HomeTrust Bancshares, Inc.
Form 10-Q
May 12, 2014

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2014

[ ] 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 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 [X]No [ ]

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

Large accelerated filer [ ]	Accelerated filer [X]
Non-accelerated filer [ ] (Do not check if a smaller reporting company)	Smaller reporting company [ ]

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

APPLICABLE ONLY TO CORPORATE ISSUERS

There were 19,101,752 shares of common stock, par value of $.01 per share, issued and outstanding as of May 8, 2014.

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
(Dollar amounts in thousands except per share data)

	(Unaudited) March 31, 2014	June 30, 2013
Assets		
Cash	$13,721	$13,251
Interest-bearing deposits	69,694	112,462
Cash and cash equivalents	83,415	125,713
Certificates of deposit in other banks	159,699	136,617
Securities available for sale, at fair value	89,882	24,750
Loans held for sale	2,276	10,770
Total loans, net of deferred loan fees and discount	1,166,119	1,164,183
Allowance for loan losses	(25,269)	(32,073)
Net loans	1,140,850	1,132,110
Premises and equipment, net	24,240	22,400
Federal Home Loan Bank (FHLB) stock, at cost	1,537	1,854
Accrued interest receivable	5,552	5,549
Real estate owned (REO)	9,199	11,739
Deferred income taxes	45,689	47,428
Bank owned life insurance	63,541	62,242
Goodwill	2,802	-
Other assets	3,626	2,151
Total Assets	$1,632,308	$1,583,323
Liabilities and Stockholders’ Equity		
Liabilities		
Deposits	$1,211,904	$1,154,750
Other borrowings	2,207	-
Capital lease obligations	2,003	2,016
Other liabilities	57,758	59,042
Total liabilities	1,273,872	1,215,808
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, 19,560,115 shares issued and outstanding at March 31, 2014; 20,824,900 at June 30, 2013	196	208
Additional paid in capital	209,155	227,397
Retained earnings	158,799	149,990
Unearned Employee Stock Ownership Plan (ESOP) shares	(9,654)	(10,051)
Accumulated other comprehensive loss	(60)	(29)

Total stockholders' equity	358,436	367,515
Total Liabilities and Stockholders' Equity	$1,632,308	$1,583,323

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
(Dollar amounts in thousands except per share data)

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013	Nine Months Ended March 31, 2014	Nine Months Ended March 31, 2013
Interest and Dividend Income				
Loans	$13,557	$14,208	$42,010	$44,403
Securities available for sale	376	81	1,097	258
Certificates of deposit and other interest-bearing deposits	439	377	1,346	1,160
FHLB stock	20	17	47	70
Total interest and dividend income	14,392	14,683	44,500	45,891
Interest Expense				
Deposits	1,247	1,643	4,172	5,480
Other borrowings	1	4	5	280
Total interest expense	1,248	1,647	4,177	5,760
Net Interest Income	13,144	13,036	40,323	40,131
Provision for (Recovery of) Loan Losses	(1,800)	500	(4,800)	2,300
Net Interest Income after Provision for Loan Losses	14,944	12,536	45,123	37,831
Non-interest Income				
Service charges on deposit accounts	620	621	1,954	1,924
Mortgage banking income and fees	632	1,239	2,417	3,925
Other, net	773	767	2,171	1,975
Total other income	2,025	2,627	6,542	7,824
Non-interest Expense				
Salaries and employee benefits	7,496	6,729	22,192	19,388
Net occupancy expense	1,284	1,264	3,746	3,613
Marketing and advertising	336	488	1,028	1,227
Telephone, postage, and supplies	403	493	1,269	1,369
Deposit insurance premiums	321	216	989	1,069
Computer services	828	754	2,652	2,220
FHLB advance prepayment penalty	-	-	-	3,069
Loss on sale and impairment of real estate owned	468	315	673	930
REO expense	333	445	1,154	1,699
Merger-related expenses	449	-	711	-
Other	1,478	1,354	4,204	4,248
Total other expense	13,396	12,058	38,618	38,832

Income Before Income Taxes	3,573	3,105	13,047	6,823
Income Tax Expense	967	490	4,238	788
Net Income	$2,606	$2,615	$8,809	$6,035
Per Share Data:				
Net income per common share:				
Basic	$0.14	$0.13	$0.46	$0.30
Diluted	$0.14	$0.13	$0.46	$0.30
Average shares outstanding:				
Basic	18,302,672	20,019,609	18,724,242	20,083,915
Diluted	18,378,159	20,036,875	18,815,416	20,089,586

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

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2014	2013	2014	2013
Net Income	$2,606	$2,615	$8,809	$6,035
Other Comprehensive Income (Loss)				
Unrealized holding gains (losses) on securities available for sale				
Gains (losses) arising during the period	$444	$(67)	$(47)	$(18)
Deferred income tax benefit (expense)	(151)	23	16	6
Total other comprehensive income (loss)	$293	$(44)	$(31)	$(12)
Comprehensive Income	$2,899	$2,571	$8,778	$6,023

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

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

	Common Stock	Additional Paid In Capital	Retained Earnings	Unearned ESOP Shares	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance at June 30, 2012	$-	$31,367	$140,937	$-	$ 181	$ 172,485
Net income	-	-	6,035	-	-	6,035
Issuance of common stock	212	211,388	-	-	-	211,600
Common stock issuance costs	-	(3,396)	-	-	-	(3,396)
Loan to ESOP for purchase of shares	-	-	-	(10,580)	-	(10,580)
Stock repurchased for equity incentive plan	(3)	(4,755)	-	-	-	(4,758)
Granted restricted stock	5	(5)	-	-	-	-
Stock option expense	-	216	-	-	-	216
Restricted stock expense	-	229	-	-	-	229
ESOP shares allocated	-	140	-	397	-	537
Other comprehensive loss	-	-	-	-	(12)	(12)
Balance at March 31, 2013	$214	$235,184	$146,972	$(10,183)	$ 169	$ 372,356
Balance at June 30, 2013	$208	$227,397	$149,990	$(10,051)	$(29)	$367,515
Net income	-	-	8,809	-	-	8,809
Stock repurchased	(12)	(20,483)	-	-	-	(20,495)
Stock option expense	-	971	-	-	-	971
Restricted stock expense	-	1,027	-	-	-	1,027
ESOP shares allocated	-	243	-	397	-	640
Other comprehensive loss	-	-	-	-	(31)	(31)
Balance at March 31, 2014	$196	$209,155	$158,799	$(9,654)	$(60)	$358,436

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

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

	Nine Months Ended March 31, 2014	2013
Operating Activities:		
Net income	$ 8,809	$ 6,035
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for (recovery of) loan losses	(4,800)	2,300
Depreciation	1,675	1,638
Deferred income tax expense	4,226	418
Net amortization and accretion	(701)	(129)
FHLB advance prepayment penalty	-	3,069
Gain on sale of securities available for sale	(10)	-
Loss on sale and impairment of real estate owned	673	930
Gain on sale of loans held for sale	(1,276)	(2,897)
Origination of loans held for sale	(55,788)	(178,762)
Proceeds from sales of loans held for sale	69,898	183,449
Decrease in deferred loan fees, net	(260)	(402)
Increase (decrease) in accrued interest receivable and other assets	(1,604)	2,461
ESOP compensation expense	640	537
Restricted stock and stock option expense	1,998	445
Decrease in other liabilities	(2,474)	(1,654)
Net cash provided by operating activities	21,006	17,438
Investing Activities:		
Purchase of securities available for sale	(67,271)	(6,000)
Proceeds from maturities of securities available for sale	27,225	6,100
Proceeds from sale of securities available for sale	2,086	-
Purchase of certificates of deposit in other banks	(37,266)	(38,975)
Maturities of certificates of deposit in other banks	14,184	14,685
Principal repayments of mortgage-backed securities	7,015	3,319
Net redemptions of FHLB stock	764	4,446
Net decrease in loans	36,559	48,026
Purchase of bank owned life insurance	-	(16,000)
Purchase of premises and equipment	(1,174)	(1,119)
Capital improvements to REO	(126)	(380)
Proceeds from sale of REO	8,214	7,712
Acquisition of BankGreenville Financial Corporation, net of cash paid	1,475	-
Net cash provided by (used in) investing activities	(8,315)	21,814
Financing Activities:		
Net decrease in deposits	(31,954)	(299,801)
Net decrease in other borrowings	(2,527)	(25,334)
Proceeds from stock conversion	-	208,204
Loan to ESOP for purchase of shares	-	(10,580)
Common stock repurchased	(20,495)	(4,758)

Decrease in capital lease obligations	(13)	(6)
Net cash used in financing activities	(54,989)	(132,275)
Net Decrease in Cash and Cash Equivalents	(42,298)	(93,023)
Cash and Cash Equivalents at Beginning of Period	125,713	224,801
Cash and Cash Equivalents at End of Period	$ 83,415	$ 131,778
Supplemental Disclosures:		
Cash paid during the period for:		
Interest	$ 4,047	$ 5,907
Income taxes	113	59
Noncash transactions:		
Unrealized loss in value of securities available for sale, net of income taxes	(31)	(12)
Transfers of loans to REO	4,166	6,224
Transfers of loans to held for sale	4,340	-
Loans originated to finance the sale of REO	94	651

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

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HOMETRUST BANCSHARES, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
(Dollar amounts in thousands)

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 ("US GAAP") for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X as promulgated by the Securities and Exchange Commission ("SEC"). Accordingly, they do not include all the information and footnotes required by US GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the financial position and results of operations for the periods presented have been included. It is recommended that these unaudited interim consolidated financial statements be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended June 30, 2013 ("2013 Form 10-K") filed with the SEC on September 13, 2013. The results of operations for the three and nine months ended March 31, 2014 are not necessarily indicative of results that may be expected for the entire fiscal year ending June 30, 2014. Certain prior year amounts have been reclassified to conform to current fiscal year presentation. The reclassifications had no impact on previously reported net income or equity.

Organization and Description of Business – HomeTrust was incorporated in Maryland on December 27, 2011 and became the holding company for the Bank on July 10, 2012 upon the completion of the Bank's conversion from the mutual to stock form of organization (the "Conversion"). In connection with the Conversion, HomeTrust issued an aggregate of 21,160,000 shares of common stock at an offering price of $10.00 per share for gross proceeds of $211.6 million. HomeTrust received $208.2 million in net proceeds from the stock offering of which $104.1 million or 50% of the net proceeds were contributed to the Bank upon Conversion. Included in the issuance of shares was 1,058,000 shares to a newly formed ESOP for which HomeTrust loaned the ESOP $10,580,000 to purchase the shares. The Bank is a federally chartered savings bank headquartered in Asheville, North Carolina with 21 retail offices located in western and central North Carolina and Greenville, South Carolina. The business of the Bank is conducted through its seven operating divisions – HomeTrust Bank, Cherryville Federal Bank, Home Savings Bank of Eden, Industrial Federal Bank of Lexington, Shelby Savings Bank, Tryon Federal Bank, and Rutherford County Bank. All divisions operate under a single set of corporate policies and procedures and are recognized as a single banking segment for financial reporting purposes.

Accounting Principles – The accounting and reporting policies of the Company conform to US GAAP.

Principles of Consolidation and Subsidiary Activities – The accompanying consolidated financial statements include the accounts of HomeTrust, the Bank, and its wholly-owned subsidiary, Western North Carolina Service Corporation ("WNCSC"). WNCSC owns office buildings in Asheville, North Carolina that are leased to the Bank. All intercompany items have been eliminated.

Cash Flows – Cash and cash equivalents include cash and interest-bearing deposits with initial terms to maturity of ninety days or less.

Securities – The Company classifies investment securities as trading, available for sale, or held to maturity.

Securities available for sale are carried at fair value. These securities are used to execute asset/liability management strategies, manage liquidity, and leverage capital, and therefore may be sold prior to maturity. Adjustments for unrealized gains or losses, net of the income tax effect, are made to accumulated other comprehensive income, a separate component of total stockholders' equity.

Securities held to maturity are stated at cost, net of unamortized balances of premiums and discounts. When these securities are purchased, the Company intends to and has the ability to hold such securities until maturity.

Declines in the fair value of individual securities available for sale or held to maturity below their cost that are other-than-temporary result in write-downs of the individual securities to their fair value. The related write-downs are included in earnings as realized losses. In estimating other-than-temporary impairment losses, the Company considers among other things, (i) the length of time and the extent to which the fair value has been less than cost, (ii) the financial condition and near-term prospects of the issuer, and (iii) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery of the unrealized loss, and in the case of debt securities, whether it is more likely than not that the Company will be required to sell the security prior to a recovery.

Premiums and discounts are amortized or accreted over the life of the security as an adjustment to yield. Dividend and interest income are recognized when earned. Gains or losses on the sale of securities are recognized on a specific identification, trade date basis.

Loans – Loans are carried at their outstanding principal amount, less unearned income and deferred nonrefundable loan fees, net of certain origination costs. Interest income is recorded as earned on an accrual basis except for non-accruing loans where interest is recorded as earned on a cash basis. Net deferred loan origination fees/costs are deferred and amortized to interest income over the life of the related loan. The premium or discount on purchased loans is amortized over the expected life of the loans and is included in interest income.

Loan Segments and Classes

The Company's loan portfolio is grouped into two segments (retail consumer loans and commercial loans) and into four classes within each segment. The Company originates, services, and manages its loans based on these segments and classes. The Company's portfolio segments and classes within those segments are subject to risks that could have an adverse impact on the credit quality of the loan portfolio. Management identified the risks described below as significant risks that are generally similar among the loan segments and classes.

Retail Consumer loan segment

The Company underwrites its retail consumer loans using automated credit scoring and analysis tools. These credit scoring tools take into account factors such as payment history, credit utilization, length of credit history, types of credit currently in use, and recent credit inquiries. To the extent that the loan is secured by collateral, the value of the collateral is also evaluated. Common risks to each class of retail consumer loans include general economic conditions within the Company's markets, such as unemployment and potential declines in collateral values, and the personal circumstances of the borrowers. In addition to these common risks for the Company's retail consumer loans, various retail consumer loan classes may also have certain risks specific to them.

One-to-four family and construction and land/lot loans are to individuals and are typically secured by 1-4 family residential property, undeveloped land, and partially developed land in anticipation of pending construction of a personal residence. Significant and rapid declines in real estate values can result in residential mortgage loan borrowers having debt levels in excess of the current market value of the collateral. Over the past five years, declines in value have led to unprecedented levels of foreclosures and losses within the banking industry. Construction and land/lot loans experienced delays in completion and cost overruns that exceeded the borrower's financial ability to complete the project. Such cost overruns routinely resulted in foreclosure of partially completed and unmarketable collateral.

Home equity lines of credit are often secured by second liens on residential real estate, thereby making such loans particularly susceptible to declining collateral values. A substantial decline in collateral value could render the Company's second lien position to be effectively unsecured. Additional risks include lien perfection inaccuracies and disputes with first lien holders that may further weaken collateral positions. Further, the open-end structure of these loans creates the risk that customers may draw on the lines in excess of the collateral value if there have been significant declines since origination.

Consumer loans include loans secured by deposit accounts or personal property such as automobiles, boats, and motorcycles, as well as unsecured consumer debt. The value of underlying collateral within this class is especially volatile due to potential rapid depreciation in values since the date of loan origination in excess of principal repayment.

Commercial loan segment

The Company’s commercial loans are centrally underwritten based primarily on the customer’s ability to generate the required cash flow to service the debt in accordance with the contractual terms and conditions of the loan agreement. The Company’s commercial lenders and underwriters work to understand the borrower’s businesses and management experiences. The majority of the Company’s commercial loans are secured by collateral, so collateral values are important to the transaction. In commercial loan transactions where the principals or other parties provide personal guarantees, the Company’s commercial lenders and underwriters analyze the relative financial strength and liquidity of each guarantor. Risks that are common to the Company’s commercial loan classes include general economic conditions, demand for the borrowers’ products and services, the personal circumstances of the principals, and reductions in collateral values. In addition to these common risks for the Company’s commercial loans, the various commercial loan classes also have certain risks specific to them.

Construction and development loans are highly dependent on the supply and demand for commercial real estate in the Company’s markets as well as the demand for the newly constructed residential homes and lots being developed by the Company’s commercial loan customers. Prolonged deterioration in demand could result in significant decreases in the underlying collateral values and make repayment of the outstanding loans more difficult for the Company’s commercial borrowers.

Commercial real estate and commercial and industrial loans are primarily dependent on the ability of the Company’s commercial loan customers to achieve business results consistent with those projected at loan origination resulting in cash flow sufficient to service the debt. To the extent that a borrower’s actual business results significantly underperform the original projections, the ability of that borrower to service the Company’s loan on a basis consistent with the contractual terms may be at risk. While these loans and leases are generally secured by real property, personal property, or business assets such as inventory or accounts receivable, it is possible that the liquidation of the collateral will not fully satisfy the obligation.

HOMETRUST BANCSHARES, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
(Dollar amounts in thousands)

Municipal leases are primarily made to volunteer fire departments and depend on the tax revenues received from the county or municipality. These leases are mainly secured by vehicles, fire stations, land, or equipment. The underwriting of the municipal leases is based on the cash flows of the fire department as well as projections of future income.

Credit Quality Indicators

Loans are monitored for credit quality on a recurring basis and the composition of the loans outstanding by credit quality indicator is provided below. Loan credit quality indicators are developed through review of individual borrowers on an ongoing basis. Generally, loans are monitored for performance on a quarterly basis with the credit quality indicators adjusted as needed. The indicators represent the rating for loans as of the date presented based on the most recent assessment performed. These credit quality indicators are defined as follows:

Pass—A pass rated asset is not adversely classified because it does not display any of the characteristics for adverse classification.

Special Mention—A special mention asset has potential weaknesses that deserve management’s close attention. If left uncorrected, such potential weaknesses may result in deterioration of the repayment prospects or collateral position at some future date. Special mention assets are not adversely classified and do not warrant adverse classification.

Substandard—A substandard asset is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Assets classified as substandard generally have a well-defined weakness, or weaknesses, that jeopardize the liquidation of the debt. These assets are characterized by the distinct possibility of loss if the deficiencies are not corrected.

Doubtful—An asset classified doubtful has all the weaknesses inherent in an asset classified substandard with the added characteristic that the weaknesses make collection or liquidation in full highly questionable and improbable, on the basis of currently existing facts, conditions, and values.

Loss—Assets classified loss are considered uncollectible and of such little value that their continuing to be carried as an asset is not warranted. This classification is not necessarily equivalent to no potential for recovery or salvage value, but rather that it is not appropriate to defer a full write-off even though partial recovery may be effected in the future.

Loans Held for Sale—Loans held for sale are residential mortgages and are valued at the lower of cost or fair value less estimated costs to sell as determined by outstanding commitments from investors on a “best efforts” basis or current investor yield requirements, calculated on the aggregate loan basis. Loans sold are generally sold at par value and with servicing released.

Allowance for Loan Losses—The allowance for loan losses is management’s estimate of probable credit losses that are inherent in the Company’s loan portfolios at the balance sheet date. The allowance increases when the Company provides for loan losses through charges to operating earnings and when the Company recovers amounts from loans previously written down or charged off. The allowance decreases when the Company writes down or charges off loan amounts that are deemed uncollectible.

Management determines the allowance for loan losses based on periodic evaluations that are inherently subjective and require substantial judgment because the evaluations require the use of material estimates that are susceptible to significant change. The Company generally uses two allowance methodologies that are primarily based on management's determination as to whether or not a loan is considered to be impaired.

All classified loans above a certain threshold meeting certain criteria are evaluated for impairment on a loan-by-loan basis and are considered impaired when it is probable, based on current information, that the borrower will be unable to pay contractual interest or principal as required by the loan agreement. Impaired loans below the threshold are evaluated as a pool with additional adjustments to the allowance for loan losses. Loans that experience insignificant payment delays and payment shortfalls are not necessarily considered impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment history, and the amount of the shortfall relative to the principal and interest owed. Impaired loans are measured at their estimated net realizable value based on either the value of the loan's expected future cash flows discounted at the loan's effective interest rate or on the collateral value, net of the estimated costs of disposal, if the loan is collateral dependent. For loans considered impaired, an individual allowance for loan losses is recorded when the loan principal balance exceeds the estimated net realizable value.

For loans not considered impaired, management determines the allowance for loan losses based on estimated loss percentages that are determined by and applied to the various classes of loans that comprise the segments of the Company's loan portfolio. The estimated loss percentages by loan class are based on a number of factors that include by class (i) average historical losses over the past two years, (ii) levels and trends in delinquencies, impairments, and net charge-offs, (iii) trends in the volume, terms, and concentrations, (iv) trends in interest rates, (v) effects of changes in the Company's risk tolerance, underwriting standards, lending policies, procedures, and practices, and (vi) national and local business and economic conditions.

HOMETRUST BANCSHARES, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
(Dollar amounts in thousands)

Future material adjustments to the allowance for loan losses may be necessary due to changing economic conditions or declining collateral values. In addition, bank regulatory agencies, as an integral part of their examination process, periodically review the Company's allowance for loan losses and may require the Company to make adjustments to the allowance for loan losses based upon judgments that differ significantly from those of management.

Nonperforming Assets—Nonperforming assets can include loans that are past due 90 days or more and continue to accrue interest, loans on which interest is not being accrued, and REO.

Loans Past Due 90 Days or More, Non-accruing, Impaired, or Restructured—The Company's policies related to when loans are placed on non-accruing status conform to guidelines prescribed by bank regulatory authorities. Generally, the Company suspends the accrual of interest on loans (i) that are maintained on a cash basis because of the deterioration of the financial condition of the borrower, (ii) for which payment in full of principal or interest is not expected (impaired loans), or (iii) on which principal or interest has been in default for a period of 90 days or more, unless the loan is both well secured and in the process of collection. Under the Company's cost recovery method, interest income is subsequently recognized only to the extent cash payments are received in excess of principal due. Loans are returned to accruing status when all principal and interest amounts contractually due are brought current and concern no longer exists as to the future collectability of principal and interest, which is generally confirmed when the loan demonstrates performance for six consecutive months or payment cycles.

Restructured loans to borrowers who are experiencing financial difficulty, and on which the Company has granted concessions that modify the terms of the loan, are accounted for as troubled debt restructurings ("TDRs"). These loans remain as TDRs until the loan has been paid in full, modified to its original terms, or charged off. The Company may place these loans on accrual or nonaccrual status depending on the individual facts and circumstances of the borrower. Generally, these loans are put on nonaccrual status until there is adequate performance that evidences the ability of the borrower to make the contractual payments. This period of performance is normally at least six months, and may include performance immediately prior to or after the modification, depending on the specific facts and circumstances of the borrower.

Loan Charge-offs—The Company charges off loan balances, in whole or in part to fair market value, when available, verifiable, and documentable information confirms that specific loans, or portions of specific loans, are uncollectible or unrecoverable. For unsecured loans, losses are confirmed when it can be determined that the borrower, or any guarantors, are unwilling or unable to pay the amounts as agreed. When the borrower, or any guarantor, is unwilling or unable to pay the amounts as agreed on a loan secured by collateral and any recovery will be realized upon the sale of the collateral, the loan is deemed to be collateral dependent. Repayments or recoveries for collateral dependent loans are directly affected by the value of the collateral at liquidation. As such, loan repayment can be affected by factors that influence the amount recoverable, the timing of the recovery, or a combination of the two. Such factors include economic conditions that affect the markets in which the loan or its collateral is sold, bankruptcy, repossession and foreclosure laws, and consumer banking regulations. Losses are also confirmed when the loan, or a portion of the loan, is classified as loss resulting from loan reviews conducted by the Company or its bank regulatory examiners.

Charge-offs of loans in the commercial loan segment are recognized when the uncollectibility of the loan balance and the inability to recover sufficient value from the sale of any collateral securing the loan is confirmed. The uncollectibility of the loan balance is evidenced by the inability of the commercial borrower to generate cash flows sufficient to repay the loan as agreed causing the loan to become delinquent. For collateral dependent commercial loans, the Company determines the net realizable value of the collateral based on appraisals, current market conditions, and estimated costs to sell the collateral. For collateral dependent commercial loans where the loan balance, including any accrued interest, net deferred fees or costs, and unamortized premiums or discounts, exceeds the net realizable value of the collateral securing the loan, the deficiency is identified as unrecoverable, is deemed to be a confirmed loss, and is charged off.

Charge-offs of loans in the retail consumer loan segment are generally confirmed and recognized in a manner similar to loans in the commercial loan segment. Secured retail consumer loans that are identified as uncollectible and are deemed to be collateral dependent are confirmed as loss to the extent the net realizable value of the collateral is insufficient to recover the loan balance. Consumer loans not secured by real estate that become 90 days past due are charged off to the extent that the fair value of any collateral, less estimated costs to sell the collateral, is insufficient to recover the loan balance. Consumer loans secured by real estate that become 120 days past due are charged off to the extent that the fair value of the real estate securing the loan, less estimated costs to sell the collateral, is insufficient to recover the loan balance. Loans to borrowers in bankruptcy are subject to modification by the bankruptcy court and are charged off to the extent that the fair value of any collateral securing the loan, less estimated costs to sell the collateral, is insufficient to recover the loan balance, unless the Company expects repayment is likely to occur. Such loans are charged off within 60 days of the receipt of notification from a bankruptcy court or when the loans become 120 days past due, whichever is shorter.

Real Estate Owned—REO consists of real estate acquired as a result of customers' loan defaults. REO is stated at the lower of the related loan balance or the fair value of the property net of the estimated costs of disposal with a charge to the allowance for loan losses upon foreclosure. Any write-downs subsequent to foreclosure are charged against operating earnings. To the extent recoverable, costs relating to the development and improvement of property are capitalized, whereas those costs relating to holding the property are charged to expense.

Premises and Equipment—Premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the 150% declining balance method and the straight-line method over the estimated useful lives which range from fifteen to forty years for buildings and three to ten years for furniture, fixtures, and equipment. Maintenance and repair costs are expensed as incurred.

Federal Home Loan Bank Stock—As a requirement for membership, the Bank invests in stock of the FHLB of Atlanta. This investment is carried at cost. Due to the redemption provisions of the FHLB, the Bank estimated that fair value equals cost and that this investment was not impaired at March 31, 2014 and June 30, 2013.

Business Combinations—The Company uses the acquisition method of accounting, formerly referred to as the purchase method, for all business combinations. An acquirer must be identified for each business combination, and the acquisition date is the date the acquirer achieves control. The acquisition method of accounting requires the Company as acquirer to recognize the fair value of assets acquired and liabilities assumed at the acquisition date as well as recognize goodwill or a gain from a bargain purchase, if appropriate. Any acquisition-related costs and restructuring costs are recognized as period expenses as incurred.

Income Taxes—The Company accounts for income taxes using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax assets are reduced, if necessary, by the amount of such benefits that are not expected to be realized based upon available evidence.

The Company recognizes interest and penalties accrued relative to unrecognized tax benefits in its respective federal or state income taxes accounts. As of March 31, 2014 and June 30, 2013, there were no accruals for uncertain tax positions and no accruals for interest and penalties. HomeTrust and the Bank file a consolidated United States federal income tax return, as well as separate unconsolidated state income tax returns. The Company's income tax returns subsequent to 2009 are subject to examination by the taxing authorities.

Employee Stock Ownership Plan—In connection with the Conversion, the Bank established an ESOP for the benefit of all of its eligible employees. Full-time employees of the Company who have been credited with at least 1,000 hours of service during a 12-month period and who have attained age 21 are eligible to participate in the ESOP. It is anticipated that the Bank will make contributions to the ESOP in amounts necessary to amortize the ESOP loan payable to HomeTrust over a 20 year period.

Unearned ESOP shares are shown as a reduction of stockholders' equity. Dividends on unearned ESOP shares, if paid, will be considered to be compensation expense. The Company recognizes compensation expense equal to the fair value of the ESOP shares during the periods in which they become committed to be released. To the extent that the fair value of the ESOP shares differs from the cost of such shares, the differential is recognized as additional paid in capital. The Company recognizes a tax deduction equal to the cost of the shares released. Because the ESOP is internally leveraged through a loan from HomeTrust to the ESOP, the loan receivable by HomeTrust from the ESOP is not reported as an asset, nor is the debt of the ESOP shown as a liability in the consolidated financial statements.

Equity Incentive Plan—The Company issues restricted stock and stock options under the HomeTrust Bancshares, Inc. 2013 Omnibus Incentive Plan (“2013 Omnibus Incentive Plan”) to key officers and outside directors. In accordance with the requirements of Accounting Standards Codification (“ASC”) 718, Compensation – Stock Compensation, the Company has adopted a fair value based method of accounting for employee stock compensation plans, whereby compensation cost is measured based on the fair value of the award as of the grant date and recognized over the vesting period. The Company estimates forfeitures when recognizing compensation expense and this estimate is adjusted over the requisite service period or vesting schedule based on the extent to which actual forfeitures differ from such estimate. Changes in estimated forfeitures in future periods are recognized through a cumulative catch-up adjustment, which is recognized in the period of change and also will affect the amount of estimated unamortized compensation expense to be recognized in future periods.

Comprehensive Income—Comprehensive income consists of net income and net unrealized gains (losses) on securities available for sale and is presented in the consolidated statements of comprehensive income.

Derivative Instruments and Hedging—The Company recognizes all derivatives as either assets or liabilities in the balance sheet, and measures those instruments at fair value. Changes in the fair value of those derivatives are reported in current earnings or other comprehensive income depending on the purpose for which the derivative is held and whether the derivative qualifies for hedge accounting. Loan commitments related to the origination or acquisition of mortgage loans that will be held for sale must be accounted for as derivative instruments. The Company enters into commitments to originate loans whereby the interest rate on the loan is determined prior to funding (rate lock commitments). The Company also enters into forward sales commitments for the mortgage loans underlying the rate lock commitments. The fair values of these two derivative financial instruments are collectively insignificant to the consolidated financial statements.

Use of Estimates in Financial Statements—The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recent Accounting Pronouncements—In July 2012, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2012-02 “Testing Indefinite-Lived Intangible Assets for Impairment”, regarding goodwill which will allow an entity to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. Under this ASU, an entity would not be required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. The ASU includes a number of events and circumstances for an entity to consider in conducting the qualitative assessment. The guidance was effective for annual and interim goodwill impairment tests performed for fiscal years beginning after September 15, 2012. Early adoption was permitted, including for annual and interim goodwill impairment tests performed as of a date before July 27, 2012, if an entity’s financial statements for the most recent annual or interim period have not yet been issued or, for nonpublic entities, have not yet been made available for issuance. The adoption of this ASU did not have a material impact on the Company’s Consolidated Financial Statements.

In February 2013, the FASB issued ASU No. 2013-02 “Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income”. This ASU requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under US GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under US GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under US GAAP that provide additional detail about these amounts. The new guidance was effective prospectively for reporting periods beginning after December 15, 2012. The adoption of this ASU did not have a material impact on the Company’s Consolidated Financial Statements.

In July 2013, the FASB issued ASU No. 2013-11 “Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists”. This ASU provides guidance on financial statement presentation of an unrecognized tax benefit when a net operating loss (NOL) carryforward, a similar tax loss, or a tax credit carryforward exists. This ASU applies to all entities with unrecognized tax benefits that also have tax loss or tax credit carryforwards in the same tax jurisdiction as of the reporting date. The new guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013 with early adoption permitted. Since the Company does not have any unrecognized tax benefits, the adoption of the ASU did not have a material impact on the Company’s Consolidated Financial Statements.

In January 2014, the FASB issued ASU No. 2014-04, "Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure." The objective of this guidance is to clarify when an in substance repossession or foreclosure occurs, that is, when a creditor should be considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan such that the loan receivable should be derecognized and the real estate property recognized. ASU No. 2014-04 states that an in substance repossession or foreclosure occurs, and a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, upon either (1) the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure or (2) the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. Additionally, ASU No. 2014-04 requires interim and annual disclosure of both (1) the amount of foreclosed residential real estate property held by the creditor and (2) the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure according to local requirements of the applicable jurisdiction. ASU No. 2014-04 is effective for interim and annual reporting periods beginning after December 15, 2014. The adoption of ASU No. 2014-04 is not expected to have a material impact on the Company's Consolidated Financial Statements.

2. Business Combinations

On July 31, 2013, the Company completed its acquisition of BankGreenville Financial Corporation ("BankGreenville") in accordance with the terms of the Agreement and Plan of Merger dated May 3, 2013. Under the terms of the agreement, BankGreenville shareholders received $6.63 per share in cash consideration. This represents approximately $7.8 million of aggregate deal consideration. Additional contingent cash consideration of up to $0.75 per share (or approximately $883,000) may be realized at the expiration of 24 months based on the performance of a select pool of loans totaling approximately $8.0 million.

BankGreenville was accounted for using the acquisition method of accounting and, accordingly, assets acquired, liabilities assumed and consideration exchanged were recorded at acquisition date fair values. Fair values are preliminary and subject to refinement for up to one year after the closing date of the acquisition as additional information regarding the closing date fair values becomes available. The excess of the merger consideration over the fair value of BankGreenville's net assets was allocated to goodwill. The book value as of July 31, 2013, of assets acquired was $102.2 million and liabilities assumed was $94.1 million. The Company recorded $2.8 million in goodwill related to the acquisition.

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

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

(1) Estimate of additional amount to be paid to shareholders on or about July 31, 2015 based on performance of a select pool of loans totaling approximately $8.0 million.

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The following table discloses the impact of the merger with BankGreenville since the acquisition on July 31, 2013 through March 31, 2014. The table also presents certain pro forma information as if BankGreenville had been acquired on July 1, 2013 and July 1, 2012. These results combine the historical results of BankGreenville in the Company's Consolidated Statement of Income and, while certain adjustments were made for the estimated impact of certain fair value adjustments and other acquisition-related activity, they are not indicative of what would have occurred had the acquisition taken place on July 1, 2013 and July 1, 2012. Acquisition related costs of $1,074, net of tax ($251 of which are included in the Company's consolidated statements of income for the nine months ended March 31, 2014) are not included in the pro forma statements below. In particular, no adjustments have been made to eliminate the impact of REO write-downs recognized by BankGreenville of $250 in July 2013 that may not have been necessary had the acquired REO been recorded at fair value as of the beginning of fiscal year 2013. Furthermore, expenses related to systems conversions and other costs of integration are expected to be recorded throughout fiscal year 2014. Additionally, the Company expects to achieve further operating cost savings as a result of the acquisition which are not reflected in the pro forma amounts below:

	Actual Nine Months Ended March 31, 2014	Pro Forma Nine Months Ended March 31, 2014	Pro Forma Nine Months Ended March 31, 2013
Total revenues*	$ 46,865	$ 47,032	$ 50,176
Net income	9,060	8,913	6,220

* Net interest income plus other income

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

	Purchased Performing	Purchased Impaired	Total Loans
Retail Consumer Loans:			
One-to-four family	$ 8,274	$ 1,392	$ 9,666
Home equity lines of credit	3,987	134	4,121
Consumer	522	-	522
Commercial:			
Commercial real estate	23,073	4,552	27,625
Construction and development	2,367	3,529	5,896
Total	$ 38,223	$ 9,607	$ 47,830

The following table presents the purchased performing loans and purchased impaired loans receivable for BankGreenville at March 31, 2014 and July 31, 2013 (the combination date):

	Purchased Performing Loans	
	March 31, 2014	July 31, 2013

Contractually required principal payments receivable	$ 32,349	$ 41,077
Fair value adjustment for credit, interest rate, and liquidity	2,272	2,854
Fair value of purchased loans receivable	$ 30,077	$ 38,223

	Purchased Impaired Loans	
	March 31, 2014	July 31, 2013
Contractually required principal and interest payments receivable	$ 11,733	$ 12,817
Amounts not expected to be collected – nonaccretable difference	1,375	1,375
Estimated payments expected to be received	10,358	11,442
Accretable yield	1,455	1,835
Fair value of purchased impaired loans	$ 8,903	$ 9,607

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3. Securities Available for Sale

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

	March 31, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. government agencies	$ 25,595	$ 8	$ (15)	$ 25,588
Mortgage-backed securities of U.S. government agencies and government sponsored enterprises	53,354	120	(378)	53,096
Taxable municipal securities	8,107	131	(33)	8,205
Corporate bonds	2,917	76	-	2,993
Total	$ 89,973	$ 335	$ (426)	$ 89,882

	June 30, 2013			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. government agencies	$ 6,000	$ 2	$ -	$ 6,002
Mortgage-backed securities of U.S. government agencies and government sponsored enterprises	18,794	81	(127)	18,748
Total	$ 24,794	$ 83	$ (127)	$ 24,750

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, 2014	
	Amortized Cost	Estimated Fair Value
Due within one year	$ 6,000	$ 6,002
Due after one year through five years	19,412	19,428
Due after five years through ten years	8,260	8,387
Due after ten years	2,947	2,969
Mortgage-backed securities	53,354	53,096
Total	$ 89,973	$ 89,882

The Company had the following sales of securities during the periods indicated:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2014	2013	2014	2013
Gross proceeds from sales of securities	$ 2,123	-	$ 2,123	-
Gross realized gains from sales of securities	42	-	42	-
Gross realized losses from sales of securities	32	-	32	-

Securities available for sale with costs totaling $31,826 and $21,429 with market values of $31,856 and $21,500 at March 31, 2014 and June 30, 2013, respectively, were pledged as collateral to secure various public deposits and retail repurchase agreements.

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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 March 31, 2014 and June 30, 2013 are as follows:

	March 31, 2014					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. government agencies	$ 8,915	$ (15)	$ -	$ -	$ 8,915	$ (15)
Mortgage-backed securities of U.S. government agencies and government-sponsored enterprises	30,493	(377)	49	(1)	30,542	(378)
Taxable municipal securities	2,055	(33)	-	-	2,055	(33)
Total	$ 41,463	$ (425)	$ 49	$ (1)	$ 41,512	$ (426)

	June 30, 2013					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mortgage-backed securities of U.S. government agencies and government-sponsored enterprises	$ 5,707	$ (122)	$ 745	$ (5)	$ 6,452	$ (127)
Total	$ 5,707	$ (122)	$ 745	$ (5)	$ 6,452	$ (127)

The total number of securities with unrealized losses at March 31, 2014, and June 30, 2013 were 51 and 26, respectively. Unrealized losses on securities have not been recognized in income because management has the intent and ability to hold the securities for the foreseeable future, and has determined that it is not more likely than not that the Company will be required to sell the securities prior to a recovery in value. The decline in fair value was largely due to increases in market interest rates. The Company had no other than temporary impairment losses during the three and nine months ended March 31, 2014 or the year ended June 30, 2013. The Bank, as a member of the FHLB, is required to maintain an investment in FHLB capital stock. No ready market exists for the FHLB stock and the carrying value approximates its fair value based on the redemption provisions of the FHLB.

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4. Loans

Loans consist of the following at the dates indicated:

	March 31, 2014	June 30, 2013
Retail consumer loans:		
One-to-four family	$ 578,135	$ 602,050
Home equity lines of credit	127,217	125,676
Construction and land/lots	47,909	51,546
Consumer	7,977	3,349
Total retail consumer loans	761,238	782,621
Commercial loans:		
Commercial real estate	241,209	231,086
Construction and development	31,520	23,994
Commercial and industrial	20,947	11,452
Municipal leases	112,292	116,377
Total commercial loans	405,968	382,909
Total loans	1,167,206	1,165,530
Deferred loan fees, net	(1,087)	(1,347)
Total loans, net of deferred loan fees and discount	1,166,119	1,164,183
Allowance for loan and lease losses	(25,269)	(32,073)
Loans, net	$ 1,140,850	$ 1,132,110

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

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

	Pass	Special Mention	Substandard	Doubtful	Loss	Total
March 31, 2014						
Retail consumer loans:						
One-to-four family	$ 522,311	$ 13,406	$ 38,060	$ 4,347	$ 11	$ 578,135
Home equity lines of credit	119,219	1,449	6,134	414	1	127,217
Construction and land/lots	44,953	1,116	1,649	191	-	47,909
Consumer	7,659	109	193	15	1	7,977
Commercial loans:						
Commercial real estate	196,084	17,394	22,650	5,081	-	241,209
Construction and development	20,641	3,987	6,892	-	-	31,520
Commercial and industrial	18,246	816	1,883	-	2	20,947
Municipal leases	111,540	752	-	-	-	112,292
Total loans	$ 1,040,653	$ 39,029	$ 77,461	$ 10,048	$ 15	$ 1,167,206

	Pass	Special Mention	Substandard	Doubtful	Loss	Total
June 30, 2013						
Retail consumer loans:						
One-to-four family	$ 536,603	$ 14,003	$ 47,753	$ 3,671	$ 20	$ 602,050
Home equity lines of credit	117,438	1,374	6,679	184	1	125,676
Construction and land/lots	48,914	209	2,199	224	-	51,546
Consumer	3,144	62	134	6	3	3,349
Commercial loans:						
Commercial real estate	179,310	20,105	27,116	4,555	-	231,086
Construction and development	9,872	2,853	10,950	318	1	23,994
Commercial and industrial	8,812	835	1,647	157	1	11,452
Municipal leases	114,418	1,959	-	-	-	116,377
Total loans	$ 1,018,511	$ 41,400	$ 96,478	$ 9,115	$ 26	$ 1,165,530

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

	Past Due				Total
	30-89 Days	90 Days+	Total	Current	Loans
March 31, 2014					
Retail consumer loans:					
One-to-four family	$6,044	$9,141	$15,185	$562,950	$578,135
Home equity lines of credit	762	1,591	2,353	124,864	127,217
Construction and land/lots	99	345	444	47,465	47,909
Consumer	32	9	41	7,936	7,977
Commercial loans:					
Commercial real estate	1,605	10,123	11,728	229,481	241,209
Construction and development	1,908	3,194	5,102	26,418	31,520
Commercial and industrial	1,412	432	1,844	19,103	20,947
Municipal leases	168	-	168	112,124	112,292
Total loans	$12,030	$24,835	$36,865	$1,130,341	$1,167,206

	Past Due				Total
	30-89 Days	90 Days+	Total	Current	Loans
June 30, 2013					
Retail consumer loans:					
One-to-four family	$7,031	$8,827	$15,858	$586,192	$602,050
Home equity lines of credit	450	1,656	2,106	123,570	125,676
Construction and land/lots	242	429	671	50,875	51,546
Consumer	4	35	39	3,310	3,349
Commercial loans:					
Commercial real estate	3,805	7,085	10,890	220,196	231,086
Construction and development	-	5,420	5,420	18,574	23,994
Commercial and industrial	193	172	365	11,087	11,452
Municipal leases	-	-	-	116,377	116,377
Total loans	$11,725	$23,624	$35,349	$1,130,181	$1,165,530

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, 2014		June 30, 2013	
	Nonaccruing	90 Days + & still accruing	Nonaccruing	90 Days + & still accruing
Retail consumer loans:				
One-to-four family	$24,318	$-	$29,811	$-
Home equity lines of credit	4,049	-	3,793	-
Construction and land/lots	1,301	-	2,172	-
Consumer	14	-	42	-
Commercial loans:				

Commercial real estate	17,187	-	21,149	-
Construction and development	5,950	-	10,172	-
Commercial and industrial	1,561	-	1,422	-
Municipal leases	-	-	-	-
Total loans	$54,380	$-	$68,561	$-

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.

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HOMETRUST BANCSHARES, INC. AND SUBSIDIARY
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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, 2014	June 30, 2013
Performing TDRs included in impaired loans	$ 14,829	$ 14,012

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

	Three Months Ended March 31, 2014			Three Months Ended March 31, 2013		
	Retail Consumer	Commercial	Total	Retail Consumer	Commercial	Total
Balance at beginning of period	$18,217	$8,908	$27,125	$22,173	$12,076	$34,249
Provision for (recovery of) loan losses	(611)	(1,189)	(1,800)	350	150	500
Charge-offs	(402)	(253)	(655)	(1,219)	(918)	(2,137)
Recoveries	113	486	599	308	41	349
Balance at end of period	$17,317	$7,952	$25,269	$21,612	$11,349	$32,961

	Nine Months Ended March 31, 2014			Nine Months Ended March 31, 2013		
	Retail Consumer	Commercial	Total	Retail Consumer	Commercial	Total
Balance at beginning of period	$21,952	$10,121	$32,073	$21,172	$13,928	$35,100
Provision for (recovery of) loan losses	(1,887)	(2,913)	(4,800)	3,189	(889)	2,300
Charge-offs	(3,768)	(550)	(4,318)	(3,295)	(2,958)	(6,253)
Recoveries	1,020	1,294	2,314	546	1,268	1,814
Balance at end of period	$17,317	$7,952	$25,269	$21,612	$11,349	$32,961

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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		
	Loans individually evaluated for impairment	Loans Collectively Evaluated	Total	Loans individually evaluated for impairment	Loans Collectively Evaluated	Total
March 31, 2014						
Retail consumer loans:						
One-to-four family	$1,098	$10,638	$11,736	$26,937	$551,198	$578,135
Home equity	234	2,601	2,835	3,843	123,374	127,217
Construction and land/lots	385	2,124	2,509	2,120	45,789	47,909
Consumer	1	236	237	4	7,973	7,977
Commercial loans:						
Commercial real estate	33	5,227	5,260	19,186	222,023	241,209
Construction and development	390	1,273	1,663	5,550	25,970	31,520
Commercial and industrial	2	210	212	2,375	18,572	20,947
Municipal leases	-	817	817	-	112,292	112,292
Total	$2,143	$23,126	$25,269	$60,015	$1,107,191	$1,167,206
June 30, 2013						
Retail consumer loans:						
One-to-four family	$1,028	$14,070	$15,098	$35,255	$566,795	$602,050
Home equity	479	3,348	3,827	4,322	121,354	125,676
Construction and land/lots	19	2,871	2,890	1,844	49,702	51,546
Consumer	3	135	138	3	3,346	3,349
Commercial loans:						
Commercial real estate	110	6,473	6,583	19,446	211,640	231,086
Construction and development	255	2,144	2,399	9,780	14,214	23,994
Commercial and industrial	1	155	156	2,305	9,147	11,452
Municipal leases	-	982				