

HomeTrust Bancshares, Inc.
Form 10-Q
May 10, 2018

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, 2018

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) (IRS Employer Identification No.)

45-5055422

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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth company

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

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

APPLICABLE ONLY TO CORPORATE ISSUERS

There were 19,037,268 shares of common stock, par value of \$.01 per share, issued and outstanding as of May 7, 2018.

HOMETRUST BANCSHARES, INC. AND SUBSIDIARIES
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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)	
	March 31, 2018	June 30, 2017
Assets		
Cash	\$38,100	\$41,982
Interest-bearing deposits	41,296	45,003
Cash and cash equivalents	79,396	86,985
Commercial paper	239,435	149,863
Certificates of deposit in other financial institutions	84,218	132,274
Securities available for sale, at fair value	160,971	199,667
Other investments, at cost	36,783	39,355
Loans held for sale	6,071	5,607
Total loans, net of deferred loan fees	2,445,755	2,351,470
Allowance for loan losses	(21,472)	(21,151)
Net loans	2,424,283	2,330,319
Premises and equipment, net	62,725	63,648
Accrued interest receivable	9,216	8,758
Real estate owned ("REO")	5,053	6,318
Deferred income taxes	34,311	57,387
Bank owned life insurance ("BOLI")	87,532	85,981
Goodwill	25,638	25,638
Core deposit intangibles	5,131	7,173
Other assets	10,100	7,560
Total Assets	\$3,270,863	\$3,206,533
Liabilities and Stockholders' Equity		
Liabilities		
Deposits	\$2,180,324	\$2,048,451
Borrowings	625,000	696,500
Capital lease obligations	1,920	1,937
Other liabilities	62,066	61,998
Total liabilities	2,869,310	2,808,886
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, 19,034,868 shares issued and outstanding at March 31, 2018; 18,967,875 at June 30, 2017	190	190
Additional paid in capital	216,712	213,459
Retained earnings	193,368	191,660
Unearned Employee Stock Ownership Plan ("ESOP") shares	(7,538)	(7,935)
Accumulated other comprehensive income (loss)	(1,179)	273
Total stockholders' equity	401,553	397,647
Total Liabilities and Stockholders' Equity	\$3,270,863	\$3,206,533

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)

	(Unaudited)		Nine Months Ended	
	Three Months Ended		March 31,	
	March 31,	March 31,	March 31,	March 31,
	2018	2017	2018	2017
Interest and Dividend Income				
Loans	\$26,355	\$ 24,747	\$77,745	\$ 65,098
Securities available for sale	916	1,243	2,791	2,986
Certificates of deposit and other interest-bearing deposits	1,498	868	3,970	2,850
Other investments	496	433	1,503	1,211
Total interest and dividend income	29,265	27,291	86,009	72,145
Interest Expense				
Deposits	1,622	1,215	4,509	3,355
Borrowings	2,414	1,004	6,460	2,166
Total interest expense	4,036	2,219	10,969	5,521
Net Interest Income	25,229	25,072	75,040	66,624
Provision for Loan Losses	—	—	—	—
Net Interest Income after Provision for Loan Losses	25,229	25,072	75,040	66,624
Noninterest Income				
Service charges and fees on deposit accounts	2,202	1,869	6,426	5,670
Loan income and fees	1,410	781	3,873	2,694
BOLI income	536	511	1,616	1,576
Gain from sale of premises and equipment	—	—	164	385
Other, net	778	528	2,211	1,547
Total noninterest income	4,926	3,689	14,290	11,872
Noninterest Expense				
Salaries and employee benefits	11,927	12,191	36,252	34,721
Net occupancy expense	2,389	2,463	7,211	6,538
Marketing and advertising	334	374	1,106	1,263
Telephone, postage, and supplies	748	728	2,181	1,914
Deposit insurance premiums	413	404	1,246	885
Computer services	1,600	1,721	4,740	4,796
Loss (gain) on sale and impairment of REO	194	(181)	) 152	288
REO expense	311	447	757	969
Core deposit intangible amortization	642	797	2,042	2,065
Merger-related expenses	—	7,401	—	7,736
Other	2,763	2,467	7,890	7,248
Total noninterest expense	21,321	28,812	63,577	68,423
Income (Loss) Before Income Taxes	8,834	(51)	) 25,753	10,073
Income Tax Expense (Benefit)	2,707	(325)	) 24,725	2,992
Net Income	\$6,127	\$ 274	\$ 1,028	\$ 7,081
Per Share Data:				
Net income per common share:				
Basic	\$0.34	\$ 0.01	\$0.06	\$ 0.40
Diluted	\$0.32	\$ 0.01	\$0.06	\$ 0.40
Average shares outstanding:				

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Basic	18,052,000	17,808,920	17,997,997	17,194,466
Diluted	18,761,586	18,396,154	18,688,486	17,728,783

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

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HOMETRUST BANCSHARES, INC. AND SUBSIDIARY
 Consolidated Statements of Comprehensive Income (Loss)
 (Dollars in thousands)

	(Unaudited)			
	Three Months		Nine Months	
	Ended		Ended	
	March 31,		March 31,	
	2018	2017	2018	2017
Net Income	\$6,127	\$274	\$1,028	\$7,081
Other Comprehensive Loss				
Unrealized holding losses on securities available for sale				
Losses arising during the period	(1,216)	(11)	(2,074)	(3,552)
Deferred income tax benefit	365	4	622	1,208
Total other comprehensive loss	\$(851)	\$(7)	\$(1,452)	\$(2,344)
Comprehensive Income (Loss)	\$5,276	\$267	\$(424)	\$4,737

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	Retained	Unearned	Accumulated	Total
	Shares	Amount	Paid In Capital	Earnings	ESOP Shares	Other Comprehensive Income (loss)	Stockholders' Equity
Balance at June 30, 2016	17,998,750	\$ 180	\$ 186,104	\$ 179,813	\$(8,464)	\$ 2,343	\$ 359,976
Net income	—	—	—	7,081	—	—	7,081
Forfeited restricted stock	(1,000)	—	—	—	—	—	—
Retired stock	(22,794)	—	(569)	—	—	—	(569)
Shares issued for TriSummit Bancorp, Inc. merger	765,277	7	20,036	—	—	—	20,043
Granted restricted stock	47,500	—	—	—	—	—	—
Exercised stock options	159,443	2	2,452	—	—	—	2,454
Stock option expense	—	—	2,075	—	—	—	2,075
Restricted stock expense	—	—	1,169	—	—	—	1,169
ESOP shares allocated	—	—	464	—	397	—	861
Other comprehensive loss	—	—	—	—	—	(2,344)	(2,344)
Balance at March 31, 2017	18,947,176	\$ 189	\$ 211,731	\$ 186,894	\$(8,067)	\$ (1)	\$ 390,746
Balance at June 30, 2017	18,967,875	\$ 190	\$ 213,459	\$ 191,660	\$(7,935)	\$ 273	\$ 397,647
Net income	—	—	—	1,028	—	—	1,028
Cumulative-effect adjustment on the change in accounting for share-based payments	—	—	—	680	—	—	680
Forfeited restricted stock	(6,600)	—	—	—	—	—	—
Retired stock	(19,007)	—	(494)	—	—	—	(494)
Shares issued for TriSummit Bancorp, Inc. merger	—	—	—	—	—	—	—
Granted restricted stock	55,200	—	—	—	—	—	—
Exercised stock options	37,400	—	553	—	—	—	553
Stock option expense	—	—	1,517	—	—	—	1,517
Restricted stock expense	—	—	1,066	—	—	—	1,066
ESOP shares allocated	—	—	611	—	397	—	1,008
Other comprehensive loss	—	—	—	—	—	(1,452)	(1,452)
Balance at March 31, 2018	19,034,868	\$ 190	\$ 216,712	\$ 193,368	\$(7,538)	\$ (1,179)	\$ 401,553

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

HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

(Dollars in thousands)

	(Unaudited)	
	Nine Months	
	Ended March 31,	
	2018	2017
Operating Activities:		
Net income	\$1,028	\$7,081
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,842	2,741
Deferred income tax expense	24,403	2,814
Net amortization and accretion	(4,141)	(5,241)
Gain from sale of premises and equipment	(164)	(385)
Loss on sale and impairment of REO	152	288
Gain on sale of loans held for sale	(2,398)	(1,999)
Origination of loans held for sale	(93,958)	(103,923)
Proceeds from sales of loans held for sale	95,892	107,377
Increase (decrease) in deferred loan fees, net	123	(965)
Increase in accrued interest receivable and other assets	(2,998)	(2,433)
Amortization of core deposit intangibles	2,042	2,065
BOLI income	(1,616)	(1,576)
ESOP compensation expense	1,008	861
Restricted stock and stock option expense	2,583	3,244
Decrease (increase) in other liabilities	68	(948)
Net cash provided by operating activities	24,866	9,001
Investing Activities:		
Purchase of securities available for sale	—	(15,091)
Proceeds from maturities of securities available for sale	19,680	23,645
Proceeds from sale of securities available for sale	—	16,341
Net maturities (purchases) of commercial paper	(87,096)	61,362
Purchase of certificates of deposit in other banks	(13,217)	(31,431)
Maturities of certificates of deposit in other banks	61,273	54,547
Principal repayments of mortgage-backed securities	16,112	18,287
Net redemptions (purchases) of other investments	2,572	(3,169)
Net increase in loans	(92,774)	(187,031)
Purchase of BOLI	(81)	(175)
Proceeds from redemption of BOLI	146	—
Purchase of premises and equipment	(2,678)	(2,270)
Capital improvements to REO	(18)	(11)
Proceeds from sale of premises and equipment	923	395
Proceeds from sale of REO	2,288	2,834
Acquisition costs related to United Financial of North Carolina Inc.	—	(200)
Acquisition costs related to TriSummit Bancorp, Inc.	—	(10,585)
Net cash used in investing activities	(92,870)	(72,552)
Financing Activities:		
Net increase in deposits	131,873	1,829
Net increase (decrease) in other borrowings	(71,500)	87,531
Retired stock	(494)	(569)

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Exercised stock options	553	2,454
Decrease in capital lease obligations	(17)	(16)
Net cash provided by financing activities	60,415	91,229
Net Decrease in Cash and Cash Equivalents	(7,589)	27,678
Cash and Cash Equivalents at Beginning of Period	86,985	52,596
Cash and Cash Equivalents at End of Period	\$79,396	\$80,274

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HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows (continued)

(Dollars in thousands)

	(Unaudited)	
	Nine Months	
Supplemental Disclosures:	Ended March 31,	
	2018	2017
Cash paid during the period for:		
Interest	\$10,674	\$6,216
Income taxes	477	203
Noncash transactions:		
Unrealized loss in value of securities available for sale, net of income taxes	(1,452)	(2,344)
Transfers of loans to REO	1,157	1,923
Cumulative-effect adjustment on the change in accounting for share-based payments	680	—
Payable related to the acquisition of United Financial Inc. of North Carolina	—	225

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 (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, 2017 ("2017 Form 10-K") filed with the SEC on September 12, 2017. The results of operations for the three and nine months ended March 31, 2018 are not necessarily indicative of results that may be expected for the entire fiscal year ending June 30, 2018.

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 2017 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.

Certain amounts reported in prior periods' consolidated financial statements have been reclassified to conform to the current presentation. Such reclassifications had no effect on previously reported cash flows, stockholders' equity or net income.

2. Recent Accounting Pronouncements

In August 2015, the Financial Accounting Standards Board ("FASB") issued ASU No. 2015-14, "Revenue from Contracts with Customers (Topic 606)", which defers the effective date of Accounting Standard Update ("ASU") No. 2014-09 one year. ASU No. 2014-09 created Topic 606 and supersedes Topic 605, Revenue Recognition. The core principle of Topic 606 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In general, the new guidance requires companies to use more judgment and make more estimates than under current guidance, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. In May 2016, the FASB issued ASU No. 2016-12, Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients, which provides clarifying guidance in certain narrow areas and adds some practical expedients, but does not change the core revenue recognition principle in Topic

606. These ASUs are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. For financial reporting purposes, the standard allows for either full retrospective adoption, meaning the standard is applied to all of the periods presented, or modified retrospective adoption, meaning the standard is applied only to the most current period presented in the financial statements with the cumulative effect of initially applying the standard recognized at the date of initial application. A significant amount of the Company's revenues are derived from net interest income on financial assets and liabilities, which are excluded from the scope of the amended guidance. With respect to noninterest income, the Company is finalizing our review of all revenue streams and underlying revenue contracts within the scope of the guidance as well as updating processes and procedures during the final quarter of fiscal 2018 to ensure it is fully compliant with these amendments at the adoption date. To date, the Company has not yet identified any significant changes in the timing of revenue recognition when considering the amended accounting guidance; however, the Company's implementation efforts are ongoing and such assessments may change prior to the July 1, 2018 implementation date.

In January 2016, the FASB issued ASU 2016-01, "Financial Instruments (Subtopic 825-10) Recognition and Measurement of Financial Assets and Financial Liabilities." The ASU amends the guidance in GAAP on the classification and measurement of financial instruments. The ASU includes the following changes: i) equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income; (ii) requires the use of exit price notion when measuring the fair value of financial instruments for disclosure purposes; (iii) require separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (i.e. securities or loans and receivables) on the balance sheet or the

HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)

accompanying notes to the financial statements; (iv) allows an equity investment that does not have readily determinable fair values, to be measured at cost minus impairment (if any), plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer; (v) eliminates the requirement to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet, and requires a reporting organization to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk (also referred to as "own credit") when the organization has elected to measure the liability at fair value in accordance with the fair value option for financial instruments; (vi) requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (i.e. securities or loans and receivables) on the balance sheet or in the accompanying notes to the financial statements; and (vii) clarifies that a valuation allowance on a deferred tax asset related to available-for-sale securities should be evaluated in combination with the organization's other deferred tax assets. Exit price is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The amendments in this ASU are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. The adoption of ASU No. 2016-01 is not expected to have a material impact on the Company's Consolidated Financial Statements. Management is in the planning stages of developing processes and procedures to comply with the disclosures requirements of this ASU, which could impact the disclosures the Company makes related to fair value of its financial instruments.

In February 2016, the FASB issued ASU 2016-02, "Leases (Accounting Standards Codification ("ASC") 842)." The guidance in this ASU requires most leases to be recognized on the balance sheet as a right-of-use asset and a lease liability. It will be critical to identify leases embedded in a contract to avoid misstating the lessee's balance sheet. For income statement purposes, the FASB retained a dual model, requiring leases to be classified as either operating or finance. Classification will be based on criteria that are largely similar to those applied in current lease accounting, but without explicit bright lines. The amendments in this ASU are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2018. We are currently evaluating the impact of this guidance on our Consolidated Financial Statements and the timing of adoption. The Company will compile an inventory of all leased assets to determine the impact of ASU 2016-02 on its financial condition and results of operations. Once adopted, we expect to report higher assets and liabilities on our Consolidated Balance Sheets as a result of including right-of-use assets and lease liabilities related to certain banking offices and certain equipment under noncancelable operating lease agreements, which currently are not reflected in our Consolidated Balance Sheets. We do not expect the guidance to have a material impact on the Consolidated Statements of Income or the Consolidated Statements of Changes in Stockholders' Equity.

In March 2016, the FASB issued ASU 2016-09, "Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting." The ASU changes the accounting for certain aspects of share-based payments to employees. The guidance requires the recognition of the income tax effects of awards in the income statement when the awards vest or are settled, thus eliminating additional paid in capital pools. The guidance also allows for the employer to repurchase more of an employee's shares for tax withholding purposes without triggering liability accounting. In addition, the guidance allows for a policy election to account for forfeitures as they occur rather than on an estimated basis. We have elected to account for forfeitures of stock-based awards as they occur. The Company has adopted the amendments in this ASU and appropriate disclosures have been included in this Note. At the adoption of this ASU, we had a cumulative adjustment to retained earnings of \$680,000. In accordance with the transition guidance outlined in this ASU, the adoption had no effect on net income or shareholder's equity in any previously issued periods. Going forward, we expect this ASU to create some volatility in our reported income tax expense related to the excess tax benefits for employee stock-based transactions, however, the actual amounts recognized will be dependent on the amount of employee stock-based transactions and the stock price at the time of exercise or vesting.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." The ASU significantly changes the impairment model for most financial assets that are measured at amortized cost and certain other instruments from an incurred loss model to an expected loss model. The amendments in this ASU are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2019. Early adoption is permitted for all entities beginning after December 15, 2018, including interim periods within those fiscal years. The Company is in the process of identifying required changes to the loan loss estimation models and processes and evaluating the impact of this new guidance. Once adopted, we expect our allowance for loan losses to increase, however, until our evaluation is complete the magnitude of the increase will be unknown.

In August 2016, the FASB issued ASU No. 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments." The ASU amends the guidance on the classification of certain cash receipts and payments in the statement of cash flows and is intended to reduce the diversity in practice. The amendments in this ASU are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Early adoption is permitted for all entities beginning after December 15, 2017, including interim periods within those fiscal years. The Company completed its evaluation of the ASU and does not expect a material impact upon adoption of the ASU on its Consolidated Financial Statements.

In January 2017, FASB issued ASU 2017-04, "Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment." The ASU removes the requirement to compare the implied fair value of goodwill with its carrying value as required in Step 2 of the goodwill impairment test. Under the ASU, registrants would perform their goodwill impairment test and recognize an impairment charge for any amount the carrying value exceeds the reporting unit's fair value, but limited by the amount of goodwill allocated to that reporting unit. The amendments in this ASU are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2019. Early adoption is permitted for all entities after January 1, 2017. The Company did early adopt this ASU and adoption did not have a material effect on the Company's Consolidated Financial Statements.

In March 2017, FASB issued ASU 2017-08, "Receivables-Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities." The ASU requires entities to amortize the premium on certain purchased callable debt securities to the

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earliest call date, which more closely aligns the amortization period of premiums and discounts to expectations incorporated in the market prices. Entities will no longer recognize a loss in earnings upon the debtor's exercise of a call on a purchased debt security held at a premium. The ASU does not require any accounting change for debt securities held at a discount, therefore the discount will continue to be amortized as an adjustment of yield over the contractual life of the investment. The amendments in this ASU are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2018. Early adoption is permitted for all entities. The adoption of ASU No. 2017-08 is not expected to have a material impact on the Company's Consolidated Financial Statements.

In May 2017, the FASB issued ASU 2017-09, "Compensation-Stock Compensation (Topic 718): Scope of Modification Accounting." This ASU provides clarity on the guidance related to stock compensation when there have been changes to the terms or conditions of a share-based payment award to which an entity would be required to apply modification accounting under ASC 718. The ASU provides the three following criteria must be met in order to not account for the effect of the modification of terms or conditions: the fair value, the vesting conditions and the classification as an equity or liability instrument of the modified award is the same as the original award immediately before the original award is modified. The amendments in this ASU are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Early adoption is permitted. The adoption of ASU No. 2017-09 is not expected to have a material impact on the Company's Consolidated Financial Statements.

In August 2017, FASB issued ASU 2017-12, "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities." This ASU improves the transparency and understandability of disclosures in the financial statements regarding the entities risk management activities and reduces the complexity of hedge accounting. The amendments in this ASU permit hedge accounting for hedging relationships involving nonfinancial risk and interest rate risk by removing certain limitations in cash flow and fair value hedging relationships. In addition, the ASU requires an entity to present the earnings effect of the hedging instrument in the same income statement line item in which the earnings effect of the hedged item is reported. The amendments in this ASU are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2018 and early adoption is permitted. The adoption of ASU No. 2017-12 is not expected to have a material impact on the Company's Consolidated Financial Statements.

In February 2018, FASB issued ASU 2018-02, "Income Statement-Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income." The ASU allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the revaluation of the Company's net deferred tax assets ("DTA") to the new corporate federal income tax rate of 21% as a result of the Tax Cuts and Jobs Act ("Tax Act"). The amendments in this ASU are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2018. Early adoption is permitted for all entities. The affected amount for the Company was immaterial and will not have an effect on the Company's Consolidated Financial Statements.

In February 2018, FASB issued ASU No. 2018-03, "Technical Corrections and Improvements to Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities." The amendments 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. Specifically, these amendments sought to make targeted improvements to address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments as well as a number of consequential amendments to ASC 321, Investments—Equity Securities. Transition guidance varies based on the public entities year end. For public companies with fiscal years beginning between June 15, 2018 and December 15, 2018, the amendments are required to be adopted along with ASU 2016-01. Early adoption is permitted. The adoption of ASU No. 2018-03 is not expected to have a material impact on the Company's Consolidated Financial Statements.

In March 2018, FASB issued ASU No. 2018-05, Income Taxes (Topic 740). This ASU was issued to provide guidance on the income tax accounting implications of the Tax Act and allows for entities to report provisional

amounts for specific income tax effects of the Act for which the accounting under Topic 740 was not yet complete, but a reasonable estimate could be determined. A measurement period of one-year is allowed to complete the accounting effects under Topic 740 and revise any previous estimates reported. Any provisional amounts or subsequent adjustments included in an entity's financial statements during the measurement period should be included in income from continuing operations as an adjustment to tax expense in the reporting period the amounts are determined. The Company adopted this ASU with the provisional adjustments as reported in the Consolidated Financial Statements on Form 10-Q as of December 31, 2017. As of March 31, 2018, the Company did not incur any adjustments to the provisional recognition.

3. Business Combinations

All business combinations are accounted for using the acquisition method of accounting and, accordingly, assets acquired, liabilities assumed and consideration exchanged are 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.

United Financial of North Carolina, Inc.

On December 31, 2016, the Bank acquired United Financial of North Carolina, Inc. ("United Financial"), a municipal lease company headquartered in Fletcher, North Carolina that specializes in providing financing for fire departments and municipalities to purchase fire trucks and related equipment as well as to construct fire stations and other municipal buildings across the Carolinas and other southeastern states. United Financial underwrites and originates municipal leases and then sells them to HomeTrust and other financial institutions. Since January 1, 2017, United Financial has conducted business under the name United Financial, a division of HomeTrust Bank.

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The total consideration paid by the Bank in the United Financial acquisition approximates \$425. Per the merger agreement, a cash payment of \$200 was paid on the acquisition date with an additional \$225 due in the third quarter of fiscal 2018; all of which was allocated to goodwill.

TriSummit Bancorp. Inc.

On January 1, 2017, HomeTrust completed its acquisition of TriSummit Bancorp, Inc., (“TriSummit”) pursuant to an Agreement and Plan of Merger, dated as of September 20, 2016, under which TriSummit merged with and into HomeTrust (the “Merger”) with HomeTrust as the surviving corporation in the Merger. Immediately following the Merger, TriSummit's wholly owned subsidiary bank, TriSummit Bank, merged with and into the Bank (together with the Merger, the “TriSummit Merger”).

Pursuant to the Merger Agreement, each share of the common stock of TriSummit and each share of Series A Preferred Stock of TriSummit issued and outstanding immediately prior to the Merger (on an as converted basis to a share of TriSummit common stock) was converted into the right to receive \$4.40 in cash and .2099 shares of HomeTrust common stock, with cash paid in lieu of fractional share interests. At the Merger date, 50% of outstanding options granted by TriSummit were canceled. The remaining options were assumed by HomeTrust and converted into options to purchase 86,185 shares of HomeTrust Common Stock. In addition, TriSummit's \$7,222 Series B, Series C and Series D TARP preferred stock (all held by private shareholders) was redeemed in connection with the closing of the merger.

The total consideration paid by HomeTrust in the TriSummit Merger approximates \$36,126. The total number of HomeTrust shares issued was 765,277 shares. HomeTrust paid aggregate cash consideration of approximately \$16,083.

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The following table presents the consideration paid by the Company in the acquisition of TriSummit and the assets acquired and liabilities assumed as of January 1, 2017:

	As Recorded by TriSummit	Fair Value and Other Merger Related Adjustments	As Recorded by the Company
Consideration Paid:			
Cash paid including cash in lieu of fractional shares			\$ 16,083
Fair value of HomeTrust common stock at \$25.90 per share			20,043
Total consideration			\$ 36,126
Assets:			
Cash and cash equivalents	\$ 5,498	\$ —	\$ 5,498
Certificates of deposit in other banks	250	—	250
Investment securities	58,728	(203)	58,525
Other investments, at cost	2,614	—	2,614
Loans, net	261,926	(3,867)	258,059
Premises and equipment, net	12,841	(2,419)	10,422
REO	1,633	(122)	1,511
Deferred income tax	2,653	4,462	7,115
Bank owned life insurance	3,762	—	3,762
Core deposit intangibles	1,285	1,575	2,860
Other assets	1,453	(105)	1,348
Total assets acquired	\$ 352,643	\$ (679)	\$ 351,964
Liabilities:			
Deposits	\$ 279,647	\$ 587	280,234
Borrowings	47,453	16	47,469
Other liabilities	675	—	675
Total liabilities assumed	\$ 327,775	\$ 603	\$ 328,378
Net identifiable assets acquired over liabilities assumed	\$ 24,868	\$ (1,282)	\$ 23,586
Goodwill			\$ 12,540

The carrying amount of acquired loans from TriSummit as of January 1, 2017 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	\$ 75,179	\$ 3,753	\$ 78,932
Home equity line of credit ("HELOCs")	6,479	2	6,481
Construction and land/lots	15,591	—	15,591
Consumer	1,686	17	1,703
Commercial:			
Commercial real estate	107,880	3,494	111,374
Construction and development	15,253	142	15,395
Commercial and industrial	28,295	288	28,583
Total	\$ 250,363	\$ 7,696	\$ 258,059

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Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)

The following table presents the performing loans receivable purchased from TriSummit at January 1, 2017, the acquisition date:

Contractually required principal payments receivable	\$255,852
Adjustment for credit, interest rate, and liquidity	5,489
Balance of purchased loans receivable	\$250,363

The following table presents the PCI loans acquired from TriSummit at January 1, 2017, the acquisition date:

Contractually required principal and interest payments receivable	\$11,474
Amounts not expected to be collected - nonaccretable difference	2,490
Estimated payments expected to be received	8,984
Accretable yield	1,288
Fair value of PCI loans	\$7,696

4. Securities Available for Sale

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

	March 31, 2018			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Government Agencies	\$48,006	\$ 12	\$(487)	) \$47,531
Residential Mortgage-backed Securities of U.S. Government Agencies and Government-Sponsored Enterprises	76,390	92	(1,222)	) 75,260
Municipal Bonds	32,006	186	(156)	) 32,036
Corporate Bonds	6,191	27	(137)	) 6,081
Equity Securities	63	—	—	) 63
Total	\$162,656	\$ 317	\$(2,002)	) \$160,971
	June 30, 2017			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Government Agencies	\$65,947	\$ 184	\$(301)	) \$65,830
Residential Mortgage-backed Securities of U.S. Government Agencies and Government-Sponsored Enterprises	92,841	411	(281)	) 92,971
Municipal Bonds	34,135	403	(28)	) 34,510
Corporate Bonds	6,267	114	(88)	) 6,293
Equity Securities	63	—	—	) 63
Total	\$199,253	\$ 1,112	\$(698)	) \$199,667

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, 2018	
	Amortized Cost	Estimated Fair Value
Due within one year	\$21,551	\$21,409
Due after one year through five years	46,584	46,062
Due after five years through ten years	8,691	8,807
Due after ten years	9,377	9,370
Mortgage-backed securities	76,390	75,260

Total \$ 162,593 \$ 160,908

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(Dollars in thousands, except per share data)

The Company had no sales of securities available for sale during the three and nine months ended March 31, 2018. Proceeds from sales of securities available for sale were \$16,341 in the three and nine months ended March 31, 2017. There were no gross realized gains or losses for the three and nine months ended March 31, 2018 and 2017, respectively.

Securities available for sale with costs totaling \$143,712 and \$156,592 and market values of \$142,340 and \$154,264 at March 31, 2018 and June 30, 2017, respectively, were pledged as collateral to secure various public deposits and other borrowings.

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, 2018 and June 30, 2017 were as follows:

	March 31, 2018					
	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	\$8,331	\$ (58)	\$35,567	\$ (429)	\$43,898	\$ (487)
Residential Mortgage-backed Securities of U.S. Government Agencies and Government-Sponsored Enterprises	43,585	(712)	19,479	(510)	63,064	(1,222)
Municipal Bonds	16,882	(140)	1,054	(16)	17,936	(156)
Corporate Bonds	—	—	3,619	(137)	3,619	(137)
Total	\$68,798	\$ (910)	\$59,719	\$ (1,092)	\$128,517	\$ (2,002)
	June 30, 2017					
	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	\$46,767	\$ (222)	\$6,921	\$ (79)	\$53,688	\$ (301)
Residential Mortgage-backed Securities of U.S. Government Agencies and Government-Sponsored Enterprises	42,921	(240)	3,970	(41)	46,891	(281)
Municipal Bonds	9,153	(28)	—	—	9,153	(28)
Corporate Bonds	3,734	(88)	—	—	3,734	(88)
Total	\$102,575	\$ (578)	\$10,891	\$ (120)	\$113,466	\$ (698)

The total number of securities with unrealized losses at March 31, 2018, and June 30, 2017 were 205 and 136, 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 nine months ended March 31, 2018 or the year ended June 30, 2017.

As a requirement for membership, the Bank invests in the stock of both the FHLB of Atlanta and the Federal Reserve Bank of Richmond ("FRB"). No ready market exists for these securities so carrying value approximates their fair value based on the redemption provisions of the FHLB of Atlanta and the FRB, respectively.

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5. Loans

Loans consist of the following at the dates indicated:

	March 31, 2018	June 30, 2017
Retail consumer loans:		
One-to-four family	\$670,036	\$684,089
HELOCs - originated	143,049	157,068
HELOCs - purchased	165,680	162,407
Construction and land/lots	68,121	50,136
Indirect auto finance	160,664	140,879
Consumer	11,317	7,900
Total retail consumer loans	1,218,867	1,202,479
Commercial loans:		
Commercial real estate	810,332	730,408
Construction and development	184,179	197,966
Commercial and industrial	132,337	120,387
Municipal leases	101,108	101,175
Total commercial loans	1,227,956	1,149,936
Total loans	2,446,823	2,352,415
Deferred loan fees, net	(1,068)	(945)
Total loans, net of deferred loan fees	2,445,755	2,351,470
Allowance for loan losses	(21,472)	(21,151)
Loans, net	\$2,424,283	\$2,330,319

All qualifying one-to-four family first mortgage loans, HELOCs, commercial real estate loans, 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, 2018						
Retail consumer loans:						
One-to-four family	\$642,998	\$5,628	\$ 13,087	\$ 901	\$ 12	\$662,626
HELOCs - originated	139,824	639	2,169	154	6	142,792
HELOCs - purchased	165,491	—	189	—	—	165,680
Construction and land/lots	66,914	409	289	54	—	67,666
Indirect auto finance	160,203	—	461	—	—	160,664
Consumer	11,276	9	21	3	6	11,315
Commercial loans:						
Commercial real estate	784,617	7,161	7,283	—	—	799,061
Construction and development	178,771	600	2,371	—	—	181,742
Commercial and industrial	126,888	1,596	1,696	—	3	130,183
Municipal leases	100,701	309	98	—	—	101,108
Total loans	\$2,377,683	\$16,351	\$ 27,664	\$ 1,112	\$ 27	\$2,422,837

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	Pass	Special Mention	Substandard	Doubtful	Loss	Total
June 30, 2017						
Retail consumer loans:						
One-to-four family	\$655,424	\$4,715	\$ 14,769	\$ 1,101	\$ 11	\$676,020
HELOCs - originated	153,676	809	2,100	188	7	156,780
HELOCs - purchased	162,215	—	192	—	—	162,407
Construction and land/lots	48,728	479	341	60	—	49,608
Indirect auto finance	140,780	—	97	1	1	140,879
Consumer	7,828	12	34	—	8	7,882
Commercial loans:						
Commercial real estate	700,060	5,847	7,118	—	—	713,025
Construction and development	192,025	992	2,320	—	—	195,337
Commercial and industrial	113,923	883	2,954	—	1	117,761
Municipal leases	99,811	1,258	106	—	—	101,175
Total loans	\$2,274,470	\$14,995	\$ 30,031	\$ 1,350	\$ 28	\$2,320,874

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, 2018						
Retail consumer loans:						
One-to-four family	\$2,806	\$ 1,113	\$ 3,491	\$ —	—\$	—\$7,410
HELOCs - originated	257	—	—	—	—	257
Construction and land/lots	455	—	—	—	—	455
Consumer	2	—	—	—	—	2
Commercial loans:						
Commercial real estate	5,613	2,860	2,798	—	—	11,271
Construction and development	570	—	1,867	—	—	2,437
Commercial and industrial	2,027	5	122	—	—	2,154
Total loans	\$11,730	\$ 3,978	\$ 8,278	\$ —	—\$	—\$23,986

	Pass	Special Mention	Substandard	Doubtful	Loss	Total
June 30, 2017						
Retail consumer loans:						
One-to-four family	\$3,115	\$ 1,129	\$ 3,615	\$ 210	\$ —	—\$8,069
HELOCs - originated	258	—	30	—	—	288
Construction and land/lots	487	—	41	—	—	528
Consumer	4	14	—	—	—	18
Commercial loans:						
Commercial real estate	8,909	2,299	6,175	—	—	17,383
Construction and development	338	—	2,291	—	—	2,629
Commercial and industrial	2,460	44	122	—	—	2,626
Total loans	\$15,571	\$ 3,486	\$ 12,274	\$ 210	\$ —	—\$31,541

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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, 2018					
Retail consumer loans:					
One-to-four family	\$3,019	\$2,683	\$5,702	\$664,334	\$670,036
HELOCs - originated	233	431	664	142,385	143,049
HELOCs - purchased	—	—	—	165,680	165,680
Construction and land/lots	32	68	100	68,021	68,121
Indirect auto finance	385	48	433	160,231	160,664
Consumer	12	3	15	11,302	11,317
Commercial loans:					
Commercial real estate	1,413	2,375	3,788	806,544	810,332
Construction and development	352	2,020	2,372	181,807	184,179
Commercial and industrial	20	400	420	131,917	132,337
Municipal leases	—	—	—	101,108	101,108
Total loans	\$5,466	\$8,028	\$13,494	\$2,433,329	\$2,446,823

The table above includes PCI loans of \$1,422 30-89 days past due and \$1,541 90 days or more past due as of March 31, 2018.

	Past Due		Total	Current	Total Loans
	30-89 Days	90 Days+			
June 30, 2017					
Retail consumer loans:					
One-to-four family	\$3,496	\$3,990	\$7,486	\$676,603	\$684,089
HELOCs - originated	1,037	274	1,311	155,757	157,068
HELOCs - purchased	—	—	—	162,407	162,407
Construction and land/lots	132	129	261	49,875	50,136
Indirect auto finance	96	—	96	140,783	140,879
Consumer	5	14	19	7,881	7,900
Commercial loans:					
Commercial real estate	809	3,100	3,909	726,499	730,408
Construction and development	385	887	1,272	196,694	197,966
Commercial and industrial	37	831	868	119,519	120,387
Municipal leases	—	—	—	101,175	101,175
Total loans	\$5,997	\$9,225	\$15,222	\$2,337,193	\$2,352,415

The table above includes PCI loans of \$854 30-89 days past due and \$4,211 90 days or more past due as of June 30, 2017.

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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, 2018		June 30, 2017	
	90 Days	90 Days	90 Days	90 Days
	Nonaccruing + & still accruing	Nonaccruing + & still accruing	Nonaccruing + & still accruing	Nonaccruing + & still accruing
Retail consumer loans:				
One-to-four family	\$ 5,356	\$ —	—\$ 6,453	\$ —
HELOCs - originated	815	—	1,291	—
HELOCs - purchased	189	—	192	—
Construction and land/lots	166	—	245	—
Indirect auto finance	304	—	1	—
Consumer	17	—	29	—
Commercial loans:				
Commercial real estate	3,202	—	2,756	—
Construction and development	2,137	—	1,766	—
Commercial and industrial	367	—	827	—
Municipal leases	98	—	106	—
Total loans	\$ 12,651	\$ —	—\$ 13,666	\$ —

PCI loans totaling \$3,760 at March 31, 2018 and \$6,664 at June 30, 2017 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 had no commitments to lend additional funds on these TDR loans at March 31, 2018.

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, 2018	June 30, 2017
Performing TDRs included in impaired loans	\$24,977	\$27,043

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

	Three Months Ended March 31, 2018				Three Months Ended March 31, 2017			
	PCI	Retail Consumer	Commercial	Total	PCI	Retail Consumer	Commercial	Total
Balance at beginning of period	\$566	\$ 8,191	\$ 12,333	\$21,090	\$336	\$ 9,813	\$ 10,837	\$20,986
Provision for (recovery of) loan losses	239	(172)	(67)	—	138	(980)	842	—
Charge-offs	(345)	(240)	(31)	(616)	—	(317)	(399)	(716)
Recoveries	—	393	605	998	—	363	464	827
Balance at end of period	\$460	\$ 8,172	\$ 12,840	\$21,472	\$474	\$ 8,879	\$ 11,744	\$21,097
	Nine Months Ended March 31, 2018				Nine Months Ended March 31, 2017			
	PCI	Retail Consumer	Commercial	Total	PCI	Retail Consumer	Commercial	Total
Balance at beginning of period	\$727	\$ 8,585	\$ 11,839	\$21,151	\$361	\$ 11,549	\$ 9,382	\$21,292

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Provision for (recovery of) loan losses	78	(423)	345	—	113	(2,485)	2,372	—
Charge-offs	(345)	(767)	(739)	(1,851)	—	