078		290,078	10.5
Tier 1 leverage capital	319,767	9.85	9.85	129,915		129,915	4.0
Bank:							
Bank:							
Common equity Tier 1 capital (to risk-weighted assets)							
Common equity Tier 1 capital (to risk-weighted assets)							
	$362,461	13.16	13.16 %		$192,817	7.00	

LIQUIDITY AND ASSET/LIABILITY MANAGEMENT

Liquidity Management

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

The Company uses its liquidity to fund existing and future loan commitments, to fund maturing certificates of deposit and demand deposit withdrawals, to invest in other interest-earning assets and to meet operating expenses. At September 30, 2023 March 31, 2024, certificates of deposit maturing within the next 12 months totaled $460.6 million $640.2 million. Based upon historical experience, the Company anticipates that a significant portion of the maturing certificates of deposit will be redeposited with us.

In addition to cash flow from loan and securities payments and prepayments as well as from sales of securities available for sale, the Company has significant borrowing capacity available to fund liquidity needs. In recent years, the Company has utilized borrowings as a cost efficient addition to deposits as a source of funds. Borrowings consist of advances from the FHLB of Dallas, of which the Company is a member. Under terms of the collateral agreement with the FHLB, the Company pledges residential mortgage loans and investment securities as well as the Company's stock in the FHLB as collateral for such advances. For the nine three months ended September 30, 2023 March 31, 2024, the average balance of outstanding FHLB advances was $254.0 million $71.7 million. At September 30, 2023 March 31, 2024, the Company had $283.8 million $38.6 million in total outstanding FHLB advances.

The following table summarizes the Company's primary and secondary sources of liquidity which were available at September 30, 2023 March 31, 2024.

(dollars in thousands)		**September 30, 2023 March 31, 2024**
Cash and cash equivalents	$	84,520 90,475
Unencumbered investment securities, amortized cost		79,015 86,091
FHLB advance availability		914,064 1,107,888
Amounts available from unsecured lines of credit		55,000
Federal Reserve discount window availability		500
Total primary and secondary sources of available liquidity	$	1,239,239 1,339,954

Asset/Liability Management

The objective of asset/liability management is to implement strategies for the funding and deployment of the Company's financial resources that are expected to maximize soundness and profitability over time at acceptable levels of risk. Interest rate sensitivity is the potential impact of changing rate environments on both net interest income and cash flows. The Company measures its interest rate sensitivity over the near term primarily by running net interest income simulations. Our interest rate sensitivity also is monitored by management through the use of a model which generates estimates of the change in its net interest income over a range of interest rate scenarios. Based on the Company's interest rate risk model, the table below sets forth the results of immediate and sustained changes in interest rates as of September 30, 2023 March 31, 2024.

Shift in Interest Rates (in bps)	Shift in Interest Rates (in bps)	% Change in Projected Net Interest Income	Shift in Interest Rates (in bps)	% Change in Projected Net Interest Income
+300		0.9%		
+200				
+200				
+200	+200	0.6%		3.4%
+100	+100	0.3%	+100	1.8%
-100	-100	(1.1)%	-100	(2.8)%
-200			-200	(5.2)%

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

During the second quarter of 2020 and 2023, the Company entered into certain interest rate swap agreements as part of its interest rate risk management strategy. The Company's objectives in using interest rate derivatives are to manage its exposure to interest rate movements. During 2023 2024 and 2022, 2023, such derivatives were used to hedge the variable cost associated with existing variable rate liabilities. Refer to Note 6 of the Consolidated Financial Statements for more information on the effects of the derivative financial instruments on the consolidated financial statements.

To meet the financing needs of its customers, the Company issues financial instruments which represent conditional obligations that are not recognized, wholly or in part, in the statements of financial condition. These financial instruments include commitments to extend credit and standby letters of credit. Such instruments expose the Company to varying degrees of credit and interest rate risk in much the same way as funded loans. The same credit policies are used in these commitments as for on-balance sheet instruments. At September 30, 2023 both March 31, 2024 and December 31, 2022 December 31, 2023, the Company's allowance for credit losses on unfunded commitments totaled $2.5 million and $2.1 million, respectively. $2.6 million.

The following table summarizes our outstanding commitments to originate loans and to advance additional amounts pursuant to outstanding letters of credit, lines of credit and undisbursed construction loans as of the periods indicated.

		Contract Amount			Contract Amount	
(dollars in thousands)	*(dollars in thousands)*	September 30, 2023	December 31, 2022	*(dollars in thousands)*	March 31, 2024	December 31, 2023
Standby letters of credit	Standby letters of credit	$ 5,918	$ 6,969			
Available portion of lines of credit	Available portion of lines of credit	356,546	367,167			
Undisbursed portion of loans in process	Undisbursed portion of loans in process	221,964	194,182			
Commitments to originate loans	Commitments to originate loans	192,917	164,682			

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

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

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

RESULTS OF OPERATIONS

Net income for the third first quarter of 2023 2024 was $9.8 million $9.2 million, down $680,000 $2.1 million compared to the third first quarter of 2022. 2023. Diluted EPS for the third first quarter of 2023 2024 was $1.22, $1.14, down $0.06 $0.25 compared to the third first quarter of 2022.

Net income for the nine months ended September 30, 2023 was $30.9 million, up $7.6 million, compared to the nine months ended September 30, 2022. Diluted EPS for the nine months ended September 30, 2023 was $3.82, up $0.98 compared to the nine months ended September 30, 2022. 2023.

During the three and nine months ended September 30, 2023 March 31, 2024, the Company provisioned $351,000 and $1.7 million. respectively, $141,000 to the allowance for loan losses primarily due to loan growth. During the three and nine months ended September 30, 2022 March 31, 2023, the Company provisioned $1.7 million and $5.5 million $814,000 to the allowance for loan losses primarily due to loan growth and the acquisition of Friendswood. growth.

Net Interest Income

Net interest income is the difference between the interest income earned on interest-earning assets, such as loans and investment securities, and the interest expense paid on interest-bearing liabilities, such as deposits and borrowings. The Company's net interest income is largely determined by our net interest spread, which is the difference between the average yield earned on interest-earning assets and the average rate paid on interest-bearing liabilities, and the relative amounts of interest-earning assets and interest-bearing liabilities. The Company's tax-equivalent net interest spread was 2.99% 2.81% and 3.95% 3.72% for the quarters ended September 30, 2023 March 31, 2024 and 2022, respectively, and 3.33% and 3.65% for the nine months ended September 30, 2023 and 2022, 2023, respectively.

Net interest income totaled $29.5 million $28.9 million for the third first quarter of 2023, 2024, down $2.5 million $2.7 million, or 7.7% 8.5%, compared to the third first quarter of 2022. For the nine months ended September 30, 2023, net interest income totaled $91.4 million, up $6.7 million, or 7.9%, compared to the nine months ended September 30, 2022. 2023.

The Company's tax-equivalent net interest margin, which is net interest income as a percentage of average interest-earning assets, was 3.75% 3.64% and 4.11% 4.18% for the quarters ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively. For the same periods, the average loan yield was 5.95% 6.18% and 5.17%, respectively.

The net interest margin for the nine months ended September 30, 2023 and 2022 was 3.95% and 3.77%, respectively. For the same periods, the average loan yield was 5.82% and 5.01% 5.67%, respectively.

Acquired loan discount accretion included in interest income totaled $634,000 $525,000 and $847,000 $668,000 for the quarters ended September 30, 2023 March 31, 2024 and 2022, respectively. For the nine months ended September 30, 2023 and 2022, acquired loan discount accretion included in interest income totaled $1.9 million and $2.2 million, 2023, respectively.

The following table sets forth, for the periods indicated, information regarding (i) the total dollar amount of interest income of the Company from interest-earning assets and the resultant average yields; (ii) the total dollar amount of interest expense on interest-bearing liabilities and the resultant average rate; (iii) net interest income; (iv) net interest spread; and (v) net interest margin. Information is based on average monthly balances during the indicated periods. Taxable equivalent yields are calculated using a marginal tax rate of 21%.

		Three Months Ended September 30,							Three Months Ended March 31,					
		2023			2022				2024			2023		
(dollars in thousands)	*(dollars in thousands)*	**Average Balance**	**Interest**	**Average Yield/Rate**	**Average Balance**	**Interest**	**Average Yield/Rate**	*(dollars in thousands)*	**Average Balance**	**Interest**	**Average Yield/Rate**	**Average Balance**	**Interest**	**Average Yield/Rate**
Interest-earning assets:	**Interest-earning assets:**													
Loans receivable(1)	Loans receivable(1)	$2,538,218	$38,490	5.95 %	$2,265,846	$29,859	5.17 %							
Loans receivable(1)														
Loans receivable(1)									$2,602,941	$40,567	6.18 %	$2,437,770	$34,498	5.67 %
Investment securities	Investment securities													
Taxable														
Taxable														
Taxable	Taxable	478,380	2,863	2.39	504,241	2,812	2.23							
Tax-exempt (TE)	Tax-exempt (TE)	16,839	76	2.28	28,059	146	2.64							
Total investment securities	Total investment securities	495,219	2,939	2.39	532,300	2,958	2.25							
Other interest-earning assets	Other interest-earning assets	54,015	649	4.77	262,127	1,447	2.19							
Total interest-earning assets (TE)	Total interest-earning assets (TE)	3,087,452	$42,078	5.36	3,060,273	$34,264	4.41							
Noninterest-earning assets	Noninterest-earning assets	193,641			205,634									
Total assets	Total assets	$3,281,093			$3,265,907									
Total assets														
Total assets														
Interest-bearing liabilities:														
Interest-bearing liabilities:														
Interest-bearing liabilities:	**Interest-bearing liabilities:**													
Deposits:	Deposits:													
Deposits:														
Deposits:														

Savings, checking and money market	Savings, checking and money market	$1,256,885	$ 3,791	1.20 %	$1,522,350	$ 876	0.23 %
Certificates of deposit		511,754	4,390	3.40	371,925	394	0.42
Total interest-bearing deposits		1,768,639	8,181	1.84	1,894,275	1,270	0.27
Other borrowings		5,539	53	3.80	5,539	53	3.80
Subordinated debt		54,159	845	6.24	53,943	859	6.37
Short-term FHLB advances		230,222	3,150	5.35	—	—	—
Long term FHLB advances		42,865	340	3.17	24,977	105	1.68
Total interest-bearing liabilities		2,101,424	$12,569	2.37	1,978,734	$ 2,287	0.46
Noninterest-bearing liabilities		829,233			952,120		

Savings, checking and money market							
Savings, checking and money market		$1,269,293	$ 4,800	1.52 %	$1,349,185	$ 2,048	0.62 %

		Three Months Ended September 30,							Three Months Ended March 31,				
		2023			2022				2024			2023	
(dollars in thousands)	*(dollars in thousands)*	Average Balance	Interest	Average Yield/Rate	Average Balance	Interest	Average Yield/Rate	*(dollars in thousands)*	Average Balance	Interest	Average Yield/Rate	Average Balance	Interest
Certificates of deposit													
Total interest-bearing deposits													
Other borrowings													
Subordinated debt													
Short-term FHLB advances													
Long term FHLB advances													
Total interest-bearing liabilities													
Noninterest-bearing liabilities													
Total liabilities													
Total liabilities													
Total liabilities	Total liabilities	2,930,657			2,930,854								
Shareholders' equity	**Shareholders' equity**	350,436			335,053								
Shareholders' equity													
Shareholders' equity													

Total liabilities and shareholders' equity	$3,281,093			$3,265,907					
Net interest-earning assets	$ 986,028			$1,081,539					
Net interest spread (TE)		$29,509	2.99 %		$31,977	3.95 %	$28,901	2.81	2.81 %
Net interest margin (TE)			3.75 %			4.11 %			3.64 %

(1) Nonperforming loans are included in the respective average loan balances, net of deferred fees, discounts and loans in process.

	Nine Months Ended September 30,					
	2023			2022		
(dollars in thousands)	Average Balance	Interest	Average Yield/Rate	Average Balance	Interest	Average Yield/Rate
Interest-earning assets:						
Loans receivable(1)	$ 2,489,374	$ 109,518	5.82 %	$ 2,107,871	$ 79,834	5.01 %
Investment securities						
Taxable	492,027	8,772	2.38	433,270	6,576	2.02
Tax-exempt (TE)	20,314	295	2.45	23,325	338	2.45
Total investment securities	512,341	9,067	2.38	456,595	6,914	2.05
Other interest-earning assets	53,245	1,679	4.22	414,122	2,587	0.84
Total interest-earning assets (TE)	3,054,960	$ 120,264	5.21	2,978,588	$ 89,335	3.97
Noninterest-earning assets	195,644			202,022		
Total assets	$ 3,250,604			$ 3,180,610		
Interest-bearing liabilities:						
Deposits:						
Savings, checking and money market	$ 1,301,767	$ 8,863	0.91 %	$ 1,523,033	$ 2,079	0.18 %
Certificates of deposit	423,418	8,105	2.56	365,584	1,187	0.43
Total interest-bearing deposits	1,725,185	16,968	1.32	1,888,617	3,266	0.23
Other borrowings	5,577	161	3.86	5,624	160	3.80
Subordinated debt	54,100	2,546	6.27	18,436	859	6.22
Short-term FHLB advances	217,391	8,382	5.08	—	—	—
Long term FHLB advances	36,603	797	2.90	25,396	321	1.69
Total interest-bearing liabilities	2,038,856	$ 28,854	1.88	1,938,073	$ 4,606	0.32
Noninterest-bearing liabilities	865,654			902,920		
Total liabilities	2,904,510			2,840,993		
Shareholders' equity	346,094			339,617		
Total liabilities and shareholders' equity	$ 3,250,604			$ 3,180,610		
Net interest-earning assets	$ 1,016,104			$ 1,040,515		
Net interest spread (TE)		$ 91,410	3.33 %		$ 84,729	3.65 %

Net interest margin (TE)	3.95 %	3.77 %

(1) Nonperforming loans are included in the respective average loan balances, net of deferred fees, discounts and loans in process.

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

		Three Months Ended September 30, 2023 Compared to 2022 Change Attributable To			Nine Months Ended September 30, 2023 Compared to 2022 Change Attributable To		
		Three Months Ended March 31, Three Months Ended March 31, Three Months Ended March 31, 2024 Compared to 2023 2024 Compared to 2023 2024 Compared to 2023 Change Attributable To Change Attributable To Change Attributable To					
(dollars in thousands)							
(dollars in thousands)							
(dollars in thousands)	*(dollars in thousands)*	**Rate**	**Volume**	**Increase/ (Decrease)**	**Rate**	**Volume**	**Increase/ (Decrease)**
Interest income:	**Interest income:**						
Interest income:							
Interest income:							
Loans receivable							
Loans receivable							
Loans receivable	Loans receivable	$ 4,616	$ 4,015	$ 8,631	$ 14,433	$ 15,251	$ 29,684
Investment securities	Investment securities	190	(209)	(19)	1,129	1,024	2,153
Investment securities							
Investment securities							
Other interest-earning assets							
Other interest-earning assets							
Other interest-earning assets	Other interest-earning assets	1,027	(1,825)	(798)	1,690	(2,598)	(908)
Total interest income	Total interest income	5,833	1,981	7,814	17,252	13,677	30,929
Total interest income							
Total interest income							
Interest expense:							
Interest expense:							
Interest expense:	**Interest expense:**						
Savings, checking and money market accounts	Savings, checking and money market accounts	3,387	(472)	2,915	4,838	1,946	6,784
Savings, checking and money market accounts							
Savings, checking and money market accounts							

Certificates of deposit							
Certificates of deposit							
Certificates of deposit	Certificates of deposit	3,322	674	3,996	4,407	2,511	6,918
Other borrowings	Other borrowings	—	—	—	1	—	1
Other borrowings							
Other borrowings							
Subordinated debt							
Subordinated debt							
Subordinated debt	Subordinated debt	(18)	4	(14)	565	1,122	1,687
FHLB advances	FHLB advances	93	3,292	3,385	77	8,781	8,858
FHLB advances							
FHLB advances							
Total interest expense							
Total interest expense							
Total interest expense	Total interest expense	6,784	3,498	10,282	9,888	14,360	24,248
Increase in net interest income	Increase in net interest income	$ (951)	$ (1,517)	$ (2,468)	$ 7,364	$ (683)	$ 6,681
Increase in net interest income							
Increase in net interest income							

Noninterest Income

Noninterest income for the third first quarter of 2023 2024 totaled $4.4 million $3.5 million, up $925,000, $238,000, or 26.6% 7.2%, from $3.5 million $3.3 million earned for the same period in 2022.

2023. Noninterest income for increased over the nine months ended September 30, 2023 totaled $11.2 million, up $612,000, or 5.8%, from $10.5 million earned for prior comparable quarter primarily due to an increase in other income of $131,000 and the same period in 2022.

Gains absence of a loss on the sale of loans for securities totaling $249,000 that occurred during the third first quarter of 2023, which were up $609,000, or 780.8%, from the comparable period partially offset with a decrease in 2022 primarily due to the sale of SBA loans during the third quarter of 2023 resulting in a gain of $640,000. For the nine months ended September 30, 2023, gains on the sale of loans were up $129,000 or 20.1% from the comparable period in 2022.

The Company recorded a net loss of $249,000 related to the sale of investment securities for the nine months ended September 30, 2023. There were no gross gains or gross losses related to the sale of investment securities for the three months ended September 30, 2023 or for the three and nine months ended September 30, 2022.

Income from bank owned life insurance for the three and nine months ended September 30, 2023 was up $34,000, or 14.7% and $120,000, or 18.2%, respectively, from the comparable period in 2022 primarily due to additional policies purchased in August 2022.

Income from bank card fees for the three and nine months ended September 30, 2023 was up $280,000, or 17.3% and $692,000, or 14.7%, respectively, from the comparable period in 2022 primarily due to increased transaction activity by our cardholders. of $212,000.

Noninterest Expense

Noninterest expense for the third first quarter of 2023 2024 totaled $21.3 million $20.9 million, up $615,000, $928,000, or 3.0% 4.7%, from the third first quarter of 2022. Noninterest expense for the third quarter of 2022 included merger-related expenses for the Friendswood acquisition totaling $60,000 (pre-tax). 2023. Noninterest expense increased over the prior comparable quarters quarter primarily due to increases in compensation and benefits, data processing and communication, other expenses and occupancy, which were partially offset by foreclosed assets expense (up $804,000 primarily due to the absence of provision for credit losses on unfunded commitments.

Noninterest expense for the nine months ended September 30, 2023 totaled $62.2 million, up $1.5 million, or 2.5%, from the same period in 2022. Noninterest expense included merger-related expenses totaling $2.0 million (pre-tax) for the nine months ended September 30, 2022. The increase in noninterest expense for the nine months ended September 30, 2023 related primarily to the growth of the Company's employee base, occupancy and franchise tax expenses as a result of the Friendswood acquisition, which were partially offset by a $739,000 recovery of a previous loss on a foreclosed asset in OREO sale that occurred during the first quarter of 2023. 2023), marketing and advertising (up $159,000), and professional services (up $111,000), which were partially offset by the absence of any provision for credit losses on unfunded commitments in the 2024 period.

Income Taxes

Income tax expense for the three and nine months ended September 30, 2023 March 31, 2024 totaled $2.5 million and $7.8 million, respectively, $2.2 million compared to $2.6 million and $5.7 million $2.8 million for the three and nine months ended September 30, 2022, respectively. March 31, 2023. Income tax expense decreased over the prior comparable quarters quarter primarily due to decreased taxable earnings in the third first quarter of 2023. Income tax expense for the nine months ended September 30, 2023 increased from the comparable period in 2022 primarily due to increased taxable earnings during the 2023 period. 2024. The Company's effective tax rates for the third first quarters of 2024 and 2023 were 19.6% and 2022 were 20.2% and 19.9%, respectively. For the nine months ended September 30, 2023 and 2022, the Company's effective tax rates were 20.2% and 19.8% 20.0%, respectively.

CRITICAL ACCOUNTING ESTIMATES

SEC guidance requires disclosure of "critical accounting estimates." The SEC defines "critical accounting estimates" as those estimates made in accordance with generally accepted accounting principles that involve a significant level of estimation uncertainty and have had or are reasonably likely to have a material impact on the financial condition or results of operations of the registrant.

We follow financial accounting and reporting policies that are in accordance with accounting principles generally accepted in the United States. Our accounting policies are discussed in detail in Note 1 - Basis of Presentation in the accompanying notes to the consolidated financial statements included elsewhere in this report and in our 2022 2023 Annual Report on Form 10-K. Not all significant accounting policies require management to make difficult, subjective or complex judgments. However, management believes the policy noted below meets the SEC's definition of a critical accounting policy.

Allowance for Credit Losses

Management considers the policies related to the allowance for credit losses as the most critical to the financial statement presentation. The total allowance for credit losses includes activity related to allowances calculated in accordance with Accounting Standards Codification 326, Credit Losses. The allowance for credit losses is established through a provision for credit losses charged to current earnings. The amount maintained in the allowance reflects management's continuing evaluation of the credit losses expected to be recognized over the life of the loans in our portfolio. The allowance for credit losses on loans is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. For purposes of determining the allowance for credit losses, the loan portfolio is segregated by product types in order to recognize differing risk profiles among categories. Loans that do not share risk characteristics are evaluated on an individual basis and are not included in the collective evaluation. Management estimates the allowance balance using relevant available information from internal and external sources relating to past events, current conditions and reasonable and supportable forecasts. Adjustments to historical loss information are made to incorporate our reasonable and supportable forecast of future losses at the portfolio segment level, as well as any necessary qualitative adjustments, including, but not limited to, changes in current and expected future economic conditions, changes in industry experience and industry loan concentrations, changes in the volume and severity of nonperforming assets, changes in lending policies and personnel and changes in the competitive and regulatory environment of the banking industry. Loans that do not share similar risk characteristics are individually evaluated and are excluded from the pooled loan analysis.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Quantitative and qualitative disclosures about market risk are presented in the Company's Annual Report on Form 10-K filed with the SEC for the year ended December 31, 2022 December 31, 2023, under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations – Asset/Liability Management and Market Risk". Additional information at September 30, 2023 March 31, 2024 is included herein under Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Asset/Liability Management".

Item 4. Controls and Procedures.

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

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15(d)-15(f) under the Securities Exchange Act of 1934) occurred during the third first quarter of 2023 2024 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

Not applicable.

Item 1A. Risk Factors.

There have been no material changes from the risk factors previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023 filed with the Securities and Exchange Commission.
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Item 2. **Unregistered Sales of Equity Securities and the Use of Proceeds.**

(a) Not applicable.

(b) Not applicable.

(c) The Company's purchases of its common stock made during the quarter ended September 30, 2023 March 31, 2024 consisted of stock repurchases under the Company's approved plans and are set forth in the following table.

Period	Total Number of Shares Purchased		Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Plan or Programs(1)
July 1 – July 31, 2023	5,807	$	32.91	5,807	79,978
August 1 – August 31, 2023	7,337		32.67	7,337	72,641
September 1 – September 30, 2023	24,661		32.55	24,661	47,980
Total	37,805	$	32.63	37,805	47,980

Period	Total Number of Shares Purchased		Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Plan or Programs(1)
January 1 – January 31, 2024	10,000	$	42.28	10,000	426,446
February 1 – February 29, 2024	34		35.68	34	426,412
March 1 – March 31, 2024	11,269		35.68	11,269	415,143
Total	21,303	$	38.78	21,303	415,143

(1) On October 26, 2021, the Company announced the approval of a new repurchase program (the "2021 Repurchase Plan"). Under the 2021 Repurchase Plan, the Company may purchase up to an additional 430,000 shares, or approximately 5% of the Company's outstanding common stock. On October 18, 2023, the Company announced the approval of a new repurchase program (the "2023 Repurchase Plan"). Under the 2023 Repurchase Plan, the Company may purchase up to an additional 405,000 shares, or approximately 5% of the Company's outstanding common stock. Share repurchases under the 2023 Repurchase Plan may commence upon the completion of the Company's 2021 Repurchase Plan.

Item 3. **Defaults Upon Senior Securities.**

(a) Not applicable.

(b) Not applicable.

Item 4. **Mine Safety Disclosures.**

Not applicable.

Item 5. **Other Information.**

(a) Not applicable.

(b) Not applicable.

(c) During the fiscal quarter ended September 30, 2023 March 31, 2024, none of our directors or executive officers adopted, terminated or modified a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement.

Item 6. **Exhibits and Financial Statement Schedules.**

No.	Description	Location
4.1	Indenture, dated June 30, 2022, by and between Home Bancorp, Inc. and UMB Bank, National Association, as trustee.	(incorporated by reference from the like-numbered exhibit included in Home Bancorp's Current Report on Form 8-K, dated as of June 30, 2022 and filed July 1, 2022 (SEC File No. 001-34190))
31.1	Rule 13(a)-14(a) Certification of the Chief Executive Officer	Filed herewith
31.2	Rule 13(a)-14(a) Certification of the Chief Financial Officer	Filed herewith
32.0	Section 1350 Certification	Filed herewith
101.INS	XBRL Instance Document	
101.SCH	XBRL Taxonomy Extension Schema Document	
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	
101.DEF	XBRL Taxonomy Extension Definitions Linkbase Document	
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	
104	Cover page Interactive Data File (embedded within the Inline XBRL document)	

SIGNATURES

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

HOME BANCORP, INC.

November 1, 2023 May 3, 2024	By:	/s/ John W. Bordelon John W. Bordelon *Chairman of the Board, President and Chief Executive Officer*
November 1, 2023 May 3, 2024	By:	/s/ David T. Kirkley David T. Kirkley *Senior Executive Vice President and Chief Financial Officer*
November 1, 2023 May 3, 2024	By:	/s/ Mary H. Hopkins Mary H. Hopkins *Home Bank, N. A. Senior Vice President and Director of Financial Management*

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, John W. Bordelon, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Home Bancorp, Inc. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiary, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2023 May 3, 2024

/s/ John W. Bordelon
John W. Bordelon
Chairman of the Board, President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, David T. Kirkley, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Home Bancorp, Inc. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiary, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2023 May 3, 2024

/s/ David T. Kirkley
David T. Kirkley
Executive Vice President and Chief Financial Officer

EXHIBIT 32.0

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350 AND SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Home Bancorp, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2023 March 31, 2024, each of the undersigned, John W. Bordelon, Chairman of the Board, President and Chief Executive Officer of the Company, and David T. Kirkley, Executive Vice President and Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods covered in the Report.

Date: November 1, 2023 May 3, 2024

By: /s/ John W. Bordelon
John W. Bordelon
Chairman of the Board, President and Chief Executive Officer

Date: November 1, 2023 May 3, 2024

By: /s/ David T. Kirkley
David T. Kirkley
Senior Executive Vice President and Chief Financial Officer

Note: A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act has been provided to Home Bancorp, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

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