

HomeTrust Bancshares, Inc.  
Form 10-Q  
November 06, 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 September 30, 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

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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 18,656,221 shares of common stock, par value of \$.01 per share, issued and outstanding as of November 3, 2015.

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HOMETRUST BANCSHARES, INC. AND SUBSIDIARIES  
 10-Q  
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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

## HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

## Consolidated Balance Sheets

(Dollars in thousands, except per share data)

	(Unaudited)	
	September 30, 2015	June 30, 2015
Assets		
Cash	\$ 37,411	\$ 33,891
Interest-bearing deposits	12,819	82,269
Cash and cash equivalents	50,230	116,160
Commercial paper	242,928	256,152
Certificates of deposit in other banks	196,386	210,629
Securities available for sale, at fair value	249,711	257,606
Other investments, at cost	28,753	28,711
Loans held for sale	4,012	5,874
Total loans, net of deferred loan fees and discount	1,742,290	1,685,707
Allowance for loan losses	(22,112 )	(22,374 )
Net loans	1,720,178	1,663,333
Premises and equipment, net	56,898	57,524
Accrued interest receivable	7,914	7,522
Real estate owned (REO)	6,634	7,024
Deferred income taxes	57,471	59,493
Bank owned life insurance	77,840	77,354
Goodwill	12,673	12,673
Core deposit intangibles	9,269	10,043
Other assets	5,103	13,016
Total Assets	\$ 2,726,000	\$ 2,783,114
Liabilities and Stockholders' Equity		
Liabilities		
Deposits	\$ 1,819,950	\$ 1,872,126
Other borrowings	476,000	475,000
Capital lease obligations	1,974	1,979
Other liabilities	59,928	62,959
Total liabilities	2,357,852	2,412,064
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, 19,074,037 shares issued and outstanding at September 30, 2015; 19,488,449 at June 30, 2015	191	195
Additional paid in capital	204,151	210,621
Retained earnings	170,921	168,357
Unearned Employee Stock Ownership Plan (ESOP) shares	(8,861 )	(8,993 )
Accumulated other comprehensive income	1,746	870
Total stockholders' equity	368,148	371,050
Total Liabilities and Stockholders' Equity	\$ 2,726,000	\$ 2,783,114

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 September 30,	
	2015	2014
Interest and Dividend Income		
Loans	\$19,635	\$18,557
Securities available for sale	1,199	805
Certificates of deposit and other interest-bearing deposits	830	439
Other investments	345	64
Total interest and dividend income	22,009	19,865
Interest Expense		
Deposits	1,191	1,227
Other borrowings	247	38
Total interest expense	1,438	1,265
Net Interest Income	20,571	18,600
Recovery of Loan Losses	—	(250 )
Net Interest Income after Recovery for Loan Losses	20,571	18,850
Noninterest Income		
Service charges on deposit accounts	1,699	1,062
Mortgage banking income and fees	728	846
Other, net	942	861
Total noninterest income	3,369	2,769
Noninterest Expense		
Salaries and employee benefits	10,857	9,808
Net occupancy expense	2,259	1,853
Marketing and advertising	485	388
Telephone, postage, and supplies	830	678
Deposit insurance premiums	525	430
Computer services	1,584	1,353
Gain on sale and impairment of REO	(21 )	(36 )
REO expense	355	356
Core deposit intangible amortization	774	413
Merger-related expenses	—	1,421
Other	2,187	1,833
Total other expense	19,835	18,497
Income Before Income Taxes	4,105	3,122
Income Tax Expense	1,541	866
Net Income	\$2,564	\$2,256
Per Share Data:		
Net income per common share:		
Basic	\$0.14	\$0.12
Diluted	\$0.14	\$0.12
Average shares outstanding:		
Basic	18,077,987	19,178,607
Diluted	18,291,029	19,242,722

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 September 30,	
	2015	2014
Net Income	\$2,564	\$2,256
Other Comprehensive Income (Loss)		
Unrealized holding gains (losses) on securities available for sale		
Gains (losses) arising during the period	1,327	(52 )
Deferred income tax benefit (expense)	(451	) 18
Total other comprehensive income (loss)	\$876	\$(34 )
Comprehensive Income	\$3,440	\$2,222

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	Total Stockholders' Equity
	Shares	Amount					
Balance at June 30, 2014	20,632,008	\$207	\$225,889	\$160,332	\$(9,522)	\$245	\$377,151
Net income	—	—	—	2,256	—	—	2,256
Stock repurchased	(142,760)	(2)	(2,536)	—	—	—	(2,538)
Exercised stock options	18,000	—	259	—	—	—	259
Stock option expense	—	—	365	—	—	—	365
Restricted stock expense	—	—	388	—	—	—	388
ESOP shares allocated	—	—	69	—	132	—	201
Other comprehensive loss	—	—	—	—	—	(34)	(34)
Balance at September 30, 2014	20,507,248	\$205	\$224,434	\$162,588	\$(9,390)	\$211	\$378,048
Balance at June 30, 2015	19,488,449	\$195	\$210,621	\$168,357	\$(8,993)	\$870	\$371,050
Net income	—	—	—	2,564	—	—	2,564
Stock repurchased	(414,362)	(4)	(7,367)	—	—	—	(7,371)
Forfeited restricted stock	(450)	—	—	—	—	—	—
Exercised stock options	400	—	6	—	—	—	6
Stock option expense	—	—	442	—	—	—	442
Restricted stock expense	—	—	346	—	—	—	346
ESOP shares allocated	—	—	103	—	132	—	235
Other comprehensive income	—	—	—	—	—	876	876
Balance at September 30, 2015	19,074,037	\$191	\$204,151	\$170,921	\$(8,861)	\$1,746	\$368,148

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)

	Three Months Ended September 30,	
	2015	2014
Operating Activities:		
Net income	\$2,564	\$2,256
Adjustments to reconcile net income to net cash provided by operating activities:		
Recovery of loan losses	—	(250)
Depreciation	1,046	760
Deferred income tax expense	1,571	668
Net amortization and accretion	(1,442)	(491)
Gain on sale and impairment of REO	(21)	(36)
Gain on sale of loans held for sale	(455)	(430)
Origination of loans held for sale	(22,561)	(16,776)
Proceeds from sales of loans held for sale	24,878	17,111
Increase (decrease) in deferred loan fees, net	153	(620)
Increase (decrease) in accrued interest receivable and other assets	7,544	(387)
Amortization of core deposit intangibles	774	413
Earnings from bank owned life insurance	(509)	(467)
ESOP compensation expense	235	201
Restricted stock and stock option expense	788	673
Decrease in other liabilities	(3,031)	(5,566)
Net cash provided by (used in) operating activities	11,534	(2,941)
Investing Activities:		
Purchase of securities available for sale	(11,100)	(5,303)
Proceeds from maturities of securities available for sale	13,060	16,000
Net decrease in commercial paper	13,224	—
Purchase of certificates of deposit in other banks	(7,453)	(23,935)
Maturities of certificates of deposit in other banks	21,696	11,846
Principal repayments of mortgage-backed securities	7,320	5,792
Net purchases of other investments	(42)	(8,270)
Net increase in loans	(55,842)	(24,575)
Purchase of premises and equipment	(420)	(3,197)
Capital improvements to REO	—	(42)
Proceeds from sale of REO	639	1,822
Acquisition of Bank of Commerce, net of cash received	—	(7,759)
Net cash used in investing activities	(18,918)	(37,621)
Financing Activities:		
Net decrease in deposits	(52,176)	(17,669)
Net increase in other borrowings	1,000	46,828
Common stock repurchased	(7,371)	(2,538)
Exercised stock options	6	339
Decrease in capital lease obligations	(5)	(5)
Net cash provided by (used in) financing activities	(58,546)	26,955
Net Decrease in Cash and Cash Equivalents	(65,930)	(13,607)
Cash and Cash Equivalents at Beginning of Period	116,160	45,830
Cash and Cash Equivalents at End of Period	\$50,230	\$32,223



Supplemental Disclosures:	Three Months Ended September 30,	
	2015	2014
Cash paid during the period for:		
Interest	\$1,445	\$1,298
Income taxes	100	120
Noncash transactions:		
Unrealized gain (loss) in value of securities available for sale, net of income taxes	876	(34 )
Transfers of loans to REO	228	309
Business Combinations:		
Assets acquired	—	124,956
Liabilities assumed	—	114,956
Net assets acquired	—	10,000
The accompanying notes are an integral part of these consolidated financial statements.		

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## 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 ("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 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, 2015 ("2015 Form 10-K") filed with the SEC on September 11, 2015. The results of operations for the three months ended September 30, 2015 are not necessarily indicative of results that may be expected for the entire fiscal year ending June 30, 2016. 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 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 and acquired loans, (iii) the valuation of REO, (iv) the valuation of goodwill and other intangible assets, 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 2015 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 was effective, for the Company, for interim and annual reporting periods beginning after June 30, 2015. The adoption of ASU No. 2014-04 did not 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 were 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 did not 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. 2015-01 is not expected to have a material impact on the Company's Consolidated Financial Statements.

In April 2015, FASB issued ASU No. 2015-05, "Customer's Accounting for Fees Paid in a Cloud Computing Arrangement." The amendments in this ASU provide guidance to customers in cloud computing arrangements about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The amendments are effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2015. Early adoption is permitted. This ASU is not expected to have a material effect on the Company's Consolidated Financial Statements.

In June 2015, FASB issued ASU No. 2015-10, "Technical Corrections and Improvements." On November 10, 2010 FASB added a standing project that will facilitate the FASB Accounting Standards Codification ("Codification") updates for technical corrections, clarifications, and improvements. These amendments are referred to as Technical Corrections and Improvements. Maintenance updates include non-substantive corrections to the Codification, such as editorial corrections, various link-related changes, and changes to source fragment information. This update contains amendments that will affect a wide variety of Topics in the Codification. The amendments in this ASU will apply to all reporting entities within the scope of the affected accounting guidance and generally fall into one of four categories: amendments related to differences between original guidance and the Codification, guidance clarification and reference corrections, simplification, and minor improvements. In summary, the amendments in this ASU represent changes to clarify the Codification, correct unintended application of guidance, or make minor improvements to the Codification that are not expected to have a significant effect on current accounting practice. Transition guidance varies based on the amendments in this ASU. The amendments in this ASU that require transition guidance are effective for fiscal years and interim reporting periods after December 15, 2015. Early adoption is permitted including adoption in an interim period. All other amendments are effective upon the issuance of this ASU. ASU 2015-10 did not have a material impact on the Company's Consolidated Financial Statements.

In August 2015, the FASB issued ASU No. 2015-15, "Interest-Imputation of Interest (Subtopic 835-30), Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements." The ASU provides guidance not previously included in ASU 2015-03 regarding debt issuance related to line-of-credit arrangements. The amendment allows an entity to present debt issuance costs as an asset and subsequently amortize the deferred debt issuance costs over the term of the line-of-credit arrangement, regardless if there are any outstanding borrowings on the line-of-credit arrangement. The amendment is effective for fiscal years beginning after December 15, 2015. The adoption of ASU No. 2015-15 is not expected to have a material impact on the Company's Consolidated Financial Statements.

In September 2015, the FASB issued ASU No. 2015-16, "Business Combinations (Topic 805)". The ASU simplifies the accounting for measurement period adjustments. The amendments require that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period when the adjustment amounts are determined. The acquirer is required to record in the same period's financial statements the effect on earnings from changes in depreciation, amortization, or other income effects resulting from the change to provisional amounts, calculated as if the accounting had been completed at the acquisition date. The acquirer must present separately on the income statement, or disclose in the notes, the amount recorded in current-period earnings that would have been recorded in previous reporting periods if the provisional amount had been recognized at the acquisition date. For public business entities, the amendments are effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. The adoption of ASU No. 2015-16 is not expected to



have a material impact on the Company's Consolidated Financial Statements.

### 3. Business Combinations

All business combinations are 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.

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.

## 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 Branch Acquisition 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	—	7,936	7,936
Total assets acquired	\$328,024	\$10,979	\$339,003
Liabilities			
Deposits	\$328,007	\$1,174	\$329,181
Other liabilities	17	—	17
Total liabilities assumed	\$328,024	\$1,174	\$329,198
Net identifiable assets acquired over liabilities assumed	\$—	\$9,805	\$9,805
Goodwill			\$—

## HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)

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.

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 \$1,922 in goodwill related to the acquisition.

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	(2,855 )	86,484
Federal Home Loan Bank ("FHLB") Stock	791	—	791
REO	224	(14 )	210
Premises and equipment, net	135	—	135
Accrued interest receivable	355	(100 )	255
Deferred income taxes	286	2,839	3,125
Core deposit intangibles	—	640	640
Other assets	4,931	(6 )	4,925
Total assets acquired	\$122,530	\$504	\$123,034
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	\$220	\$8,078
Goodwill			\$1,922

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	29,048	30,047	59,095
Construction and development	202	3,020	3,222
Commercial and industrial	5,402	3,877	9,279

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Total	\$46,229	\$40,255	\$86,484
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## HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)

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.

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 \$7,949 in goodwill related to the acquisition.

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	(675)	85,069
Loans, net of allowance	338,616	(8,704)	329,912
FHLB Stock	4,635	—	4,635
REO	3,288	(1,064)	2,224
Premises and equipment, net	24,662	(1,487)	23,175
Accrued interest receivable	1,367	(90)	1,277
Deferred income taxes	9,606	3,637	13,243
Core deposit intangibles	847	2,683	3,530
Other assets	7,171	(393)	6,778
Total assets acquired	\$494,261	\$(6,093)	\$488,168
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	\$(9,862)	42,541
Goodwill			\$7,949

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	3,690	2	3,692

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Commercial:

Commercial real estate	119,635	15,649	135,284
Construction and development	24,658	1,012	25,670
Commercial and industrial	52,863	6,350	59,213
Total	\$299,891	\$30,021	\$329,912

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## HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)

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. On October 27, 2015, additional contingent cash consideration of \$0.41 per share (or approximately \$484) was paid at the expiration of a 24 month performance period on a select pool of loans totaling approximately \$8,000.

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 <sup>(1)</sup>			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 after 24 months based on performance of a select pool of loans totaling approximately \$8,000. Actual amount paid was \$484 on October 27, 2015.

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

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Home equity lines of credit	3,987	134	4,121
Consumer	522	—	522
Commercial:			
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

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## HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)

## 4. Securities Available for Sale

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

	September 30, 2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Government Agencies	\$ 113,429	\$ 839	\$—	\$ 114,268
Residential Mortgage-backed Securities of U.S. Government				
Agencies and Government-Sponsored Enterprises	112,977	1,220	(92	) 114,105
Municipal Bonds	16,713	572	(22	) 17,263
Corporate Bonds	3,884	128	—	4,012
Equity Securities	63	—	—	63
Total	\$247,066	\$2,759	\$(114	) \$249,711

	June 30, 2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Government Agencies	\$ 115,683	\$ 455	\$(67	) \$ 116,071
Residential Mortgage-backed Securities of U.S. Government				
Agencies and Government-Sponsored Enterprises	120,294	674	(159	) 120,809
Municipal Bonds	16,359	372	(53	) 16,678
Corporate Bonds	3,889	96	—	3,985
Equity Securities	63	—	—	63
Total	\$256,288	\$1,597	\$(279	) \$257,606

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.

	September 30, 2015	
	Amortized Cost	Estimated Fair Value
Due within one year	\$314	\$314
Due after one year through five years	83,887	84,293
Due after five years through ten years	46,066	47,041
Due after ten years	3,759	3,895
Mortgage-backed securities	112,977	114,105
Total	\$247,003	\$249,648

The Company had no sales of securities available for sale during the three months ended September 30, 2015 and 2014.

Securities available for sale with costs totaling \$180,071 and \$181,404 with market values of \$181,825 and \$182,217 at September 30, 2015 and June 30, 2015, 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 September 30, 2015 and June 30, 2015 were as follows:



## HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)

	September 30, 2015					
	Less than 12 Months		12 Months or More		Total	Unrealized Losses
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	
U.S. Government Agencies	\$—	\$—	\$—	\$—	\$—	
Residential Mortgage-backed Securities of U.S. Government Agencies and Government- Sponsored Enterprises	6,684	(17 )	7,312	(75 )	13,996	(92 )
Municipal Bonds	1,125	(22 )	—	—	1,125	(22 )
Total	\$7,809	\$(39 )	\$7,312	\$(75 )	\$15,121	\$(114 )
	June 30, 2015					
	Less than 12 Months		12 Months or More		Total	Unrealized Losses
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	
U.S. Government Agencies	\$35,793	\$(67 )	\$—	\$—	\$35,793	
Residential Mortgage-backed Securities of U.S. Government Agencies and Government- Sponsored Enterprises	24,429	(81 )	5,037	(78 )	29,466	(159 )
Municipal Bonds	3,920	(53 )	—	—	3,920	