

HomeTrust Bancshares, Inc.
Form 10-Q
May 08, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2015

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from _____ to _____

Commission file number: 001-35593

HOMETRUST BANCSHARES, INC.

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of incorporation of organization)

45-5055422

(IRS Employer Identification No.)

10 Woodfin Street, Asheville, North Carolina 28801

(Address of principal executive offices; Zip Code)

(828) 259-3939

(Registrant's telephone number, including area code)

None

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 and 15(d) of the Exchange Act 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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer

Accelerated filer

Edgar Filing: HomeTrust Bancshares, Inc. - Form 10-Q

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS

There were 20,234,574 shares of common stock, par value of \$.01 per share, issued and outstanding as of May 6, 2015.

HOMETRUST BANCSHARES, INC. AND SUBSIDIARIES
 10-Q
 TABLE OF CONTENTS

	Page Number
<u>PART I FINANCIAL INFORMATION</u>	
Item 1. <u>Financial Statements</u>	
<u>Consolidated Balance Sheets at March 31, 2015 (Unaudited) and June 30, 2014</u>	<u>2</u>
<u>Consolidated Statements of Income for the Three and Nine Months Ended March 31, 2015 and 2014</u>	<u>3</u>
<u>Consolidated Statements of Comprehensive Income for the Three and Nine Months Ended March 31, 2015 and 2014</u>	<u>4</u>
<u>Consolidated Statements of Changes in Stockholders' Equity for the Nine Months Ended March 31, 2015 and 2014</u>	<u>5</u>
<u>Consolidated Statements of Cash Flows for the Nine Months Ended March 31, 2015 and 2014</u>	<u>6</u>
<u>Notes to Consolidated Financial Statements</u>	<u>8</u>
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>31</u>
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	<u>45</u>
Item 4. <u>Controls and Procedures</u>	<u>45</u>
<u>PART II OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	<u>45</u>
Item 1A. <u>Risk Factors</u>	<u>45</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>45</u>
Item 3. <u>Defaults Upon Senior Securities</u>	<u>46</u>
Item 4. <u>Mine Safety Disclosures</u>	<u>46</u>
Item 5. <u>Other Information</u>	<u>46</u>
Item 6. <u>Exhibits</u>	<u>46</u>
<u>SIGNATURES</u>	<u>47</u>

EXHIBIT INDEX

48

1

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

Consolidated Balance Sheets

(Dollars in thousands, except per share data)

	(Unaudited)	
	March 31, 2015	June 30, 2014
Assets		
Cash	\$40,988	\$19,801
Interest-bearing deposits	253,671	26,029
Cash and cash equivalents	294,659	45,830
Certificates of deposit in other banks	204,596	163,780
Securities available for sale, at fair value	230,512	168,749
Other investments, at cost	19,142	3,697
Loans held for sale	2,225	2,537
Total loans, net of deferred loan fees and discount	1,641,057	1,496,528
Allowance for loan losses	(22,681)	(23,429)
Net loans	1,618,376	1,473,099
Premises and equipment, net	58,943	47,411
Accrued interest receivable	7,249	6,787
Real estate owned (REO)	8,558	15,725
Deferred income taxes	57,649	58,381
Bank owned life insurance	77,050	71,285
Goodwill	13,768	9,815
Core deposit intangibles	10,850	4,014
Other assets	5,060	3,344
Total Assets	\$2,608,637	\$2,074,454
Liabilities and Stockholders' Equity		
Liabilities		
Deposits	\$1,913,773	\$1,583,047
Other borrowings	250,000	50,000
Capital lease obligations	1,984	1,998
Other liabilities	60,945	62,258
Total liabilities	2,226,702	1,697,303
Stockholders' Equity		
Preferred stock, \$0.01 par value, 10,000,000 shares authorized, none issued or outstanding	—	—
Common stock, \$0.01 par value, 60,000,000 shares authorized, 20,335,781 shares issued and outstanding at March 31, 2015; 20,632,008 at June 30, 2014	203	207
Additional paid in capital	223,234	225,889
Retained earnings	165,799	160,332
Unearned Employee Stock Ownership Plan (ESOP) shares	(9,125)	(9,522)
Accumulated other comprehensive income	1,824	245
Total stockholders' equity	381,935	377,151
Total Liabilities and Stockholders' Equity	\$2,608,637	\$2,074,454

The accompanying notes are an integral part of these consolidated financial statements.

HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

Consolidated Statements of Income

(Dollars in thousands, except per share data)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2015	2014	2015	2014
Interest and Dividend Income				
Loans	\$19,575	\$13,557	\$57,954	\$42,010
Securities available for sale	919	376	2,608	1,097
Certificates of deposit and other interest-bearing deposits	781	439	1,846	1,346
Other investments	261	20	551	47
Total interest and dividend income	21,536	14,392	62,959	44,500
Interest Expense				
Deposits	1,220	1,247	3,710	4,172
Other borrowings	128	1	271	5
Total interest expense	1,348	1,248	3,981	4,177
Net Interest Income	20,188	13,144	58,978	40,323
Recovery of Loan Losses	—	(1,800)	(250)	(4,800)
Net Interest Income after Recovery for Loan Losses	20,188	14,944	59,228	45,123
Noninterest Income				
Service charges on deposit accounts	1,732	620	4,111	1,954
Mortgage banking income and fees	672	632	2,232	2,417
Gain from sales of securities available for sale	—	10	61	10
Other, net	909	763	2,497	2,161
Total noninterest income	3,313	2,025	8,901	6,542
Noninterest Expense				
Salaries and employee benefits	10,629	7,496	30,506	22,192
Net occupancy expense	2,381	1,284	6,266	3,746
Marketing and advertising	461	336	1,472	1,028
Telephone, postage, and supplies	912	403	2,348	1,269
Deposit insurance premiums	608	321	1,453	989
Computer services	1,763	828	4,366	2,652
Loss (gain) on sale and impairment of REO	(32)	468	(268)	673
REO expense	390	333	1,178	1,154
Core deposit intangible amortization	842	31	1,740	95
Merger-related expenses	1,686	449	5,417	711
Other	2,385	1,447	6,179	4,109
Total other expense	22,025	13,396	60,657	38,618
Income Before Income Taxes	1,476	3,573	7,472	13,047
Income Tax Expense	314	967	2,005	4,238
Net Income	\$1,162	\$2,606	\$5,467	\$8,809
Per Share Data:				
Net income per common share:				
Basic	\$0.06	\$0.14	\$0.28	\$0.46
Diluted	\$0.06	\$0.14	\$0.28	\$0.46
Average shares outstanding:				
Basic	19,113,387	18,302,672	19,146,025	18,724,242
Diluted	19,192,702	18,378,159	19,232,791	18,815,416

The accompanying notes are an integral part of these consolidated financial statements.

HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

Consolidated Statements of Comprehensive Income

(Dollars in thousands)

	Three Months Ended		Nine Months Ended	
	March 31,		March 31,	
	2015	2014	2015	2014
Net Income	\$1,162	\$2,606	\$5,467	\$8,809
Other Comprehensive Income (Loss)				
Unrealized holding gains (losses) on securities available for sale				
Gains (losses) arising during the period	1,216	434	2,336	(47)
Deferred income tax (expense) benefit	(413)	(148)	(794)	16
Reclassification of securities gains recognized in net income	—	10	57	—
Deferred income tax expense	—	(3)	(20)	—
Total other comprehensive income (loss)	\$803	\$293	\$1,579	\$(31)
Comprehensive Income	\$1,965	\$2,899	\$7,046	\$8,778

The accompanying notes are an integral part of these consolidated financial statements.

HOMETRUST BANCSHARES, INC. AND SUBSIDIARY
Consolidated Statements of Changes in Stockholders' Equity
(Dollars in thousands)

	Common Stock	Additional Paid In Capital	Retained Earnings	Unearned ESOP Shares	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance at June 30, 2013	\$208	\$227,397	\$149,990	\$(10,051)	\$(29)	\$367,515
Net income	—	—	8,809	—	—	8,809
Stock repurchased	(12)	(20,483)	—	—	—	(20,495)
Stock option expense	—	971	—	—	—	971
Restricted stock expense	—	1,027	—	—	—	1,027
ESOP shares allocated	—	243	—	397	—	640
Other comprehensive loss	—	—	—	—	(31)	(31)
Balance at March 31, 2014	\$196	\$209,155	\$158,799	\$(9,654)	\$(60)	\$358,436
Balance at June 30, 2014	\$207	\$225,889	\$160,332	\$(9,522)	\$245	\$377,151
Net income	—	—	5,467	—	—	5,467
Stock repurchased	(4)	(5,222)	—	—	—	(5,226)
Exercised stock options	—	259	—	—	—	259
Stock option expense	—	1,010	—	—	—	1,010
Restricted stock expense	—	1,078	—	—	—	1,078
ESOP shares allocated	—	220	—	397	—	617
Other comprehensive gain	—	—	—	—	1,579	1,579
Balance at March 31, 2015	\$203	\$223,234	\$165,799	\$(9,125)	\$1,824	\$381,935

The accompanying notes are an integral part of these consolidated financial statements.

HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows (continued)

(Dollars in thousands)

	Nine Months Ended March 31,	
	2015	2014
Operating Activities:		
Net income	\$5,467	\$8,809
Adjustments to reconcile net income to net cash provided by operating activities:		
Recovery of loan losses	(250)	(4,800)
Depreciation	2,707	1,675
Deferred income tax expense	1,841	4,226
Net amortization and accretion	(3,189)	(701)
Loss (gain) on sale and impairment of REO	(268)	673
Gain on sale of loans held for sale	(1,232)	(1,276)
Origination of loans held for sale	(47,381)	(55,788)
Proceeds from sales of loans held for sale	48,925	69,898
Gain on sale of securities available for sale	(61)	(10)
Decrease in deferred loan fees, net	(915)	(260)
Increase in accrued interest receivable and other assets	(2,754)	(1,699)
Amortization of core deposit intangibles	1,740	95
ESOP compensation expense	617	640
Restricted stock and stock option expense	2,088	1,998
Decrease in other liabilities	(6,800)	(2,474)
Net cash provided by operating activities	535	21,006
Investing Activities:		
Purchase of securities available for sale	(87,955)	(67,271)
Proceeds from maturities of securities available for sale	21,885	27,225
Proceeds from sale of securities available for sale	10,387	2,086
Purchase of certificates of deposit in other banks	(80,591)	(37,266)
Maturities of certificates of deposit in other banks	39,775	14,184
Principal repayments of mortgage-backed securities	20,017	7,015
Net redemptions (purchases) of other investments	(14,654)	764
Net decrease (increase) in loans	(54,796)	36,559
Purchase of premises and equipment	(5,111)	(1,174)
Capital improvements to REO	(93)	(126)
Proceeds from sale of REO	8,564	8,214
Acquisition of BankGreenville Financial Corporation, net of cash paid	—	1,475
Acquisition of Bank of Commerce, net of cash received	(7,759)	—
Acquisition of Bank of America branches, net of cash paid	310,868	—
Net cash provided by (used in) investing activities	160,537	(8,315)
Financing Activities:		
Net decrease in deposits	(92,090)	(31,954)
Net increase (decrease) in other borrowings	184,828	(2,527)
Common stock repurchased	(5,226)	(20,495)
Exercised stock options	259	—
Decrease in capital lease obligations	(14)	(13)
Net cash provided by (used in) financing activities	87,757	(54,989)
Net Increase (Decrease) in Cash and Cash Equivalents	248,829	(42,298)

Edgar Filing: HomeTrust Bancshares, Inc. - Form 10-Q

Cash and Cash Equivalents at Beginning of Period	45,830	125,713
Cash and Cash Equivalents at End of Period	\$294,659	\$83,415

6

Supplemental Disclosures:	Nine Months Ended	
	2015	2014
Cash paid during the period for:		
Interest	\$3,589	\$4,047
Income taxes	222	113
Noncash transactions:		
Unrealized gain (loss) in value of securities available for sale, net of income taxes	1,579	(31)
Transfers of loans to REO	2,171	4,166
Transfers of loans to held for sale	—	4,340
Loans originated to finance the sale of REO	460	94
Business Combinations:		
Assets acquired	464,179	103,905
Liabilities assumed	444,374	94,352
Net assets acquired	19,805	9,553
The accompanying notes are an integral part of these consolidated financial statements.		

HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)

1. Summary of Significant Accounting Policies

The consolidated financial statements presented in this report include the accounts of HomeTrust Bancshares, Inc., a Maryland corporation ("HomeTrust"), and its wholly-owned subsidiary, HomeTrust Bank, National Association (the "Bank"). As used throughout this report, the term the "Company" refers to HomeTrust and the Bank, its consolidated subsidiary, unless the context otherwise requires.

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("US GAAP") for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X as promulgated by the Securities and Exchange Commission ("SEC"). Accordingly, they do not include all the information and footnotes required by US GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the financial position and results of operations for the periods presented have been included. It is recommended that these unaudited interim consolidated financial statements be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended June 30, 2014 ("2014 Form 10-K") filed with the SEC on September 15, 2014. The results of operations for the three and nine months ended March 31, 2015 are not necessarily indicative of results that may be expected for the entire fiscal year ending June 30, 2015. Certain prior year amounts have been reclassified to conform to current fiscal year presentation. The reclassifications had no impact on previously reported net income or equity.

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements. Various elements of the Company's accounting policies, by their nature, are inherently subject to estimation techniques, valuation assumptions and other subjective assessments. In particular, management has identified several accounting policies that, due to the judgments, estimates and assumptions inherent in those policies, are critical to an understanding of the Company's financial statements. These policies relate to (i) the determination of the provision and the allowance for loan losses, (ii) business combinations, (iii) the valuation of REO, (iv) the calculation of post-retirement plan expenses and benefits, and (v) the valuation of or recognition of deferred tax assets and liabilities. These policies and judgments, estimates and assumptions are described in greater detail in subsequent notes to the Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations (Critical Accounting Policies) in our 2014 Form 10-K. Management believes that the judgments, estimates and assumptions used in the preparation of the financial statements are appropriate based on the factual circumstances at the time. However, given the sensitivity of the financial statements to these critical accounting policies, the use of other judgments, estimates and assumptions could result in material differences in the Company's results of operations or financial condition. Further, subsequent changes in economic or market conditions could have a material impact on these estimates and the Company's financial condition and operating results in future periods.

2. Recent Accounting Pronouncements

In January 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-04, "Receivables—Troubled Debt Restructurings by Creditors (Subtopic 310-40): Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure". The objective of this guidance is to clarify when an in substance repossession or foreclosure occurs, that is, when a creditor should be considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan such that the loan receivable should be derecognized and the real estate property recognized. ASU No. 2014-04 states that an in substance repossession or foreclosure occurs, and a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, upon either (1) the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure or (2) the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. Additionally, ASU No. 2014-04 requires interim and annual disclosure of both (1) the amount of foreclosed residential real estate property held by the creditor and (2) the recorded

investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure according to local requirements of the applicable jurisdiction. ASU No. 2014-04 is effective, for the Company, for interim and annual reporting periods beginning after June 30, 2015. The adoption of ASU No. 2014-04 is not expected to have a material impact on the Company's Consolidated Financial Statements.

In August 2014, the FASB issued ASU No. 2014-14, "Receivables-Troubled Debt Restructuring by Creditors (Subtopic 310-40): Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure". The amendments in this ASU require that a mortgage loan be derecognized and that a separate other receivable be recognized upon foreclosure if the following conditions are met: (1) the loan has a government guarantee that is not separable from the loan before foreclosure; (2) at the time of foreclosure, the creditor has the intent to convey the real estate property to the guarantor and make a claim of the guarantee, and the creditor has the ability to recover under that claim; and (3) at the time of foreclosure, any amount of the claim that is determined on the basis of the fair value of the real estate is fixed. Upon foreclosure, the separate other receivable should be measured based on the amount of the loan balance (principal and interest) expected to be recovered from the guarantor. The amendments in this ASU are effective, for the Company, for annual periods, and interim periods within those annual periods, beginning after June 30, 2015. The adoption of ASU No. 2014-14 is not expected to have a material impact on the Company's Consolidated Financial Statements.

HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)

In January 2015, the FASB issued ASU No. 2015-01, "Income Statement-Extraordinary and Unusual Items (Subtopic 225-20)". The ASU eliminates the need to separately classify, present, and disclose extraordinary events. The disclosure of events or transactions that are unusual or infrequent in nature will be included in other guidance. The amendments in this ASU are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. The adoption of ASU No. 2015-1 is not expected to have a material impact on the Company's consolidated financial statements.

3. Business Combinations

On November 14, 2014, the Bank completed its acquisition of ten branch banking operations in Southwest Virginia and Eden, North Carolina from Bank of America Corporation (the "Branch Acquisition"). Under the terms of the agreement, the Bank paid a deposit premium of \$9,805 equal to 2.86% of the average daily deposits for the 30 calendar day period prior to the acquisition date. In addition, the Bank acquired approximately \$1,045 in loans and all related premises and equipment valued at \$8,993.

The Branch Acquisition was accounted for as a business combination using the acquisition method of accounting and, accordingly, assets acquired, liabilities assumed and consideration exchanged were recorded at acquisition date fair values. Fair values are preliminary and subject to refinement for up to one year after the closing date of the acquisition as additional information regarding the closing date fair values becomes available.

The following table presents the consideration paid by the Bank in the acquisition of these Bank of America branches and the assets acquired and liabilities assumed as of November 14, 2014:

	As Recorded By Bank of America	Fair Value and Other Merger Related Adjustments	As Recorded by the Company
Consideration Paid			
Cash paid as deposit premium			\$9,805
Total consideration			\$9,805
Assets			
Cash and cash equivalents	\$320,673	\$—	\$320,673
Loans, net of allowance	1,045	—	1,045
Premises and equipment, net	6,303	2,690	8,993
Accrued interest receivable	3	—	3
Deferred income taxes	—	353	353
Core deposit intangibles	—	8,156	8,156
Total assets acquired	\$328,024	\$11,199	\$339,223
Liabilities			
Deposits	\$328,007	\$1,394	\$329,401
Other liabilities	17	—	17
Total liabilities assumed	\$328,024	\$1,394	\$329,418
Net identifiable assets acquired over liabilities assumed	\$—	\$9,805	\$9,805
Goodwill			\$—

On July 31, 2014, the Bank completed its acquisition of Bank of Commerce in accordance with the terms of the Agreement and Plan of Share Exchange dated March 3, 2014. Under the terms of the agreement, Bank of Commerce shareholders received \$6.25 per share in cash consideration, representing approximately \$10,000 of aggregate deal consideration. In addition, all \$3,200 of Bank of Commerce's preferred stock was redeemed.

Bank of Commerce was accounted for using the acquisition method of accounting and, accordingly, assets acquired, liabilities assumed and consideration exchanged were recorded at acquisition date fair values. Fair values are preliminary and subject to refinement for up to one year after the closing date of the acquisition as additional information regarding the closing date fair values becomes available. The excess of the merger consideration over the

fair value of Bank of Commerce's net assets was allocated to goodwill. The book value as of July 31, 2014, of assets acquired was \$122,530 and liabilities assumed was \$114,672. The Company recorded \$3,953 in goodwill related to the acquisition.

HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)

The following table presents the consideration paid by the Bank in the acquisition of Bank of Commerce and the assets acquired and liabilities assumed as of July 31, 2014:

	As Recorded By Bank of Commerce	Fair Value and Other Merger Related Adjustments	As Recorded by the Company
Consideration Paid			
Cash paid			\$10,000
Total consideration			\$10,000
Assets			
Cash and cash equivalents	\$2,241	\$—	\$2,241
Securities available for sale	24,228	—	24,228
Loans, net of allowance	89,339	(3,131)	86,208
Federal Home Loan Bank ("FHLB") Stock	791	—	791
REO	224	—	224
Premises and equipment, net	135	—	135
Accrued interest receivable	355	(100)	255
Deferred income taxes	286	1,064	1,350
Core deposit intangibles	—	640	640
Other assets	4,931	—	4,931
Total assets acquired	\$122,530	\$(1,527)	\$121,003
Liabilities			
Deposits	\$93,303	\$112	\$93,415
Other borrowings	15,000	172	15,172
Other liabilities	6,369	—	6,369
Total liabilities assumed	\$114,672	\$284	\$114,956
Net identifiable assets acquired over liabilities assumed	\$7,858	\$(1,811)	\$6,047
Goodwill			\$3,953

The carrying amount of acquired loans from Bank of Commerce as of July 31, 2014 consisted of purchased performing loans and purchased credit-impaired ("PCI") loans as detailed in the following table:

	Purchased Performing	PCI	Total Loans
Retail Consumer Loans:			
One-to-four family	\$2,717	\$2,979	\$5,696
Home equity lines of credit	8,823	317	9,140
Consumer	37	15	52
Commercial:			
Commercial real estate	28,772	30,047	58,819
Construction and development	202	3,020	3,222
Commercial and industrial	5,402	3,877	9,279
Total	\$45,953	\$40,255	\$86,208

On May 31, 2014, the Company completed its acquisition of Jefferson Bancshares, Inc. ("Jefferson") in accordance with the terms of the Agreement and Plan of Merger dated January 22, 2014. Under the terms of the agreement, Jefferson shareholders received 0.2661 shares of HomeTrust common stock, and \$4.00 in cash for each share of Jefferson common stock. This represents approximately \$50,490 of aggregate deal consideration.

Jefferson was accounted for using the acquisition method of accounting and, accordingly, assets acquired, liabilities assumed and consideration exchanged were recorded at acquisition date fair values. Fair values are preliminary and

subject to refinement for up to one year after the closing date of the acquisition as additional information regarding the closing date fair values becomes available. The excess of the merger consideration over the fair value of Jefferson's net assets was allocated to goodwill. The book value as of May 31, 2014, of assets acquired was \$494,261 and liabilities assumed was \$441,858. The Company recorded \$7,013 in goodwill related to the acquisition.

HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)

The following table presents the consideration paid by the Company in the acquisition of Jefferson and the assets acquired and liabilities assumed as of May 31, 2014:

	As Recorded by Jefferson	Fair Value and Other Merger Related Adjustments	As Recorded by the Company
Consideration Paid			
Cash paid including cash in lieu of fractional shares			\$25,251
Fair value of HomeTrust common stock at \$15.03 per share			25,239
Total consideration			\$50,490
Assets			
Cash and cash equivalents	\$18,325	\$—	\$18,325
Securities available for sale	85,744	(700)	85,044
Loans, net of allowance	338,616	(9,134)	329,482
FHLB Stock	4,635	—	4,635
REO	3,288	—	3,288
Premises and equipment, net	24,662	(1,311)	23,351
Accrued interest receivable	1,367	(90)	1,277
Deferred income taxes	9,606	3,395	13,001
Core deposit intangibles	847	2,683	3,530
Other assets	7,171	—	7,171
Total assets acquired	\$494,261	\$(5,157)	\$489,104
Liabilities			
Deposits	\$376,985	\$371	\$377,356
Other borrowings	55,081	858	55,939
Subordinated debentures	7,460	2,540	10,000
Other liabilities	2,332	—	2,332
Total liabilities assumed	\$441,858	\$3,769	\$445,627
Net identifiable assets acquired over liabilities assumed	\$52,403	\$(8,926)	43,477
Goodwill			\$7,013

The carrying amount of acquired loans from Jefferson as of May 31, 2014 consisted of purchased performing loans and PCI loans as detailed in the following table:

	Purchased Performing	PCI	Total Loans
Retail Consumer Loans:			
One-to-four family	\$74,378	\$6,066	\$80,444
Home equity lines of credit	16,857	18	16,875
Construction and land/lots	7,810	924	8,734
Consumer	4,181	2	4,183
Commercial:			
Commercial real estate	118,714	15,649	134,363
Construction and development	24,658	1,012	25,670
Commercial and industrial	52,863	6,350	59,213
Total	\$299,461	\$30,021	\$329,482

On July 31, 2013, the Company completed its acquisition of BankGreenville Financial Corporation ("BankGreenville") in accordance with the terms of the Agreement and Plan of Merger dated May 3, 2013. Under the

terms of the agreement, BankGreenville shareholders received \$6.63 per share in cash consideration. This represents approximately \$7,823 of aggregate deal consideration. Additional contingent cash consideration of up to \$0.75 per share (or approximately \$883) may be realized at the expiration of 24 months based on the performance of a select pool of loans totaling approximately \$8,000.

HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)

BankGreenville was accounted for using the acquisition method of accounting and, accordingly, assets acquired, liabilities assumed and consideration exchanged were recorded at acquisition date fair values. The excess of the merger consideration over the fair value of BankGreenville's net assets was allocated to goodwill. The book value as of July 31, 2013, of assets acquired was \$102,180 and liabilities assumed was \$94,117. The Company recorded \$2,802 in goodwill related to the acquisition.

The following table presents the consideration paid by the Company in the acquisition of BankGreenville and the assets acquired and liabilities assumed as of July 31, 2013:

	As Recorded by BankGreenville	Fair Value and Other Merger Related Adjustments	As Recorded by the Company
Consideration Paid			
Cash			\$7,823
Repayment of BankGreenville preferred stock			1,050
Contingent cash consideration ⁽¹⁾			680
Total consideration			\$9,553
Assets			
Cash and cash equivalents	\$ 10,348	\$—	\$ 10,348
Investment securities	34,345	—	34,345
Loans, net of allowance	51,622	(3,792)	47,830
FHLB Stock	447	—	447
REO	2,317	(168)	2,149
Premises and equipment, net	2,458	(117)	2,341
Accrued interest receivable	429	—	429
Deferred tax asset	—	2,470	2,470
Other assets	214	—	214
Core deposit intangibles	—	530	530
Total assets acquired	\$ 102,180	\$(1,077)	\$ 101,103
Liabilities			
Deposits	\$ 88,906	\$ 201	\$ 89,107
Other borrowings	4,700	34	4,734
Other liabilities	511	—	511
Total liabilities assumed	\$ 94,117	\$ 235	\$ 94,352
Net identifiable assets acquired over liabilities assumed	\$ 8,063	\$(1,312)	6,751
Goodwill			\$ 2,802

(1) Estimate of additional amount to be paid to shareholders on or about July 31, 2015 based on performance of a select pool of loans totaling approximately \$8,000.

The carrying amount of acquired loans from BankGreenville as of July 31, 2013 consisted of purchased performing loans and PCI loans as detailed in the following table:

	Purchased Performing	PCI	Total Loans
Retail Consumer Loans:			
One-to-four family	\$8,274	\$1,392	\$9,666
Home equity lines of credit	3,987	134	4,121
Consumer	522	—	522
Commercial:			

Edgar Filing: HomeTrust Bancshares, Inc. - Form 10-Q

Commercial real estate	23,073	4,552	27,625
Construction and development	2,367	3,529	5,896
Total	\$38,223	\$9,607	\$47,830

12

HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)

The following table discloses the impact of the acquisition of Bank of Commerce since the effective date of July 31, 2014 through March 31, 2015 and the Branch Acquisition since the effective date of November 14, 2014 through March 31, 2015. In addition, the table presents certain pro forma information as if the Branch Acquisition, Bank of Commerce, Jefferson, and BankGreenville had been acquired on July 1, 2014 and July 1, 2013. Although, this pro forma information combines the historical results from each company, it is not indicative of what would have occurred had the acquisition taken place on July 1, 2014 and July 1, 2013. Adjustments were made for the estimated impact of certain fair value adjustments and other acquisition-related activity while significant one-time merger-related expenses are not included. Furthermore, expenses related to systems conversions and other costs of integration have been recorded throughout fiscal year 2014 and are expected to be recorded throughout fiscal year 2015. Additionally, the Company expects to achieve further operating cost savings as a result of the acquisitions which are not reflected in the pro forma amounts below:

	Actual Nine Months Ended March 31, 2015	Pro Forma Nine Months Ended March 31, 2015	Pro Forma Nine Months Ended March 31, 2014
Total revenues*	\$67,879	\$72,183	\$71,341
Net income	5,467	8,194	12,542

* Net interest income plus other income

4. Securities Available for Sale

Securities available for sale consist of the following at the dates indicated:

	March 31, 2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Government Agencies	\$87,263	\$854	\$—	\$88,117
Residential Mortgage-backed Securities of U.S. Government				
Agencies and Government-Sponsored Enterprises	120,101	1,313	(130)	) 121,284
Municipal Bonds	16,426	608	(32)	) 17,002
Corporate Bonds	3,895	151	—	4,046
Equity Securities	63	—	—	63
Total	\$227,748	\$2,926	\$(162)	) \$230,512
	June 30, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Government Agencies	\$38,085	\$45	\$(37)	) \$38,093
Residential Mortgage-backed Securities of U.S. Government				
Agencies and Government-Sponsored Enterprises	111,430	393	(412)	) 111,411
Municipal Bonds	15,951	282	(13)	) 16,220
Corporate Bonds	2,912	113	—	3,025
Total	\$168,378	\$833	\$(462)	) \$168,749

HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)

Debt securities available for sale by contractual maturity at the dates indicated are shown below. Mortgage-backed securities are not included in the maturity categories because the borrowers in the underlying pools may prepay without penalty; therefore, it is unlikely that the securities will pay at their stated maturity schedule.

	March 31, 2015	
	Amortized Cost	Estimated Fair Value
Due within one year	\$ 1,001	\$ 1,001
Due after one year through five years	69,225	69,502
Due after five years through ten years	33,579	34,706
Due after ten years	3,779	3,956
Mortgage-backed securities	120,101	121,284
Total	\$ 227,685	\$ 230,449

The Company did not sell any securities available for sale in the three months ended March 31, 2015. Proceeds from sales of securities available for sale were \$10,387 in the nine months ended March 31, 2015. Gross realized gains were \$74 and gross realized losses were \$13 for the nine months ended March 31, 2015. Proceeds from sales of securities available for sale were \$2,086 in the three and nine months ended March 31, 2014. Gross realized gains were \$42 and gross realized losses were \$32 for the three and nine months ended March 31, 2014.

Securities available for sale with costs totaling \$153,590 and \$51,036 with market values of \$155,285 and \$51,297 at March 31, 2015 and June 30, 2014, respectively, were pledged as collateral to secure various public deposits.

The gross unrealized losses and the fair value for securities available for sale aggregated by the length of time that individual securities have been in a continuous unrealized loss position as of March 31, 2015 and June 30, 2014 were as follows:

	March 31, 2015					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government Agencies	\$—	\$—	\$—	\$—	\$—	\$—
Residential Mortgage-backed Securities of U.S. Government Agencies and Government-Sponsored Enterprises	12,404	(43)	5,263	(87)	17,667	(130)
Municipal Bonds	2,594	(32)	—	—	2,594	(32)
Total	\$14,998	\$(75)	\$5,263	\$(87)	\$20,261	\$(162)
	June 30, 2014					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government Agencies	\$19,475	\$(37)	\$—	\$—	\$19,475	\$(37)
Residential Mortgage-backed Securities of U.S. Government Agencies and Government-Sponsored Enterprises	75,761	(399)	162	(13)	75,923	(412)
Municipal Bonds	6,668	(13)	—	—	6,668	(13)
Total	\$101,904	\$(449)	\$162	\$(13)	\$102,066	\$(462)

The total number of securities with unrealized losses at March 31, 2015, and June 30, 2014 were 48 and 159, respectively. Unrealized losses on securities have not been recognized in income because management has the intent and ability to hold the securities for the foreseeable future, and has determined that it is not more likely than not that

the Company will be required to sell the securities prior to a recovery in value. The decline in fair value was largely due to increases in market interest rates. The Company had no other than temporary impairment losses during the three and nine months ended March 31, 2015 or the year ended June 30, 2014.

HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)

As a requirement for membership, the Bank invests in stock of the FHLB of Atlanta and the Federal Reserve Bank of Richmond ("Federal Reserve Bank"). No ready market exists for this stock and the carrying value approximates its fair value based on the redemption provisions of the FHLB of Atlanta and the Federal Reserve Bank.

5. Loans

Loans consist of the following at the dates indicated:

	March 31, 2015	June 30, 2014
Retail consumer loans:		
One-to-four family	\$651,588	\$660,200
Home equity lines of credit	198,717	148,379
Construction and land/lots	48,248	59,249
Indirect auto finance	32,230	8,833
Consumer	4,135	6,331
Total retail consumer loans	934,918	882,992
Commercial loans:		
Commercial real estate	452,431	377,769
Construction and development	58,989	56,457
Commercial and industrial	88,451	74,435
Municipal leases	106,693	106,215
Total commercial loans	706,564	614,876
Total loans	1,641,482	1,497,868
Deferred loan fees, net	(425)	(1,340)
Total loans, net of deferred loan fees and discount	1,641,057	1,496,528
Allowance for loan and lease losses	(22,681)	(23,429)
Loans, net	\$1,618,376	\$1,473,099

All the qualifying first mortgage loans, home equity lines of credit, and FHLB Stock are pledged as collateral by a blanket pledge to secure any outstanding FHLB advances.

The Company's total non-purchased and purchased performing loans by segment, class, and risk grade at the dates indicated follow:

	Pass	Special Mention	Substandard	Doubtful	Loss	Total
March 31, 2015						
Retail consumer loans:						
One-to-four family	\$593,246	\$13,794	\$31,940	\$3,111	\$4	\$642,095
Home equity lines of credit	192,665	635	4,542	407	100	198,349
Construction and land/lots	44,642	517	2,060	163	—	47,382
Indirect auto finance	32,185	45	—	—	—	32,230
Consumer	3,927	78	97	9	11	4,122
Commercial loans:						
Commercial real estate	379,567	14,363	18,261	311	—	412,502
Construction and development	45,076	2,047	5,928	—	—	53,051
Commercial and industrial	79,329	565	2,217	—	1	82,112
Municipal leases	104,355	1,757	581	—	—	106,693
Total loans	\$1,474,992	\$33,801	\$65,626	\$4,001	\$116	\$1,578,536

HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)

	Pass	Special Mention	Substandard	Doubtful	Loss	Total
June 30, 2014						
Retail consumer loans:						
One-to-four family	\$602,409	\$17,639	\$28,974	\$2,907	\$10	\$651,939
Home equity lines of credit	141,008	1,605	4,967	420	2	148,002
Construction and land/lots	55,374	1,878	807	113	—	58,172
Indirect auto finance	8,801	32	—	—	—	8,833
Consumer	6,115	62	97	13	3	6,290
Commercial loans:						
Commercial real estate	313,437	16,931	19,746	1,944	—	352,058
Construction and development	41,336	2,927	5,972	570	—	50,805
Commercial and industrial	66,481	873	1,723	—	3	69,080
Municipal leases	104,404	1,811	—	—	—	106,215
Total loans	\$1,339,365	\$43,758	\$62,286	\$5,967	\$18	\$1,451,394

The Company's total PCI loans by segment, class, and risk grade at the dates indicated follow:

	Pass	Special Mention	Substandard	Doubtful	Loss	Total
March 31, 2015						
Retail consumer loans:						
One-to-four family	\$5,643	\$1,222	\$2,571	\$57	\$—	\$9,493
Home equity lines of credit	260	—	108	—	—	368
Construction and land/lots	599	—	267	—	—	866
Indirect auto finance	—	—	—	—	—	—
Consumer	13	—	—	—	—	13
Commercial loans:						
Commercial real estate	28,725	5,166	6,038	—	—	39,929
Construction and development	2,433	156	3,349	—	—	5,938
Commercial and industrial	4,891	677	771	—	—	6,339
Municipal leases	—	—	—	—	—	—
Total loans	\$42,564	\$7,221	\$13,104	\$57	\$—	\$62,946
	Pass	Special Mention	Substandard	Doubtful	Loss	Total
June 30, 2014						
Retail consumer loans:						
One-to-four family	\$4,904	\$—	\$3,357	\$—	\$—	\$8,261
Home equity lines of credit	7	—	370	—	—	377
Construction and land/lots	791	—	286	—	—	1,077
Indirect auto finance	—	—	—	—	—	—
Consumer	41	—	—	—	—	41
Commercial loans:						
Commercial real estate	20,853	—	4,858	—	—	25,711
Construction and development	2,443	2,169	1,040	—	—	5,652
Commercial and industrial	4,647	—	708	—	—	5,355
Municipal leases	—	—	—	—	—	—
Total loans	\$33,686	\$2,169	\$10,619	\$—	\$—	\$46,474

HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)

The Company's total loans by segment, class, and delinquency status at the dates indicated follows:

	Past Due		Total	Current	Total Loans
	30-89 Days	90 Days+			
March 31, 2015					
Retail consumer loans:					
One-to-four family	\$6,861	\$7,289	\$14,150	\$637,438	\$651,588
Home equity lines of credit	931	490	1,421	197,296	198,717
Construction and land/lots	48	639	687	47,561	48,248
Indirect auto finance	—	—	—	32,230	32,230
Consumer	8	5	13	4,122	4,135
Commercial loans:					
Commercial real estate	2,466	6,431	8,897	443,534	452,431
Construction and development	1,597	4,213	5,810	53,179	58,989
Commercial and industrial	1,102	1,185	2,287	86,164	88,451
Municipal leases	1,037	—	1,037	105,656	106,693
Total loans	\$14,050	\$20,252	\$34,302	\$1,607,180	\$1,641,482

The table above includes PCI loans of \$2,912 30-89 days past due and \$6,372 90 days or more past due as of March 31, 2015.

	Past Due		Total	Current	Total Loans
	30-89 Days	90 Days+			
June 30, 2014					
Retail consumer loans:					
One-to-four family	\$4,929	\$8,208	\$13,137	\$647,063	\$660,200
Home equity lines of credit	400	939	1,339	147,040	148,379
Construction and land/lots	508	122	630	58,619	59,249
Indirect auto finance	—	—	—	8,833	8,833
Consumer	34	16	50	6,281	6,331
Commercial loans:					
Commercial real estate	306	6,729	7,035	370,734	377,769
Construction and development	1,165	3,789	4,954	51,503	56,457
Commercial and industrial	183	576	759	73,676	74,435
Municipal leases	—	—	—	106,215	106,215
Total loans	\$7,525	\$20,379	\$27,904	\$1,469,964	\$1,497,868

The table above includes PCI loans of \$1,817 30-89 days past due and \$4,189 90 days or more past due as of June 30, 2014.

HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)

The Company's recorded investment in loans, by segment and class, that are not accruing interest or are 90 days or more past due and still accruing interest at the dates indicated follow:

	March 31, 2015		June 30, 2014	
	Nonaccruing	90 Days + & still accruing	Nonaccruing	90 Days + & still accruing
Retail consumer loans:				
One-to-four family	\$13,189	\$—	\$14,917	\$—
Home equity lines of credit	2,204	—	2,749	—
Construction and land/lots	633	—	443	—
Indirect auto finance	—	—	—	—
Consumer	21	—	27	—
Commercial loans:				
Commercial real estate	9,581	—	12,953	—
Construction and development	4,046	—	5,697	—
Commercial and industrial	903	—	1,134	—
Municipal leases	316	—	—	—
Total loans	\$30,893	\$—	\$37,920	\$—

PCI loans totaling \$10,354 at March 31, 2015 and \$9,220 at June 30, 2014 are excluded from nonaccruing loans due to the accretion of discounts established in accordance with the acquisition method of accounting for business combinations.

Troubled debt restructurings ("TDRs") are loans which have renegotiated loan terms to assist borrowers who are unable to meet the original terms of their loans. Such modifications to loan terms may include a lower interest rate, a reduction in principal, or a longer term to maturity. Additionally, all TDRs are considered impaired.

The Company's loans that were performing under the payment terms of TDRs that were excluded from nonaccruing loans above at the dates indicated follow:

	March 31, 2015	June 30, 2014
Performing TDRs included in impaired loans	\$21,189	\$22,179

An analysis of the allowance for loan losses by segment for the periods shown was as follows:

	Three Months Ended March 31, 2015			Three Months Ended March 31, 2014		
	Retail Consumer	Commercial	Total	Retail Consumer	Commercial	Total
Balance at beginning of period	\$14,603	\$8,753	\$23,356	\$18,217	\$8,908	\$27,125
Provision for (recovery of) loan losses	184	(184)	—	(611)	(1,189)	(1,800)
Charge-offs	(1,313)	(354)	(1,667)	(402)	(253)	(655)
Recoveries	101	891	992	113	486	599
Balance at end of period	\$13,575	\$9,106	\$22,681	\$17,317	\$7,952	\$25,269
	Nine Months Ended March 31, 2015			Nine Months Ended March 31, 2014		
	Retail Consumer	Commercial	Total	Retail Consumer	Commercial	Total
Balance at beginning of period	\$15,731	\$7,698	\$23,429	\$21,952	\$10,121	\$32,073
Provision for (recovery of) loan losses	(745)	495	(250)	(1,887)	(2,913)	(4,800)
Charge-offs	(2,369)	(682)	(3,051)	(3,768)	(550)	(4,318)
Recoveries	958	1,595	2,553	1,020	1,294	2,314
Balance at end of period	\$13,575	\$9,106	\$22,681	\$17,317	\$7,952	\$25,269

HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)

The Company's ending balances of loans and the related allowance, by segment and class, at the dates indicated follows:

	Allowance for Loan Losses				Total Loans Receivable			
	PCI	Loans individually evaluated for impairment	Collectively Evaluated	Total	PCI	Loans individually evaluated for impairment	Collectively Evaluated	Total
March 31, 2015								
Retail consumer loans:								
One-to-four family Home equity	\$—	\$ 480	\$ 8,042	\$8,522	\$9,493	\$ 24,438	\$617,657	\$651,588
Construction and land/lots	—	407	1,897	2,304	368	2,724	195,625	198,717
Indirect auto finance	—	573	1,636	2,209	866	2,129	45,253	48,248
Consumer	—	—	438	438	—	—	32,230	32,230
Commercial loans:	—	11	91	102	13	17	4,105	4,135
Commercial real estate	—	60	5,736	5,796	39,929	15,650	396,852	452,431
Construction and development	—	412	1,475	1,887	5,938	6,022	47,029	58,989
Commercial and industrial	—	1	751	752	6,339	2,173	79,939	88,451
Municipal leases	—	—	671	671	—	316	106,377	106,693
Total	\$—	\$ 1,944	\$ 20,737	\$22,681	\$62,946	\$ 53,469	\$1,525,067	\$1,641,482
June 30, 2014								
Retail consumer loans:								
One-to-four family Home equity	\$—	\$ 493	\$ 10,034	\$10,527	\$8,261	\$ 23,929	\$628,010	\$660,200
Construction and land/lots	—	134	2,353	2,487	377	3,014	144,988	148,379
Indirect auto finance	—	379	2,041	2,420	1,077	1,735	56,437	59,249
Consumer	—	—	113	113	—	—	8,833	8,833
Commercial loans:	—	3	181	184	41	10	6,280	6,331
Commercial real estate	—	26	5,413	5,439	25,711	13,784	338,274	377,769
Construction and development	—	26	1,215	1,241	5,652	5,571	45,234	56,457
Commercial and industrial	—	3	246	249	5,355	2,378	66,702	74,435
Municipal leases	—	—	769	769	—	—	106,215	106,215
Total	\$—	\$ 1,064	\$ 22,365	\$23,429	\$46,474	\$ 50,421	\$1,400,973	\$1,497,868

In December 2014, the Company purchased \$40,914 of home equity lines of credit from a third party. The credit risk characteristics are different for these loans since they were not originated by the Company and the collateral is located outside the Company's market area, primarily in several western states. These loans were originated in 2014, have an

average FICO score of 757 and loan to values of less than 90%. The Company established an allowance for loan losses based on the historical losses in the states where these loans were originated. The Company will monitor the performance of these loans and adjust the allowance for loan losses as necessary.

Loans acquired from BankGreenville, Jefferson, and Bank of Commerce were initially excluded from the allowance for loan losses in accordance with the acquisition method of accounting for business combinations. The Company recorded these loans at fair value, which includes a credit discount, therefore, no allowance for loan losses was established for these acquired loans at acquisition. A provision for loan losses is recorded for any further deterioration in these acquired loans subsequent to the acquisition.

HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)

The Company's impaired loans and the related allowance, by segment and class, at the dates indicated follows:

	Total Impaired Loans			Total	Related Recorded Allowance
	Unpaid Principal Balance	Recorded Investment With a Recorded Allowance	Recorded Investment With No Recorded Allowance		
March 31, 2015					
Retail consumer loans:					
One-to-four family	\$35,707	\$12,373	\$19,036	\$31,409	\$578
Home equity lines of credit	6,391	3,110	1,380	4,490	429
Construction and land/lots	3,670	1,466	816	2,282	579
Indirect auto finance	31	—	—	—	—
Consumer	1,617	10	19	29	11
Commercial loans:					
Commercial real estate	22,047	2,651	14,626	17,277	88
Construction and development	8,631	3,344	3,476	6,820	436
Commercial and industrial	3,439	171	2,202	2,373	3
Municipal leases	316	—	316	316	—
Total impaired loans	\$81,849	\$23,125	\$41,871	\$64,996	\$2,124
June 30, 2014					
Retail consumer loans:					
One-to-four family	\$34,243	\$12,946	\$18,047	\$30,993	\$618
Home equity lines of credit	6,161	2,110	2,299	4,409	160
Construction and land/lots	3,287	1,053	793	1,846	383
Indirect auto finance	—	—	—	—	—
Consumer	364	16	11	27	3
Commercial loans:					
Commercial real estate	18,558	1,714	13,082	14,796	59
Construction and development	9,091	928	4,930	5,858	48
Commercial and industrial	2,987	313	2,030	2,343	7
Municipal leases	—	—	—	—	—
Total impaired loans	\$74,691	\$19,080	\$41,192	\$60,272	\$1,278

Impaired loans above excludes \$10,354 at March 31, 2015 and \$9,220 at June 30, 2014 in PCI loans due to the accretion of discounts established in accordance with the acquisition method of accounting for business combinations. The table above includes \$11,527 and \$12,406, of impaired loans that were not individually evaluated at March 31, 2015 and June 30, 2014, respectively, because these loans did not meet the Company's threshold for individual impairment evaluation. The recorded allowance above includes \$180 and \$427 related to these loans that were not individually evaluated at March 31, 2015 and June 30, 2014, respectively.

HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)

The Company's average recorded investment in loans individually evaluated for impairment and interest income recognized on impaired loans for the three and nine months ended March 31, 2015 and 2014 was as follows:

	Three Months Ended			
	March 31, 2015		March 31, 2014	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Retail consumer loans:				
One-to-four family	\$30,155	\$395	\$37,320	\$355
Home equity lines of credit	4,316	66	5,722	57
Construction and land/lots	2,152	38	2,101	46
Indirect auto finance	—	—	—	—
Consumer	55	5	32	3
Commercial loans:				
Commercial real estate	15,551	147	22,930	140
Construction and development	6,019	55	6,789	45
Commercial and industrial	2,270	18	2,791	37
Municipal leases	447	12	—	—
Total loans	\$60,965	\$736	\$77,685	\$683
	Nine Months Ended			
	March 31, 2015		March 31, 2014	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Retail consumer loans:				
One-to-four family	\$31,914	\$1,283	\$41,601	\$1,247
Home equity lines of credit	4,730	195	5,855	213
Construction and land/lots	2,153	125	2,205	155
Indirect auto finance	—	1	—	—
Consumer	37	16	40	6
Commercial loans:				
Commercial real estate	17,281	406	24,434	499
Construction and development	6,104	133	8,888	132
Commercial and industrial	2,622	74	2,775	131
Municipal leases	239	17	—	—
Total loans	\$65,080	\$2,250	\$85,798	\$2,383

A summary of changes in the accretable yield for PCI loans for the three and nine months ended March 31, 2015 and 2014 was as follows:

	Three Months Ended	
	March 31, 2015	March 31, 2014
Accretable yield, beginning of period	\$10,335	\$1,610
Interest income	(1,616)	(155)
Accretable yield, end of period	\$8,719	\$1,455

HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)

	Nine Months Ended	
	March 31, 2015	March 31, 2014
Accretable yield, beginning of period	\$6,151	\$—
Addition from the BankGreenville acquisition	—	1,835
Addition from the Bank of Commerce acquisition	7,315	—
Interest income	(4,747	) (380
Accretable yield, end of period	\$8,719	\$1,455

The following table presents the purchased performing loans receivable for Bank of Commerce at July 31, 2014 (the acquisition date):

	July 31, 2014
Contractually required principal payments receivable	\$47,112
Adjustment for credit, interest rate, and liquidity	1,159
Balance of purchased loans receivable	\$45,953

The following table presents the PCI loans for Bank of Commerce at July 31, 2014 (the acquisition date):

	July 31, 2014
Contractually required principal and interest payments receivable	\$49,870
Amounts not expected to be collected – nonaccretable difference	2,300
Estimated payments expected to be received	47,570
Accretable yield	7,315
Fair value of PCI loans	\$40,255

For the three and nine months ended March 31, 2015 and 2014, the following table presents a breakdown of the types of concessions made on TDRs by loan class:

	Three Months Ended March 31, 2015			Three Months Ended March 31, 2014		
	Number of Loans	Pre Modification Recorded Investment	Post Modification Recorded Investment	Number of Loans	Pre Modification Recorded Investment	Post Modification Recorded Investment
Below market interest rate:						
Retail consumer:						
One-to-four family	3	\$388	\$386	—	\$—	\$—
Total	3	\$388	\$386	—	\$—	\$—
Extended term:						
Retail consumer:						
One-to-four family	—	\$—	\$—	1	\$42	\$41
Total	—	\$—	\$—	1	\$42	\$41
Other TDRs:						
Retail consumer:						
One-to-four family	6	\$3,091	\$3,006	7	\$777	\$787
Home equity lines of credit	2	41	9	—	—	—
Construction and land/lots	—	\$—	\$—	1	652	642
Total	8	\$3,132	\$3,015	8	\$1,429	\$1,429

Edgar Filing: HomeTrust Bancshares, Inc. - Form 10-Q

Total	11	\$3,520	\$3,401	9	\$1,471	\$1,470
-------	----	---------	---------	---	---------	---------

22

HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)

	Nine Months Ended March 31, 2015			Nine Months Ended March 31, 2014		
	Number of Loans	Pre Modification Outstanding Recorded Investment	Post Modification Outstanding Recorded Investment	Number of Loans	Pre Modification Outstanding Recorded Investment	Post Modification Outstanding Recorded Investment
Below market interest rate:						
Retail consumer:						
One-to-four family	4	\$449	\$473	3	\$146	\$142
Home equity lines of credit	—	—	—	2	347	343
Construction and land/lots	1	110	103	—	—	—
Total	5	\$559	\$576	5	\$493	\$485
Extended term:						
Retail consumer:						
One-to-four family	—	\$—	\$—	2	\$44	\$41
Home equity lines of credit	3	91	87	—	—	—
Consumer	2	10	9	—	—	—
Commercial:						
Commercial real estate	2	\$426	471	—	\$—	\$—
Total	7	\$527	\$567	2	\$44	\$41
Other TDRs:						
Retail consumer:						
One-to-four family	16	\$3,684	\$3,568	13	\$1,169	\$1,178
Home equity lines of credit	4	155	121	2	42	4
Construction and land/lots	1	106	103	2	787	773
Commercial:						
Construction and land development	2	173	172	—	—	—
Total	23	\$4,118	\$3,964	17	\$1,998	\$1,955
Total	35	\$5,204	\$5,107	24	\$2,535	\$2,481

The following table presents loans that were modified as TDRs within the previous 12 months and for which there was a payment default during the three and nine months ended March 31, 2015 and 2014:

	Three Months Ended March 31, 2015		Three Months Ended March 31, 2014	
	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment
Below market interest rate:				
Retail consumer:				
One-to-four family	2	\$380	—	\$—
Total	2	\$380	—	\$—
Extended payment terms:				
Total	—	\$—	—	\$—
Other TDRs:				
Total	—	\$—	—	\$—

Edgar Filing: HomeTrust Bancshares, Inc. - Form 10-Q

Retail consumer:

One-to-four family	2	\$716	2	\$166
Home equity lines of credit	2	9	—	—
Total	4	\$725	2	\$166
Total	6	\$1,105	2	\$166

23

HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)

	Nine Months Ended March 31, 2015		Nine Months Ended March 31, 2014	
	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment
Below market interest rate:				
Retail consumer:				
One-to-four family	2	\$ 380	—	\$—
Total	2	\$380	—	\$—
Extended payment terms:				
Home equity lines of credit	—	\$—	1	\$250
Total	—	\$—	1	\$250
Other TDRs:				
Retail consumer:				
One-to-four family	10	\$1,116	4	\$422
Home equity lines of credit	2	9	1	120
Construction and land/lots	1	172	—	—
Total	13	\$1,297	5	\$542
Total	15	\$1,677	6	\$792

Other TDRs include TDRs that have a below market interest rate and extended payment terms. The Company does not typically forgive principal when restructuring troubled debt.

In the determination of the allowance for loan losses, management considers TDRs for all loan classes, and the subsequent nonperformance in accordance with their modified terms, by measuring impairment on a loan-by-loan basis based on either the value of the loan's expected future cash flows discounted at the loan's original effective interest rate or on the collateral value, net of the estimated costs of disposal, if the loan is collateral dependent.

6. Net income per Share

Per the provisions of FASB ASC 260, Earnings Per Share, nonvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents are participating securities and are included in the computation of earnings per share pursuant to the two-class method. The two-class method is an earnings allocation formula that determines earnings per share for each class of common stock and participating security according to dividends declared (or accumulated) and participation rights in undistributed earnings. ESOP shares are considered outstanding for basic and diluted earnings per share when the shares are committed to be released.

Net income is allocated between the common stock and participating securities pursuant to the two-class method, based on their rights to receive dividends, participate in earnings, or absorb losses. Basic earnings per common shares is computed by dividing net earnings available to common shareholders by the weighted average number of common shares outstanding during the period, excluding participating nonvested restricted shares.

The following is a reconciliation of the numerator and denominator of basic and diluted net income per share of common stock:

	Three Months Ended March 31, 2015		Nine Months Ended March 31, 2014	
Numerator:				
Net income available to common stockholders	\$ 1,162	\$2,606	\$5,467	\$8,809
Denominator:				
Weighted-average common shares outstanding - basic	19,113,387	18,302,672	19,146,025	18,724,242
Effect of dilutive shares	79,315	75,487	86,766	91,174
Weighted-average common shares outstanding - diluted	19,192,702	18,378,159	19,232,791	18,815,416
Net income per share - basic	\$0.06	\$0.14	\$0.28	\$0.46

Edgar Filing: HomeTrust Bancshares, Inc. - Form 10-Q

Net income per share - diluted	\$0.06	\$0.14	\$0.28	\$0.46
--------------------------------	--------	--------	--------	--------

There were 1,450,100 and 1,585,500 outstanding stock options that were anti-dilutive for the three and nine months ended March 31, 2015 and 2014, respectively.

HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)

7. Equity Incentive Plan

On January 17, 2013, the Company's stockholders approved the 2013 Omnibus Incentive Plan, which provides for awards of restricted stock, restricted stock units, stock options, stock appreciation rights and cash awards to directors, emeritus directors, officers, employees and advisory directors. The cost of equity-based awards under the 2013 Omnibus Incentive Plan generally is based on the fair value of the awards on their grant date. The maximum number of shares that may be utilized for awards under the plan is 2,962,400, including 2,116,000 for stock options and stock appreciation rights and 846,400 for awards of restricted stock and restricted stock units.

Shares of common stock issued under the 2013 Omnibus Incentive Plan may be authorized but unissued shares or repurchased shares. During fiscal 2013, the Company had repurchased the 846,400 shares available for awards of restricted stock and restricted stock units under the 2013 Omnibus Incentive Plan on the open market, for \$13,297, at an average cost of \$15.71 per share.

Share based compensation expense related to stock options and restricted stock recognized for the three months ended March 31, 2015 and 2014 was \$662 and \$662, respectively, before the tax related benefit of \$245 and \$245, respectively. Share based compensation expense related to stock options and restricted stock recognized for the nine months ended March 31, 2015 and 2014 was \$2,088 and \$1,999, respectively, before the tax related benefit of \$773 and \$740, respectively.

The table below presents stock option activity for the nine months ended March 31, 2015 and 2014:

	Options	Weighted-average exercise price	Remaining contractual life (years)	Aggregate Intrinsic Value
Options outstanding at June 30, 2013	1,557,000	\$14.37	9.6	\$4,033
Granted	30,000	15.83	10.0	—
Exercised	—	—	—	—
Forfeited	1,500	14.37	—	—
Expired	—	—	—	—
Options outstanding at March 31, 2014	1,585,500	\$14.40	8.9	\$2,193
Exercisable at March 31, 2014	290,175	\$14.37		
Options outstanding at June 30, 2014	1,513,500	\$14.40	8.6	\$2,077
Granted	10,000	16.08	10.0	—
Exercised	18,000	14.37	—	—
Forfeited	5,400	14.37	—	—
Expired	—	—	—	—
Options outstanding at March 31, 2015	\$1,500,100	\$14.4	7.9	\$2,340
Exercisable at March 31, 2015	549,150	\$14.39		

The fair value of each option is estimated on the date of grant using the Black-Scholes-Merton option pricing model. The weighted average fair value of each option granted in 2015, 2014 and 2013 was \$3.59, \$4.49 and \$4.50, respectively. 10,000 options were granted in fiscal year 2015. Assumptions used for grants were as follows:

Assumptions in Estimating Option Values

	2015		2014		2013	
Weighted-average volatility	18.90	%	28.19	%	28.19	%
Expected dividend yield	—	%	—	%	—	%
Risk-free interest rate	1.56	%	2.04	%	1.28	%
Expected life (years)	6.0		6.5		6.6	

At March 31, 2015, the Company had \$3,851 of unrecognized compensation expense related to 1,500,100 stock options scheduled to vest over five- and seven-year vesting periods. The weighted average period over which compensation cost related to non-vested awards expected to be recognized was 2.0 years at March 31, 2015. At March 31, 2014, the Company had \$5,650 of unrecognized compensation expense related to 1,585,500 stock options scheduled to vest over five- and seven-year vesting periods. The weighted average period over which compensation cost related to non-vested awards expected to be recognized was 3.9 years at March 31, 2014.

HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)

The table below presents restricted stock award activity for the nine months ended March 31, 2015 and 2014:

	Restricted stock awards	Weighted- average grant date fair value	Aggregate Intrinsic Value
Non-vested at June 30, 2013	511,300	\$ 14.37	\$8,672
Granted	7,050	15.80	—
Vested	95,485	14.37	—
Forfeited	—	—	—
Non-vested at March 31, 2014	422,865	\$ 14.39	\$6,673
Non-vested at June 30, 2014	403,965	\$ 14.39	\$6,371
Granted	—	—	—
Vested	91,895	14.39	—
Forfeited	1,600	14.37	—
Non-vested at March 31, 2015	310,470	\$ 14.40	\$4,958

At March 31, 2015, unrecognized compensation expense was \$4,163 related to 310,470 shares of restricted stock scheduled to vest over five- and seven-year vesting periods. The weighted average period over which compensation cost related to non-vested awards is expected to be recognized was 2.0 years at March 31, 2015. At March 31, 2014, unrecognized compensation expense was \$5,859 related to 422,865 shares of restricted stock scheduled to vest over five- and seven-year vesting periods. The weighted average period over which compensation cost related to non-vested awards is expected to be recognized was 3.9 years at March 31, 2014.

8. Commitments and Contingencies

Loan Commitments – Legally binding 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 commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. In the normal course of business, there are various outstanding commitments to extend credit that are not reflected in the consolidated financial statements. At March 31, 2015 and June 30, 2014, respectively, loan commitments (excluding \$46,151 and \$27,086 of undisbursed portions of construction loans) totaled \$28,013 and \$28,360 of which \$9,995 and \$3,620 were variable rate commitments and \$18,018 and \$24,740 were fixed rate commitments. The fixed rate loans had interest rates ranging from 1.99% to 6.25% at March 31, 2015 and 1.85% to 10.51% at June 30, 2014, and terms ranging from 3 to 30 years. Pre-approved but unused lines of credit (principally second mortgage home equity loans and overdraft protection loans) totaled \$223,181 and \$167,630 at March 31, 2015 and June 30, 2014, respectively. These amounts represent the Company's exposure to credit risk, and in the opinion of management have no more than the normal lending risk that the Company commits to its borrowers. The Company has freestanding derivative instruments consisting of commitments to originate fixed rate conforming loans and commitments to sell fixed rate conforming loans. The fair value of these commitments was not material at March 31, 2015 or June 30, 2014. The Company grants construction and permanent loans collateralized primarily by residential and commercial real estate to customers throughout its primary market area. In addition, the Company grants municipal leases to customers throughout North and South Carolina. The Company's loan portfolio can be affected by the general economic conditions within these market areas. Management believes that the Company has no concentration of credit in the loan portfolio.

Restrictions on Cash – The Bank is required by regulation to maintain a varying cash reserve balance with the Federal Reserve System. The daily average calculated cash reserve required as of March 31, 2015 and June 30, 2014 was \$1,873, and \$8,087, respectively, which was satisfied by vault cash and balances held at the Federal Reserve Bank.

Guarantees – Standby letters of credit obligate the Company to meet certain financial obligations of its customers, if, under the contractual terms of the agreement, the customers are unable to do so. The financial standby letters of credit

issued by the Company are irrevocable and payment is only guaranteed upon the borrower's failure to perform its obligations to the beneficiary. Total commitments under standby letters of credit as of March 31, 2015 and June 30, 2014 were \$2,768 and \$483. There was no liability recorded for these letters of credit at March 31, 2015 or June 30, 2014, respectively.

Litigation – The Company is involved in several litigation matters in the ordinary course of business. One matter, originally filed in March 2012, involves claims of \$12.5 million in compensatory damages and a request for additional punitive treble damages resulting from the purported failure of the Company and a third party brokerage firm to discover a Ponzi scheme conducted by a customer holding accounts at each entity. The Company received a favorable summary judgment ruling on February 20, 2015, however the plaintiffs filed an appeal. The Company continues to believe that the lawsuit is without merit and intends to defend itself vigorously. Management, after review with its legal counsel, is of the opinion that this litigation should not have a material effect on the Company's financial position or results of operations, although new developments could result in management modifying its assessment. There can be no assurance that the Company will successfully defend or resolve this litigation matter.

HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)

The Company is also subject to a variety of other legal matters that have arisen in the ordinary course of our business. In the current economic environment, litigation has increased significantly, primarily as a result of defaulted borrowers asserting claims to defeat or delay foreclosure proceedings. There can be no assurance that loan workouts and other activities will not expose the Company to additional legal actions, including lender liability or environmental claims. Therefore, the Company may be exposed to substantial liabilities, which could adversely affect its results of operations and financial condition. Moreover, the expenses of legal proceedings will adversely affect its results of operations until they are resolved.

9. Fair Value of Financial Instruments

The Company utilizes fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. Securities available for sale are recorded at fair value on a recurring basis. Additionally, from time to time, the Company may be required to record at fair value other assets on a nonrecurring basis, such as impaired loans. These nonrecurring fair value adjustments typically involve application of lower of cost or market accounting or write-downs of individual assets.

Fair Value Hierarchy

The Company groups assets at fair value in three levels, based on the markets in which the assets are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

Following is a description of valuation methodologies used for assets recorded at fair value. The Company does not have any liabilities recorded at fair value.

Investment Securities Available for Sale

Securities available for sale are valued on a recurring basis at quoted market prices where available. If quoted market prices are not available, fair values are based on quoted prices of comparable securities. Level 1 securities include those traded on an active exchange, such as the New York Stock Exchange or U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter markets and money market funds. Level 2 securities include mortgage-backed securities and debentures issued by government sponsored enterprises, municipal bonds, and corporate debt securities.

Loans

The Company does not record loans at fair value on a recurring basis. From time to time, however, a loan is considered impaired and an allowance for loan losses is established. Loans for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement are considered impaired. Once a loan is identified as individually impaired, the fair value is estimated using one of several methods, including collateral value, market value of similar debt, enterprise value, liquidation value and discounted cash flows. The Company reviews all impaired loans each quarter to determine if an allowance is necessary. Those impaired loans not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceed the recorded investments in such loans.

At March 31, 2015 and June 30, 2014, most of the total impaired loans were evaluated based on the fair value of the collateral. For these collateral dependent impaired loans, the Company obtains updated appraisals at least annually. These appraisals are reviewed for appropriateness and then discounted for estimated closing costs to determine if an allowance is necessary. As part of the quarterly review of impaired loans, the Company reviews these appraisals to determine if any additional discounts to the fair value are necessary. If a current appraisal is not obtained, the

Company determines whether a discount is needed to the value from the original appraisal based on the decline in value of similar properties with recent appraisals. Impaired loans where a charge-off has occurred or an allowance is established during the period being reported require classification in the fair value hierarchy. The Company records all impaired loans with an allowance as nonrecurring Level 3.

Loans Held for Sale

Loans held for sale are adjusted to lower of cost or fair value. Fair value is based upon investor pricing. The Company considers all loans held for sale carried at fair value as nonrecurring Level 3.

Real Estate Owned

REO is considered held for sale and is adjusted to fair value less estimated selling costs upon transfer of the loan to foreclosed assets. Fair value is based upon independent market prices, appraised value of the collateral or management's estimation of the value of the collateral. The Company considers all REO carried at fair value as nonrecurring Level 3.

HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)

The following table presents financial assets measured at fair value on a recurring basis at the dates indicated:

Description	March 31, 2015			
	Total	Level 1	Level 2	Level 3
U.S Government Agencies	\$88,117	\$—	\$88,117	\$—
Residential Mortgage-backed Securities of U.S. Government Agencies and Government Sponsored Enterprises	121,284	—	121,284	—
Municipal Bonds	17,002	—	17,002	—
Corporate Bonds	4,046	—	3,046	1,000
Equity Securities	63	—	63	—
Total	\$230,512	\$—	\$229,512	\$1,000
Description	June 30, 2014			
	Total	Level 1	Level 2	Level 3
U.S Government Agencies	\$38,093	\$—	\$38,093	\$—
Residential Mortgage-backed Securities of U.S. Government Agencies and Government Sponsored Enterprises	111,411	—	111,411	—
Municipal Bonds	16,220	—	16,220	—
Corporate Bonds	3,025	—	3,025	—
Total	\$168,749	\$—	\$168,749	\$—

The following table presents financial assets measured at fair value on a non-recurring basis during the periods indicated:

Description	Nine Months Ended March 31, 2015			
	Total	Level 1	Level 2	Level 3
Impaired loans	\$5,319	\$—	\$—	\$5,319
REO	1,185	—	—	1,185
Total	\$6,504	\$—	\$—	\$6,504
Description	Year Ended June 30, 2014			
	Total	Level 1	Level 2	Level 3
Impaired loans	\$3,686	\$—	\$—	\$3,686
REO	9,185	—	—	9,185
Total	\$12,871	\$—	\$—	\$12,871

Quantitative information about Level 3 fair value measurements during the period ended March 31, 2015 is shown in the table below:

	Fair Value at March 31, 2015	Valuation Techniques	Unobservable Input	Range	Weighted Average
Nonrecurring measurements:					
Impaired loans, net	\$5,319	Discounted appraisals	Collateral discounts	3% - 60%	15%
REO	\$1,185	Discounted appraisals	Collateral discounts	10% - 15%	14%

HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)

The stated carrying value and estimated fair value amounts of financial instruments as of March 31, 2015 and June 30, 2014, are summarized below:

	March 31, 2015				
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Cash and interest-bearing deposits	\$294,659	\$294,659	\$294,659	\$—	\$—
Certificates of deposit in other banks	204,596	204,596	—	204,596	—
Securities available for sale	230,512	230,512	—	229,512	1,000
Other investments	19,142	19,142	19,142	—	—
Loans held for sale	2,225	2,261	—	—	2,261
Loans, net	1,618,376	1,524,874	—	—	1,524,874
Accrued interest receivable	7,249	7,249	—	1,095	6,154
Non-interest-bearing and NOW deposits	592,338	592,338	—	592,338	—
Money market accounts	489,606	489,606	—	489,606	—
Savings accounts	223,748	223,748	—	223,748	—
Certificates of deposit	608,081	607,650	—	607,650	—
Other borrowings	250,000	250,000	—	250,000	—
Accrued interest payable	146	146	—	146	—
	June 30, 2014				
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Cash and interest-bearing deposits	\$45,830	\$45,830	\$45,830	\$—	\$—
Certificates of deposit in other banks	163,780	163,780	—	163,780	—
Securities available for sale	168,749	168,749	—	168,749	—
Other investments	3,697	3,697	3,697	—	—
Loans held for sale	2,537	2,578	—	—	2,578
Loans, net	1,473,099	1,381,438	—	—	1,381,438
Accrued interest receivable	6,787	6,787	—	736	6,051
Non-interest-bearing and NOW deposits	418,671	418,671	—	418,671	—
Money market accounts	354,247	354,247	—	354,247	—
Savings accounts	175,974	175,974	—	175,974	—
Certificates of deposit	634,154	620,196	—	620,196	—
Other borrowings	50,000	50,000	—	50,000	—
Accrued interest payable	244	244	—	244	—

The Company had off-balance sheet financial commitments, which include approximately \$297,345 and \$223,076 of commitments to originate loans, undisbursed portions of interim construction loans, and unused lines of credit at March 31, 2015 and June 30, 2014, respectively (see Note 8). Since these commitments are based on current rates, the carrying amount approximates the fair value.

Estimated fair values were determined using the following methods and assumptions:

Cash and interest-bearing deposits – The stated amounts approximate fair values as maturities are less than 90 days.

Certificates of deposit in other banks – The stated amounts approximate fair values.

Securities available for sale and investment securities – Fair values are based on quoted market prices where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

Loans held for sale – The fair value of loans held for sale is determined by outstanding commitments from investors on a "best efforts" basis or current investor yield requirements, calculated on the aggregate loan basis.

Loans, net – Fair values for loans are estimated by segregating the portfolio by type of loan and discounting scheduled cash flows using current market interest rates for loans with similar terms and credit quality. A prepayment

assumption is used as an estimate of the portion of loans that will be repaid prior to their scheduled maturity. Both the carrying value and estimated fair value amounts are shown net of the allowance for loan losses.

HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)

Other investments – This represents stock in the FHLB of Atlanta and the Federal Reserve Bank with no existing market and no quoted market value. However, redemption of this stock has historically been at par value.

Accordingly, cost is deemed to be a reasonable estimate of fair value.

Deposits – Fair values for demand deposits, money market accounts, and savings accounts are the amounts payable on demand as of March 31, 2015 and June 30, 2014. The fair value of certificates of deposit is estimated by discounting the contractual cash flows using current market interest rates for accounts with similar maturities.

Other borrowings – The fair value of advances from the FHLB is estimated based on current rates for borrowings with similar terms.

Accrued interest receivable and payable – The stated amounts of accrued interest receivable and payable approximate the fair value.

Limitations – Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Because no market exists for a significant portion of the Company's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Fair value estimates are based on existing on-and-off balance sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. For example, a significant asset not considered a financial asset is premises and equipment. In addition, 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 any of the estimates.

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

Forward-Looking Statements

Certain matters in this Form 10-Q constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate to our financial condition, results of operations, plans, objectives, future performance or business. Forward-looking statements are not statements of historical fact, are based on certain assumptions and are generally identified by use of the words "believes," "expects," "anticipates," "estimates," "forecasts," "intends," "plans," "targets," "potentially," "probably," "projects," "outlook" or similar expressions or future or conditional verbs such as "may," "will," "should," "would" and "could." Forward-looking statements include statements with respect to our beliefs, plans, objectives, goals, expectations, assumptions and statements about future economic performance and projections of financial items. These forward-looking statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from the results anticipated or implied by our forward-looking statements, including, but not limited to: expected cost savings, synergies and other financial benefits from our recent acquisitions might not be realized within the expected time frames or at all, and costs or difficulties relating to integration matters might be greater than expected; the credit risks of lending activities, including changes in the level and trend of loan delinquencies and write offs and changes in our allowance for loan losses and provision for loan losses that may be impacted by deterioration in the housing and commercial real estate markets; changes in general economic conditions, either nationally or in our market areas; changes in the levels of general interest rates, and the relative differences between short and long term interest rates, deposit interest rates, our net interest margin and funding sources; fluctuations in the demand for loans, the number of unsold homes, land and other properties and fluctuations in real estate values in our market areas; decreases in the secondary market for the sale of loans that we originate; results of examinations of us by the Office of the Comptroller of the Currency ("OCC") or other regulatory authorities, including the possibility that any such regulatory authority may, among other things, require us to increase our allowance for loan losses, write-down assets, change our regulatory capital position or affect our ability to borrow funds or maintain or increase deposits, which could adversely affect our liquidity and earnings; legislative or regulatory changes that adversely affect our business including the effect of Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), changes in regulatory policies and principles, or the interpretation of regulatory capital or other rules, including as a result of Basel III; our ability to attract and retain deposits; increases in premiums for deposit insurance; management's assumptions in determining the adequacy of the allowance for loan losses; our ability to control operating costs and expenses, especially costs associated with our operation as a public company; the use of estimates in determining fair value of certain of our assets, which estimates may prove to be incorrect and result in significant declines in valuation; difficulties in reducing risks associated with the loans on our balance sheet; staffing fluctuations in response to product demand or the implementation of corporate strategies that affect our workforce and potential associated charges; computer systems on which we depend could fail or experience a security breach; our ability to retain key members of our senior management team; costs and effects of litigation, including settlements and judgments; our ability to successfully integrate any assets, liabilities, customers, systems, and management personnel we may in the future acquire into our operations and our ability to realize related revenue synergies and cost savings within expected time frames and any goodwill charges related thereto; increased competitive pressures among financial services companies; changes in consumer spending, borrowing and savings habits; the availability of resources to address changes in laws, rules, or regulations or to respond to regulatory actions; adverse changes in the securities markets; inability of key third-party providers to perform their obligations to us; statements with respect to our intentions regarding disclosure and other changes resulting from the Jumpstart Our Business Startups Act of 2012 ("JOBS Act"); changes in accounting policies and practices, as may be adopted by the financial institution regulatory agencies, the Public Company Accounting Oversight Board or the Financial Accounting Standards Board; and other economic, competitive, governmental, regulatory, and technological factors affecting our operations, pricing, products and services; and the other risks detailed from time to time in our filings with the Securities and Exchange Commission ("SEC"), including our 2014 Form 10-K.

Any of the forward-looking statements are based upon management's beliefs and assumptions at the time they are made. We undertake no obligation to publicly update or revise any forward-looking statements included in this report

or to update the reasons why actual results could differ from those contained in such statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking statements discussed in this report might not occur and you should not put undue reliance on any forward-looking statements.

As used throughout this report, the terms "we", "our", "us", "HomeTrust Bancshares" or the "Company" refer to HomeTrust Bancshares, Inc. and its consolidated subsidiaries, including HomeTrust Bank, National Association (the "Bank") unless the context indicates otherwise.

Overview

HomeTrust Bancshares, Inc., a Maryland corporation, was organized in July 2012 for the purpose of becoming the holding company of HomeTrust Bank, upon the Bank's conversion from a federal mutual to a federal stock savings bank ("Conversion"). The Conversion was completed on July 10, 2012. On August 25, 2014, the Bank converted from a federal savings bank charter to a national bank charter and the Company is now a bank holding company. HomeTrust Bancshares, Inc. is regulated by the Federal Reserve Board ("FRB"). The Company has not engaged in any significant activity other than holding the stock of the Bank. Accordingly, the information set forth in this report, including financial statements and related data, relates primarily to the Bank and its subsidiary.

The Bank, founded in 1926, is a national bank headquartered in Asheville, North Carolina. The Bank is regulated by the OCC, its primary federal regulator, and the Federal Deposit Insurance Corporation ("FDIC"), the insurer of its deposits. The Bank's deposits are federally insured up to applicable limits by the FDIC.

Our principal business consists of attracting deposits from the general public and investing those funds, along with borrowed funds in loans secured primarily by first and second mortgages on one- to four-family residences, including home equity loans and construction and land/lot

loans, commercial real estate loans, commercial and industrial loans, and municipal leases. Municipal leases are secured primarily by a ground lease for a firehouse or an equipment lease for fire trucks and firefighting equipment to fire departments located throughout North and South Carolina. We also purchase investment securities consisting primarily of mortgage-backed securities issued by United States Government agencies and government-sponsored enterprises, as well as, certificates of deposit insured by the FDIC.

We offer a variety of deposit accounts for individuals, businesses and nonprofit organizations. Deposits are our primary source of funds for our lending and investing activities.

We are significantly affected by prevailing economic conditions, as well as, government policies and regulations concerning, among other things, monetary and fiscal affairs, housing and financial institutions. Deposit flows are influenced by a number of factors, including interest rates paid on competing time deposits, other investments, account maturities, and the overall level of personal income and savings. Lending activities are influenced by the demand for funds, the number and quality of lenders, and regional economic cycles.

Our primary source of pre-tax income is net interest income. Net interest income is the difference between interest income, which is the income that we earn on our loans and investments, and interest expense, which is the interest that we pay on our deposits and borrowings. Changes in levels of interest rates affect our net interest income. A secondary source of income is noninterest income, which includes revenue we receive from providing products and services, including service charges on deposit accounts, mortgage banking income and gains and losses from sales of securities. An offset to net interest income is the provision for loan losses which is required to establish the allowance for loan losses at a level that adequately provides for probable losses inherent in our loan portfolio. As a loan's risk rating improves, property values increase, or recoveries of amounts previously charged off are received, a recapture of previously recognized provision for loan losses may be added to net interest income.

Our noninterest expenses consist primarily of salaries and employee benefits, expenses for occupancy, marketing and computer services, and FDIC deposit insurance premiums. Salaries and benefits consist primarily of the salaries and wages paid to our employees, payroll taxes, expenses for retirement and other employee benefits. Occupancy expenses, which are the fixed and variable costs of buildings and equipment, consist primarily of lease payments, property taxes, depreciation charges, maintenance and costs of utilities.

We intend to expand through organic growth and through the acquisition of other community financial institutions and/or bank branches. Our goal is to continue to enhance our franchise value and earnings through strategic, planned growth in our banking operations, while maintaining the community-focused, relationship style of exceptional customer service that has differentiated our brand and characterized our success to date. As part of this strategy, on July 31, 2013, we completed our first acquisition as a public company, by acquiring BankGreenville Financial Corporation ("BankGreenville") with one office in Greenville, South Carolina. BankGreenville reported total assets of \$105.1 million, total deposits of \$90.0 million, and stockholders' equity of \$9.6 million at June 30, 2013. On May 31, 2014, we completed our acquisition of Jefferson Bancshares, Inc. ("Jefferson"), the holding company for Jefferson Federal Bank. Jefferson had 12 offices located across East Tennessee and reported total assets of \$506.8 million, total deposits of \$384.0 million, and stockholders' equity of \$54.4 million at March 31, 2014. On July 31, 2014, we completed our acquisition of Bank of Commerce with one office in midtown Charlotte, North Carolina. As of June 30, 2014, Bank of Commerce had total assets of \$123.0 million, total deposits of \$92.8 million, and stockholders' equity of \$12.5 million. On July 21, 2014, the Bank opened a commercial loan production office in downtown Roanoke, Virginia. Additionally, on November 12, 2014, the Bank opened a commercial loan production office in Raleigh, North Carolina. On November 14, 2014, we completed our acquisition of ten branch banking operations in Virginia and North Carolina from Bank of America Corporation (the "Branch Acquisition") with six of the branches located in Roanoke Valley, two in Danville, one in Martinsville, Virginia, and one in Eden, North Carolina. We purchased total loans of \$1.0 million, premises and equipment of \$9.0 million, and total deposits of \$329.4 million in the Branch Acquisition.

At March 31, 2015, we had 45 locations in North Carolina (including the Asheville metropolitan area, the "Piedmont" region, Charlotte, and a loan production office in Raleigh), Upstate South Carolina (Greenville), East Tennessee (including Kingsport/Johnson City, Knoxville, and Morristown) and Southwest Virginia (including the Roanoke Valley).

Critical Accounting Policies and Estimates

Certain of our accounting policies are important to the portrayal of our financial condition, since they require management to make difficult, complex or subjective judgments, some of which may relate to matters that are inherently uncertain. Estimates associated with these policies are susceptible to material changes as a result of changes in facts and circumstances. Facts and circumstances which could affect these judgments include, but are not limited to, changes in interest rates, changes in the performance of the economy and changes in the financial condition of borrowers. These policies relate to (i) the determination of the provision and the allowance for loan losses, (ii) business combinations, (iii) the valuation of REO, (iv) the calculation of post retirement plan expenses and benefits, and (v) the valuation of or recognition of deferred tax assets and liabilities. These policies and estimates are described in further detail in Part II, Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 1, Summary of Significant Accounting Policies with the 2014 Form 10-K. There have not been any material changes in the Company's critical accounting policies and estimates as compared to the disclosure contained in the Company's 2014 Form 10-K.

On April 5, 2012, the JOBS Act was signed into law. The JOBS Act contains provisions that, among other things, reduce certain reporting requirements for qualifying public companies. As an "emerging growth company" we may delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. We intend to take advantage of the benefits of this extended transition period, although we have not done so to date. Accordingly, our financial statements may not be comparable to companies that comply with such new or revised accounting standards or disclosures.

Recent Accounting Pronouncements. Refer to Note 2 of our consolidated financial statements for a description of recent accounting pronouncements including the respective dates of adoption and effects on results of operations and financial condition.

Non-GAAP Financial Measures

In addition to results presented in accordance with generally accepted accounting principles utilized in the United States ("GAAP"), this report contains certain non-GAAP financial measures, which include net interest income and net interest margin as adjusted to exclude additional Federal Home Loan Bank ("FHLB") borrowings and proceeds from such borrowings, net income excluding merger-related expenses and recovery of loan losses, and earnings per share excluding merger expenses and recovery of loan losses. Management elected to obtain additional FHLB borrowings beginning November 2014 as part of a plan to increase net interest income. The Company believes that showing the effects of the additional borrowings on net interest income and net interest margins is useful to both management and investors as these measures are commonly used to measure financial institutions performance and against peers.

Management has presented the non-GAAP financial measures in this discussion and analysis excluding merger-related expenses and recovery of loan losses because it believes excluding these items is more indicative of and provides useful and comparative information to assess trends in our core operations while facilitating comparison of the quality and composition of the Company's earnings over time and in comparison to its competitors. However, these non-GAAP financial measures are supplemental, are not audited and are not a substitute for operating results or any analysis determined in accordance with GAAP. Where applicable, we have also presented comparable earnings information using GAAP financial measures. Because not all companies use the same calculations, our presentation may not be comparable to other similarly titled measures as calculated by other companies. See "Comparison of Results of Operations for the Three Months Ended March 31, 2015 and 2014" and "Comparison of Results of Operations for the Nine Months Ended March 31, 2015 and 2014" for more detailed information about our financial performance.

The following tables set forth reconciliations of non-GAAP financial measures discussed in this report:

Three Months Ended March 31, 2015

	Average Balance Outstanding	Interest Earned / Paid	Yield/ Rate	
Interest-earning assets	\$2,369,957	\$22,232	3.75	%
Less: Interest-earning assets funded by additional FHLB borrowings ⁽¹⁾	250,000	367	0.59	%
Interest-earning assets - adjusted	\$2,119,957	\$21,865	4.13	%
Interest-bearing liabilities	1,981,930	1,348	0.27	%
Additional FHLB borrowings ⁽²⁾	250,000	128	0.20	%
Interest-bearing liabilities - adjusted	\$1,731,930	\$1,220	0.28	%
Net interest income and net interest margin		20,884	3.52	%
Net interest income and net interest margin - adjusted		20,645	3.90	%
Difference		\$239	(0.38))%

Nine Months Ended March 31, 2015

	Average Balance Outstanding	Interest Earned / Paid	Yield/ Rate	
Interest-earning assets	\$2,178,954	\$65,011	3.98	%
Less: Interest-earning assets funded by additional FHLB borrowings ⁽¹⁾	137,005	494	1.44	%
Interest-earning assets - adjusted	\$2,041,949	\$64,517	4.21	%
Interest-bearing liabilities	1,793,972	3,981	0.30	%
Additional FHLB borrowings ⁽²⁾	137,005	216	0.21	%
Interest-bearing liabilities - adjusted	\$1,656,967	\$3,765	0.30	%
Net interest income and net interest margin		61,030	3.73	%
Net interest income and net interest margin - adjusted		60,752	3.97	%
Difference		\$278	(0.24))%

⁽¹⁾ Proceeds from the additional borrowings were invested in various interest-earning assets including: deposits with the Federal Reserve Bank, FHLB stock, and commercial paper.

⁽²⁾ Additional borrowings were obtained in November 2014.

Edgar Filing: HomeTrust Bancshares, Inc. - Form 10-Q

Set forth below is a reconciliation to GAAP net income and earnings per share (EPS) as adjusted to exclude merger-related expenses and the recovery of loan losses:

(Dollars in thousands, except per share data)	Three Months Ended		Nine Months Ended	
	March 31, 2015	2014	March 31, 2015	2014
Merger-related expenses	\$ 1,686	\$ 449	\$ 5,417	\$ 711
Recovery of loan losses	—	(1,800)	(250)	(4,800)
Total adjustments	1,686	(1,351)	5,167	(4,089)
Tax effect ⁽¹⁾	(624)	) 500	(1,897)	) 1,650
Total adjustments, net of tax	1,062	(851)	) 3,270	(2,439)
Net income (GAAP)	1,162	2,606	5,467	8,809
Net income (non-GAAP)	\$ 2,224	\$ 1,755	\$ 8,737	\$ 6,370
Per Share Data				
Average shares outstanding - basic	19,113,387	18,302,672	19,146,025	18,724,242
Average shares outstanding - diluted	19,192,702	18,378,159	19,232,791	18,815,416
Basic EPS				
EPS (GAAP)				