HomeTrust Bancshares, Inc.
Form 10-Q
November 09, 2018

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 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	45-5055422
(State or other jurisdiction of incorporation of organization)	(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 [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [X] 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 [X]
Non-accelerated filer [ ]	Smaller reporting company [ ]

Emerging growth company [ ]

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

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

There were 18,659,480 shares of common stock, par value of $.01 per share, issued and outstanding as of November 6, 2018.

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, 2018	June 30, 2018 (1)
Assets		
Cash	$ 39,872	$ 45,222
Interest-bearing deposits	18,896	25,524
Cash and cash equivalents	58,768	70,746
Commercial paper	238,224	229,070
Certificates of deposit in other banks	58,384	66,937
Debt securities available for sale, at fair value	148,704	154,993
Other investments, at cost	43,996	41,931
Loans held for sale	10,773	5,873
Total loans, net of deferred loan fees	2,587,106	2,525,852
Allowance for loan losses	(20,932)	(21,060)
Net loans	2,566,174	2,504,792
Premises and equipment, net	62,681	62,537
Accrued interest receivable	10,252	9,344
Real estate owned ("REO")	3,286	3,684
Deferred income taxes	30,942	32,565
Bank owned life insurance ("BOLI")	88,581	88,028
Goodwill	25,638	25,638
Core deposit intangibles	3,963	4,528
Other assets	3,593	3,503
Total Assets	$ 3,353,959	$ 3,304,169
Liabilities and Stockholders' Equity		
Liabilities		
Deposits	$ 2,203,044	$ 2,196,253
Borrowings	675,000	635,000
Capital lease obligations	1,905	1,914
Other liabilities	59,815	61,760
Total liabilities	2,939,764	2,894,927
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, 18,939,280 shares issued and outstanding at September 30, 2018; 19,041,668 at June 30, 2018	190	191
Additional paid in capital	214,803	217,480
Retained earnings	208,365	200,575
Unearned Employee Stock Ownership Plan ("ESOP") shares	(7,274)	(7,406)
Accumulated other comprehensive loss	(1,889)	(1,598)
Total stockholders' equity	414,195	409,242
Total Liabilities and Stockholders' Equity	$ 3,353,959	$ 3,304,169

(1) Derived from audited financial statements.
The accompanying notes are an integral part of these consolidated financial statements.

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HOMETRUST BANCSHARES, INC. AND SUBSIDIARY
Consolidated Statements of Income
(Dollars in thousands, except per share data)

	(Unaudited) Three Months Ended September 30,	
	2018	2017
Interest and Dividend Income		
Loans	$28,728	$ 25,250
Securities available for sale	856	971
Commercial paper and interest-bearing deposits in other banks	1,857	1,169
Other investments	839	626
Total interest and dividend income	32,280	28,016
Interest Expense		
Deposits	2,750	1,346
Borrowings	3,258	1,969
Total interest expense	6,008	3,315
Net Interest Income	26,272	24,701
Provision for Loan Losses	—	—
Net Interest Income after Provision for Loan Losses	26,272	24,701
Noninterest Income		
Service charges and fees on deposit accounts	2,401	1,844
Loan income and fees	328	398
Gain on sale of loans held for sale	1,670	704
BOLI income	536	562
Gain from sale of premises and equipment	—	164
Other, net	678	590
Total noninterest income	5,613	4,262
Noninterest Expense		
Salaries and employee benefits	12,685	12,352
Net occupancy expense	2,347	2,349
Marketing and advertising	417	453
Telephone, postage, and supplies	769	685
Deposit insurance premiums	304	414
Computer services	1,849	1,545
Loss (gain) on sale and impairment of REO	179	(146)
REO expense	175	241
Core deposit intangible amortization	565	719
Other	2,593	2,274
Total noninterest expense	21,883	20,886
Income Before Income Taxes	10,002	8,077
Income Tax Expense	2,212	2,510
Net Income	$7,790	$ 5,567
Per Share Data:		
Net income per common share:		
Basic	$0.43	$ 0.31
Diluted	$0.41	$ 0.30
Average shares outstanding:		

Basic	18,125,637	17,966,994
Diluted	18,880,476	18,616,452

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)

	(Unaudited) Three Months Ended September 30,	
	2018	2017
Net Income	$7,790	$5,567
Other Comprehensive Income (Loss)		
Unrealized holding gains (losses) on securities available for sale		
Gains (losses) arising during the period	(378)	158
Deferred income tax benefit (expense)	87	(53)
Total other comprehensive income (loss)	$(291)	$105
Comprehensive Income	$7,499	$5,672

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
	Shares	Amount					
Balance at June 30, 2017	18,967,875	$ 190	$ 213,459	$ 191,660	$ (7,935)	$ 273	$ 397,647
Net income	—	—	—	5,567	—	—	5,567
Cumulative-effect adjustment on the change in accounting for share-based payments	—	—	—	680	—	—	680
Stock repurchased	—	—	—	—	—	—	—
Exercised stock options	800	—	12	—	—	—	12
Stock option expense	—	—	745	—	—	—	745
Restricted stock expense	—	—	428	—	—	—	428
ESOP shares allocated	—	—	183	—	132	—	315
Other comprehensive income	—	—	—	—	—	105	105
Balance at September 30, 2017	18,968,675	$ 190	$ 214,827	$ 197,907	$ (7,803)	$ 378	$ 405,499
Balance at June 30, 2018	19,041,668	$ 191	$ 217,480	$ 200,575	$ (7,406)	$ (1,598)	$ 409,242
Net income	—	—	—	7,790	—	—	7,790
Stock repurchased	(128,300)	(1)	(3,723)	—	—	—	(3,724)
Forfeited restricted stock	(2,000)	—	—	—	—	—	—
Retired stock	(588)	—	—	—	—	—	—
Exercised stock options	28,500	—	410	—	—	—	410
Stock option expense	—	—	185	—	—	—	185
Restricted stock expense	—	—	199	—	—	—	199
ESOP shares allocated	—	—	252	—	132	—	384
Other comprehensive loss	—	—	—	—	—	(291)	(291)
Balance at September 30, 2018	18,939,280	$ 190	$ 214,803	$ 208,365	$ (7,274)	$ (1,889)	$ 414,195

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) Three Months Ended September 30,	
	2018	2017
Operating Activities:		
Net income	$7,790	$5,567
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	935	836
Deferred income tax expense	1,710	2,361
Net amortization and accretion	(1,497)	(1,187)
Gain from sale of premises and equipment	—	(164)
Loss (gain) on sale and impairment of REO	179	(146)
Gain on sale of loans held for sale	(1,670)	(704)
Origination of loans held for sale	(43,134)	(32,424)
Proceeds from sales of loans held for sale	45,698	30,942
Increase (decrease) in deferred loan fees, net	(54)	340
Increase in accrued interest receivable and other assets	(935)	(365)
Amortization of core deposit intangibles	565	719
BOLI income	(536)	(562)
ESOP compensation expense	384	315
Restricted stock and stock option expense	384	1,173
Decrease (increase) in other liabilities	(1,944)	460
Net cash provided by operating activities	7,875	7,161
Investing Activities:		
Purchase of securities available for sale	—	—
Proceeds from maturities of securities available for sale	1,215	11,680
Proceeds from sale of securities available for sale	—	—
Net purchases of commercial paper	(7,712)	(49,278)
Purchase of certificates of deposit in other banks	(3,237)	(7,190)
Maturities of certificates of deposit in other banks	11,790	29,010
Principal repayments of mortgage-backed securities	4,404	5,822
Net redemptions (purchases) of other investments	(2,065)	704
Net increase in loans	(66,912)	(42,207)
Purchase of BOLI	(25)	(18)
Proceeds from redemption of BOLI	7	—
Purchase of premises and equipment	(1,079)	(561)
Capital improvements to REO	—	(18)
Proceeds from sale of premises and equipment	—	923
Proceeds from sale of REO	293	793
Net cash used in investing activities	(63,321)	(50,340)
Financing Activities:		
Net increase in deposits	6,791	51,859
Net increase (decrease) in other borrowings	40,000	(16,700)
Common stock repurchased	(3,724)	—
Exercised stock options	410	12

Decrease in capital lease obligations	(9)	(6)
Net cash provided by financing activities	43,468	35,165
Net Decrease in Cash and Cash Equivalents	(11,978)	(8,014)
Cash and Cash Equivalents at Beginning of Period	70,746	86,985
Cash and Cash Equivalents at End of Period	$58,768	$78,971

HOMETRUST BANCSHARES, INC. AND SUBSIDIARY
Consolidated Statements of Cash Flows (continued)
(Dollars in thousands)

Supplemental Disclosures:	(Unaudited) Three Months Ended September 30, 2018	2017
Cash paid during the period for:		
Interest	$5,618	$3,379
Income taxes	—	20
Noncash transactions:		
Unrealized gain (loss) in value of securities available for sale, net of income taxes	(291)	105
Transfers of loans to REO	74	252
Cumulative-effect adjustment on the change in accounting for share-based payments	—	680
Transfers of loans to held for sale from loans held for investment	5,794	—

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, 2018 ("2018 Form 10-K") filed with the SEC on September 13, 2018. The results of operations for the three months ended September 30, 2018 are not necessarily indicative of results that may be expected for the entire fiscal year ending June 30, 2019.

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 2018 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. 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. The Company adopted this ASU on July 1, 2018. The adoption did not have a material effect on the Company's Consolidated Financial Statements. However, additional disclosures required by this ASU have been included in “Note 12 - Revenue” to the Company’s consolidated financial statements.

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 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 Company adopted this ASU on July 1, 2018. The adoption did not have a material effect on the Company's Consolidated Financial Statements. The disclosures to the Company’s consolidated financial statements have been updated appropriately using the exit price notion in “Note 11 - Fair Value of 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. In July 2018, the FASB issued ASU 2018-10, "Codification Improvements to Topic 842, Leases" and ASU 2018-11 "Leases (Topic 842): Targeted Improvements." ASU 2018-10 made 16 narrow-scope amendments to ASC 842. The amendments in this ASU 2018-11 are intended to provide entities with relief from the costs of implementing certain aspects of the the new lease accounting standard. Specifically, an entity can elect not to recast the comparative periods presented when transitioning to ASC 842 and provides a lessor with the option to not separate lease and nonlease components when certain conditions are met. This ASU also provides a new transition method in addition to the existing transition method contained in ASU No. 2016-02 to allow entities to initially apply the new leases standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. These amendments have the same effective date as ASU 2016-02. 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. The effect of the adoption of these ASUs will depend on leases at time of adoption. 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 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. This ASU is effective for interim and annual reporting 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 evaluating our current expected loss methodology of our loan and investment portfolios to identify the necessary modifications in accordance with this standard and expects a change in the processes and procedures to calculate the allowance for loan losses, including changes in assumptions and estimates to consider expected credit losses over the life of the loan versus the current accounting practice that utilizes the incurred loss model. A valuation adjustment to our allowance for loan losses or investment portfolio that is identified in this process will be reflected as a one-time adjustment in equity rather than earnings. The Company is in the process of compiling historical data that will be used to calculate expected credit losses on its loan portfolio to ensure it is fully compliant with the ASU at the adoption date and is evaluating the potential impact adoption of this ASU will have on its consolidated financial statements. Once adopted, the Company expects its allowance for loan losses to increase, however, until its 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 Company adopted this ASU on July 1, 2018. The 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 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. This ASU is effective for interim and annual reporting 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 Company adopted this ASU on July 1, 2018. The adoption did not have a material effect 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 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 Company elected to early adopt this ASU during the year ended June 30, 2018. The affected amount for the Company was immaterial and did not have an effect 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 June 30, 2018, the Company did not incur any adjustments to the provisional recognition.

In June 2018, the FASB issued ASU No. 2018-07, "Compensation - Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting." This ASU was issued to expand the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. Previously, these awards were recorded at the fair value of consideration received or the fair value of the equity instruments issued and was measured at the earlier of the commitment date or the date performance was completed. The amendments in this ASU require nonemployee share-based payment awards to be measured at the grant-date fair value of the equity instrument. This ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted, but no earlier than an entity's adoption of Topic 606. The adoption of ASU No. 2018-07 is not expected to have a material impact on the Company's Consolidated Financial Statements.

In August 2018, the FASB issued ASU 2018-13, "Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement." The amendments in this ASU removes, modifies, and adds certain disclosure requirements related to fair value measurements in ASC 820. The amendments in this ASU are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2019 and early adoption is permitted. The adoption of ASU No. 2018-13 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)

3. Debt Securities

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

	September 30, 2018			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Government Agencies	$48,045	$ —	$ (495)	$47,550
Residential Mortgage-backed Securities of U.S. Government Agencies and Government-Sponsored Enterprises	67,470	100	(1,691)	65,879
Municipal Bonds	29,502	85	(284)	29,303
Corporate Bonds	6,140	23	(191)	5,972
Total	$151,157	$ 208	$ (2,661)	$148,704

	June 30, 2018			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Government Agencies	$48,025	$ 1	$ (484)	$47,542
Residential Mortgage-backed Securities of U.S. Government Agencies and Government-Sponsored Enterprises	71,949	88	(1,438)	70,599
Municipal Bonds	30,865	127	(226)	30,766
Corporate Bonds	6,166	25	(168)	6,023
Equity Securities	63	—	—	63
Total	$157,068	$ 241	$ (2,316)	$154,993

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.

	Available-For-Sale September 30, 2018	
	Amortized Cost	Estimated Fair Value
Due within one year	$28,579	$28,466
Due after one year through five years	41,599	40,887
Due after five years through ten years	4,818	4,845
Due after ten years	8,691	8,627
Mortgage-backed securities	67,470	65,879
Total	$151,157	$148,704

The Company had no sales of securities available for sale during the three months ended September 30, 2018 and 2017. There were no gross realized gains or losses for the three months ended September 30, 2018 and 2017.

Securities available for sale with costs totaling $141,913 and $136,914 and market values of $139,957 and $135,313 at September 30, 2018 and June 30, 2018, respectively, were pledged as collateral to secure various public deposits and other borrowings.

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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, 2018 and June 30, 2018 were as follows:

	September 30, 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	$11,905	$(142)	$35,645	$(353)	$47,550	$(495)
Residential Mortgage-backed Securities of U.S. Government Agencies and Government-Sponsored Enterprises	30,596	(768)	27,242	(923)	57,838	(1,691)
Municipal Bonds	18,129	(197)	4,765	(87)	22,894	(284)
Corporate Bonds	—	—	3,521	(191)	3,521	(191)
Total	$60,630	$(1,107)	$71,173	$(1,554)	$131,803	$(2,661)

	June 30, 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	$10,962	$(93)	$35,605	$(391)	$46,567	$(484)
Residential Mortgage-backed Securities of U.S. Government Agencies and Government-Sponsored Enterprises	39,238	(827)	21,297	(611)	60,535	(1,438)
Municipal Bonds	19,795	(208)	1,446	(18)	21,241	(226)
Corporate Bonds	—	—	3,566	(168)	3,566	(168)
Total	$69,995	$(1,128)	$61,914	$(1,188)	$131,909	$(2,316)

The total number of securities with unrealized losses at September 30, 2018, and June 30, 2018 were 228 and 218, 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 months ended September 30, 2018 or the year ended June 30, 2018.

4. Other Investments

Other investments, at cost consist of the following at the dates indicated:

	September 30, 2018	June 30, 2018
FHLB of Atlanta(1)	$ 31,607	$29,907
Federal Reserve Bank of Richmond ("FRB")(1)	7,315	7,307
Small Business Investment Companies ("SBIC")(2)(3)	5,074	4,717
Total	$ 43,996	$41,931

(1) 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.

(2) SBIC investment funds are considered nonmarketable investment securities and are qualified investments under the Community Reinvestment Act.

(3) Prior to the adoption of ASU 2016-01, SBIC Investments were maintained in other assets.

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5. Loans

Loans consist of the following at the dates indicated:

	September 30, 2018	June 30, 2018
Retail consumer loans:		
One-to-four family	$656,011	$664,289
HELOCs - originated	135,512	137,564
HELOCs - purchased	150,733	166,276
Construction and land/lots	75,433	65,601
Indirect auto finance	173,305	173,095
Consumer	13,139	12,379
Total retail consumer loans	1,204,133	1,219,204
Commercial loans:		
Commercial real estate	879,184	857,315
Construction and development	198,809	192,102
Commercial and industrial	193,739	148,823
Municipal leases	111,951	109,172
Total commercial loans	1,383,683	1,307,412
Total loans	2,587,816	2,526,616
Deferred loan fees, net	(710)	(764)
Total loans, net of deferred loan fees	2,587,106	2,525,852
Allowance for loan losses	(20,932)	(21,060)
Loans, net	$2,566,174	$2,504,792

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
September 30, 2018						
Retail consumer loans:						
One-to-four family	$634,877	$3,571	$ 10,583	$ 512	$ 9	$649,552
HELOCs - originated	133,824	112	1,346	—	6	135,288
HELOCs - purchased	150,547	—	186	—	—	150,733
Construction and land/lots	74,758	21	250	—	—	75,029
Indirect auto finance	172,721	—	582	—	2	173,305
Consumer	12,392	17	722	—	8	13,139
Commercial loans:						
Commercial real estate	857,652	6,551	6,036	—	—	870,239
Construction and development	194,470	710	1,660	171	—	197,011
Commercial and industrial	189,975	1,446	368	—	—	191,789
Municipal leases	111,655	296	—	—	—	111,951
Total loans	$2,532,871	$12,724	$ 21,733	$ 683	$ 25	$2,568,036

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	Pass	Special Mention	Substandard	Doubtful	Loss	Total
June 30, 2018						
Retail consumer loans:						
One-to-four family	$643,077	$3,576	$ 10,059	$ 746	$ 14	$657,472
HELOCs - originated	135,336	113	1,735	150	6	137,340
HELOCs - purchased	166,089	—	187	—	—	166,276
Construction and land/lots	64,823	23	257	54	—	65,157
Indirect auto finance	172,675	—	420	—	—	173,095
Consumer	11,723	85	558	2	11	12,379
Commercial loans:						
Commercial real estate	835,485	5,804	6,787	—	—	848,076
Construction and development	187,187	621	2,067	—	—	189,875
Commercial and industrial	145,177	1,279	414	—	—	146,870
Municipal leases	108,864	308	—	—	—	109,172
Total loans	$2,470,436	$11,809	$ 22,484	$ 952	$ 31	$2,505,712

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

	Pass	Special Mention	Substandard	Doubtful	Loss	Total
September 30, 2018						
Retail consumer loans:						
One-to-four family	$4,429	$ 262	$ 1,768	$ —	$ —	$6,459
HELOCs - originated	224	—	—	—	—	224
Construction and land/lots	404	—	—	—	—	404
Commercial loans:						
Commercial real estate	4,669	2,017	2,259	—	—	8,945
Construction and development	525	—	1,273	—	—	1,798
Commercial and industrial	1,947	—	—	—	3	1,950
Total loans	$12,198	$ 2,279	$ 5,300	$ —	$ 3	$19,780

	Pass	Special Mention	Substandard	Doubtful	Loss	Total
June 30, 2018						
Retail consumer loans:						
One-to-four family	$4,620	$ 388	$ 1,809	$ —	$ —	$6,817
HELOCs - originated	224	—	—	—	—	224
Construction and land/lots	444	—	—	—	—	444
Commercial loans:						
Commercial real estate	4,718	2,162	2,359	—	—	9,239
Construction and development	547	—	1,680	—	—	2,227
Commercial and industrial	1,894	—	59	—	—	1,953
Total loans	$12,447	$ 2,550	$ 5,907	$ —	$ —	$20,904

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

	Past Due 30-89 Days	Past Due 90 Days+	Total	Current	Total Loans
September 30, 2018					
Retail consumer loans:					
One-to-four family	$2,406	$1,861	$4,267	$651,744	$656,011
HELOCs - originated	278	117	395	135,117	135,512
HELOCs - purchased	—	—	—	150,733	150,733
Construction and land/lots	86	—	86	75,347	75,433
Indirect auto finance	356	114	470	172,835	173,305
Consumer	316	42	358	12,781	13,139
Commercial loans:					
Commercial real estate	1,029	826	1,855	877,329	879,184
Construction and development	18	1,615	1,633	197,176	198,809
Commercial and industrial	20	53	73	193,666	193,739
Municipal leases	—	—	—	111,951	111,951
Total loans	$4,509	$4,628	$9,137	$2,578,679	$2,587,816

	Past Due 30-89 Days	Past Due 90 Days+	Total	Current	Total Loans
June 30, 2018					
Retail consumer loans:					
One-to-four family	$3,001	$1,756	$4,757	$659,532	$664,289
HELOCs - originated	98	268	366	137,198	137,564
HELOCs - purchased	—	—	—	166,276	166,276
Construction and land/lots	44	54	98	65,503	65,601
Indirect auto finance	335	127	462	172,633	173,095
Consumer	238	39	277	12,102	12,379
Commercial loans:					
Commercial real estate	169	1,412	1,581	855,734	857,315
Construction and development	260	1,928	2,188	189,914	192,102
Commercial and industrial	15	69	84	148,739	148,823
Municipal leases	—	—	—	109,172	109,172
Total loans	$4,160	$5,653	$9,813	$2,516,803	$2,526,616

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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:

	September 30, 2018		June 30, 2018	
	Nonaccruing	90 Days + & still accruing	Nonaccruing	90 Days + & still accruing
Retail consumer loans:				
One-to-four family	$ 4,198	$ —	$ 4,308	$ —
HELOCs - originated	436	—	656	—
HELOCs - purchased	186	—	187	—
Construction and land/lots	110	—	165	—
Indirect auto finance	367	—	255	—
Consumer	520	—	321	—
Commercial loans:				
Commercial real estate	2,362	—	2,863	—
Construction and development	1,835	—	2,045	—
Commercial and industrial	95	—	114	—
Municipal leases	—	—	—	—
Total loans	$ 10,109	$ —	$ 10,914	$ —

PCI loans totaling $2,936 at September 30, 2018 and $3,353 at June 30, 2018 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 September 30, 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:

	September 30, 2018	June 30, 2018
Performing TDRs included in impaired loans	$ 20,563	$21,251

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

	Three Months Ended September 30, 2018				Three Months Ended September 30, 2017			
	PCI	Retail Consumer	Commercial	Total	PCI	Retail Consumer	Commercial	Total
Balance at beginning of period	$483	$ 7,527	$ 13,050	$21,060	$727	$ 8,585	$ 11,839	$21,151
Provision for (recovery of) loan losses	(188)	(64)	252	—	470	(412)	(58)	—
Charge-offs	—	(416)	(2)	(418)	—	(149)	(14)	(163)
Recoveries	—	205	85	290	—	286	723	1,009
Balance at end of period	$295	$ 7,252	$ 13,385	$20,932	$1,197	$ 8,310	$ 12,490	$21,997

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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	Loans collectively evaluated	Total	PCI	Loans individually evaluated for impairment	Loans collectively evaluated	Total
September 30, 2018								
Retail consumer loans:								
One-to-four family	$90	$ 105	$ 2,901	$3,096	$6,459	$ 7,000	$ 642,552	$656,011
HELOCs - originated	—	6	1,114	1,120	224	6	135,282	135,512
HELOCs - purchased	—	—	713	713	—	—	150,733	150,733
Construction and land/lots	—	—	1,262	1,262	404	341	74,688	75,433
Indirect auto finance	—	1	977	978	—	1	173,304	173,305
Consumer	—	8	165	173	—	8	13,131	13,139
Commercial loans:								
Commercial real estate	118	19	7,869	8,006	8,945	3,082	867,157	879,184
Construction and development	71	4	3,176	3,251	1,798	2,211	194,800	198,809
Commercial and industrial	16	3	1,864	1,883	1,950	3	191,786	193,739
Municipal leases	—	—	450	450	—	—	111,951	111,951
Total	$295	$ 146	$ 20,491	$20,932				