HomeTrust Bancshares, Inc.
Form 10-Q
November 10, 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 September 30, 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 20,502,248 shares of common stock, par value of $.01 per share, issued and outstanding as of November 6, 2014.

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

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) September 30, 2014	June 30, 2014
Assets		
Cash	$19,397	$19,801
Interest-bearing deposits	12,826	26,029
Cash and cash equivalents	32,223	45,830
Certificates of deposit in other banks	175,869	163,780
Securities available for sale, at fair value	176,237	168,749
Other investments, at cost	12,758	3,697
Loans held for sale	2,632	2,537
Total loans, net of deferred loan fees and discount	1,608,214	1,496,528
Allowance for loan losses	(23,080)	(23,429)
Net loans	1,585,134	1,473,099
Premises and equipment, net	49,983	47,411
Accrued interest receivable	7,270	6,787
Real estate owned (REO)	14,514	15,725
Deferred income taxes	59,080	58,381
Bank owned life insurance	76,419	71,285
Goodwill	13,768	9,815
Core deposit intangibles	4,240	4,014
Other assets	3,768	3,344
Total Assets	$2,213,895	$2,074,454
Liabilities and Stockholders' Equity		
Liabilities		
Deposits	$1,658,793	$1,583,047
Other borrowings	112,000	50,000
Capital lease obligations	1,993	1,998
Other liabilities	63,061	62,258
Total liabilities	1,835,847	1,697,303
Stockholders' Equity		
Preferred stock, $0.01 par value, 10,000,000 shares authorized, none issued or outstanding	-	-
Common stock, $0.01 par value, 60,000,000 shares authorized, 20,507,248 shares issued and outstanding at September 30, 2014; 20,632,008 at June 30, 2014	205	207
Additional paid in capital	224,434	225,889
Retained earnings	162,588	160,332

Unearned Employee Stock Ownership Plan (ESOP) shares	(9,390)	(9,522)
Accumulated other comprehensive income	211	245
Total stockholders' equity	378,048	377,151
Total Liabilities and Stockholders' Equity	$2,213,895	$2,074,454

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

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

	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013
Interest and Dividend Income		
Loans	$18,557	$14,082
Securities available for sale	805	297
Certificates of deposit and other interest-bearing deposits	439	452
Other investments	64	12
Total interest and dividend income	19,865	14,843
Interest Expense		
Deposits	1,227	1,543
Other borrowings	38	3
Total interest expense	1,265	1,546
Net Interest Income	18,600	13,297
Recovery of Loan Losses	(250)	(2,300)
Net Interest Income after Recovery for Loan Losses	18,850	15,597
Noninterest Income		
Service charges on deposit accounts	1,062	679
Mortgage banking income and fees	846	998
Other, net	861	594
Total noninterest income	2,769	2,271
Noninterest Expense		
Salaries and employee benefits	9,808	7,177
Net occupancy expense	1,853	1,150
Marketing and advertising	388	355
Telephone, postage, and supplies	678	382
Deposit insurance premiums	430	335
Computer services	1,353	889
Gain on sale and impairment of REO	(36)	(271)
REO expense	356	454
Core deposit intangible amortization	413	29
Merger-related expenses	1,421	219
Other	1,833	1,156
Total other expense	18,497	11,875
Income Before Income Taxes	3,122	5,993
Income Tax Expense	866	2,666

Net Income	$2,256	$3,327
Per Share Data:		
Net income per common share:		
Basic	$0.12	$0.17
Diluted	$0.12	$0.17
Average shares outstanding:		
Basic	19,178,607	19,288,154
Diluted	19,242,722	19,377,896

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 September 30,	
	2014	2013
Net Income	$2,256	$3,327
Other Comprehensive Loss		
Unrealized holding losses on securities available for sale		
Losses arising during the period	$(52)	$(102)
Deferred income tax benefit	18	35
Total other comprehensive loss	$(34)	$(67)
Comprehensive Income	$2,222	$3,260

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

5

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, 2013	$208	$227,397	$149,990	$(10,051)	$ (29)	$ 367,515
Net income	-	-	3,327	-	-	3,327
Stock repurchased	(2)	(3,592)	-	-	-	(3,594)
Stock option expense	-	325	-	-	-	325
Restricted stock expense	-	343	-	-	-	343
ESOP shares allocated	-	85	-	132	-	217
Other comprehensive loss	-	-	-	-	(67)	(67)
Balance at September 30, 2013	$206	$224,558	$153,317	$(9,919)	$ (96)	$ 368,066
Balance at June 30, 2014	$207	$225,889	$160,332	$(9,522)	$245	$377,151
Net income	-	-	2,256	-	-	2,256
Stock repurchased	(2)	(2,536)	-	-	-	(2,538)
Exercised stock options	-	259	-	-	-	259
Stock option expense	-	365	-	-	-	365
Restricted stock expense	-	388	-	-	-	388
ESOP shares allocated	-	69	-	132	-	201
Other comprehensive loss	-	-	-	-	(34)	(34)
Balance at September 30, 2014	$205	$224,434	$162,588	$(9,390)	$211	$378,048

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

6

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

	Three Months Ended September 30, 2014	2013
Operating Activities:		
Net income	$2,256	$3,327
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Recovery of loan losses	(250)	(2,300)
Depreciation	760	556
Deferred income tax expense	668	2,686
Net amortization and accretion	(491)	(129)
Gain on sale and impairment of REO	(36)	(271)
Gain on sale of loans held for sale	(430)	(613)
Origination of loans held for sale	(16,776)	(27,092)
Proceeds from sales of loans held for sale	17,111	32,369
Decrease in deferred loan fees, net	(620)	(53)
Increase in accrued interest receivable and other assets	(854)	(969)
Amortization of core deposit intangibles	413	-
ESOP compensation expense	201	217
Restricted stock and stock option expense	673	668
Decrease in other liabilities	(5,566)	(2,499)
Net cash provided by (used in) operating activities	(2,941)	5,897
Investing Activities:		
Purchase of securities available for sale	(5,303)	(41,810)
Proceeds from maturities of securities available for sale	16,000	-
Purchase of certificates of deposit in other banks	(23,935)	(16,655)
Maturities of certificates of deposit in other banks	11,846	7,666
Principal repayments of mortgage-backed securities	5,792	2,909
Net purchases (redemptions) of other investments	(8,270)	212
Net decrease (increase) in loans	(24,575)	13,431
Purchase of premises and equipment	(3,197)	(611)
Capital improvements to REO	(42)	(96)
Proceeds from sale of REO	1,822	1,262
Acquisition of BankGreenville Financial Corporation, net of cash paid	-	1,475
Acquisition of Bank of Commerce, net of cash paid	(7,759)	-
Net cash used in investing activities	(37,621)	(32,217)
Financing Activities:		
Net decrease in deposits	(17,669)	(370)
Net increase (decrease) in other borrowings	46,828	(2,507)
Common stock repurchased	(2,538)	(3,594)
Exercised stock options	339	-
Decrease in capital lease obligations	(5)	(4)

Net cash provided by (used in) financing activities	26,955		(6,475	)
Net Decrease in Cash and Cash Equivalents	(13,607	)	(32,795	)
Cash and Cash Equivalents at Beginning of Period	45,830		125,713	
Cash and Cash Equivalents at End of Period	$32,223		$92,918	
Supplemental Disclosures:				
Cash paid during the period for:				
Interest	$809		$1,375	
Income taxes	120		13	
Noncash transactions:				
Unrealized loss in value of securities available for sale, net of income taxes	(34	)	(67	)
Transfers of loans to REO	309		1,615	
Loans originated to finance the sale of REO	-		94	
Business Combinations:				
Assets acquired	124,956		103,905	
Liabilities assumed	114,956		94,352	
Net assets acquired	10,000		9,553	

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

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, National Association (the "Bank"). As used throughout this report, the term the "Company" refers to HomeTrust and the Bank, its consolidated subsidiary, unless the context otherwise requires.

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

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

2. Recent Accounting Pronouncements

In July 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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, "Receivables—Troubled Debt Restructurings by Creditors (Subtopic 310-40): Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure”. The objective of this guidance is to clarify when an in substance repossession or foreclosure occurs, that is, when a creditor should be considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan such that the loan receivable should be derecognized and the real estate property recognized. ASU No. 2014-04 states that an in substance repossession or foreclosure occurs, and a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, upon either (1) the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure or (2) the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. Additionally, ASU No. 2014-04 requires interim and annual disclosure of both (1) the amount of foreclosed residential real estate property held by the creditor and (2) the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure according to local requirements of the applicable jurisdiction. ASU No. 2014-04 is effective for 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.

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

In August 2014, the FASB issued ASU No. 2014-14, “Receivables-Troubled Debt Restructuring by Creditors (Subtopic 310-40): Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure”. The amendments in this ASU require that a mortgage loan be derecognized and that a separate other receivable be recognized upon foreclosure if the following conditions are met: (1) the loan has a government guarantee that is not separable from the loan before foreclosure; (2) at the time of foreclosure, the creditor has the intent to convey the real estate property to the guarantor and make a claim of the guarantee, and the creditor has the ability to recover under that claim; and (3) at the time of foreclosure, any amount of the claim that is determined on the basis of the fair value of the real estate is fixed. Upon foreclosure, the separate other receivable should be measured based on the amount of the loan balance (principal and interest) expected to be recovered from the guarantor. The amendments in this ASU are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. The adoption of ASU No. 2014-14 is not expected to have a material impact on the Company’s Consolidated Financial Statements.

3. Business Combinations

On July 31, 2014, the Bank completed its acquisition of Bank of Commerce in accordance with the terms of the Agreement and Plan of Share Exchange dated March 3, 2014. Under the terms of the agreement, Bank of Commerce shareholders received $6.25 per share in cash consideration, representing approximately $10.1 million of aggregate deal consideration. In addition, all $3.2 million of Bank of Commerce’s preferred stock was redeemed.

Bank of Commerce was accounted for using the acquisition method of accounting and, accordingly, assets acquired, liabilities assumed and consideration exchanged were recorded at acquisition date fair values. Fair values are preliminary and subject to refinement for up to one year after the closing date of the acquisition as additional information regarding the closing date fair values becomes available. The excess of the merger consideration over the fair value of Bank of Commerce’s net assets was allocated to goodwill. The book value as of July 31, 2014, of assets acquired was $122.5 million and liabilities assumed was $114.7 million. The Company recorded $4.0 million in goodwill related to the acquisition.

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

	As Recorded By Bank of Commerce	Fair Value and Other Merger Related Adjustments	As Recorded by the Company
Consideration Paid			
Cash paid			$ 10,000
Total consideration			$ 10,000
Assets			
Cash and cash equivalents	$ 2,241	$ -	$ 2,241
Securities available for sale	24,228	-	24,228

Loans, net of allowance		89,339		(3,131	)		86,208
Federal Home Loan Bank ("FHLB") Stock		791		-			791
REO		224		-			224
Premises and equipment, net		135		-			135
Accrued interest receivable		355		(100	)		255
Deferred income taxes		286		1,064			1,350
Core deposit intangibles		-		640			640
Other assets		4,931		-			4,931
Total assets acquired	$	122,530	$	(1,527	)	$	121,003
Liabilities							
Deposits	$	93,303	$	112		$	93,415
Other borrowings		15,000		172			15,172
Other liabilities		6,369		-			6,369
Total liabilities assumed	$	114,672	$	284		$	114,956
Net identifiable assets acquired over liabilities assumed	$	7,858	$	(1,811	)		6,047
Goodwill						$	3,953

9

(Dollar amounts in thousands)

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

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

On May 31, 2014, the Company completed its acquisition of Jefferson Bancshares, Inc. ("Jefferson") in accordance with the terms of the Agreement and Plan of Merger dated January 22, 2014. Under the terms of the agreement, Jefferson shareholders received 0.2661 shares of HomeTrust common stock, and $4.00 in cash for each share of Jefferson common stock. This represents approximately $50.5 million of aggregate deal consideration.

Jefferson was accounted for using the acquisition method of accounting and, accordingly, assets acquired, liabilities assumed and consideration exchanged were recorded at acquisition date fair values. Fair values are preliminary and subject to refinement for up to one year after the closing date of the acquisition as additional information regarding the closing date fair values becomes available. The excess of the merger consideration over the fair value of Jefferson's net assets was allocated to goodwill. The book value as of May 31, 2014, of assets acquired was $494.3 million and liabilities assumed was $441.9 million. The Company recorded $7.0 million in goodwill related to the acquisition.

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

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

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

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

	Purchased Performing	PCI	Total Loans
Retail Consumer Loans:			

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

On July 31, 2013, the Company completed its acquisition of BankGreenville Financial Corporation ("BankGreenville") in accordance with the terms of the Agreement and Plan of Merger dated May 3, 2013. Under the terms of the agreement, BankGreenville shareholders received $6.63 per share in cash consideration. This represents approximately $7.8 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.

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

BankGreenville was accounted for using the acquisition method of accounting and, accordingly, assets acquired, liabilities assumed and consideration exchanged were recorded at acquisition date fair values. The excess of the merger consideration over the fair value of BankGreenville's net assets was allocated to goodwill. The book value as of July 31, 2013, of assets acquired was $102.2 million and liabilities assumed was $94.1 million. The Company recorded $2.8 million in goodwill related to the acquisition.

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

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

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

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

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

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

The following table discloses the impact of the acquisition of Bank of Commerce since the effective date of July 31, 2014 through September 30, 2014. In addition, the table presents certain pro forma information as if Bank of Commerce, Jefferson, and BankGreenville had been acquired on July 1, 2014 and July 1, 2013. Although, this pro forma information combines the historical results from each company, it is not indicative of what would have occurred had the acquisition taken place on July 1, 2014 and July 1, 2013. Adjustments were made for the estimated impact of certain fair value adjustments and other acquisition-related activity while significant one-time merger-related expenses are not included. Furthermore, expenses related to systems conversions and other costs of integration have been recorded throughout fiscal year 2014 and are expected to be recorded throughout fiscal year 2015. Additionally, the Company expects to achieve further operating cost savings as a result of the acquisitions which are not reflected in the pro forma amounts below:

	Actual Three Months Ended September 30, 2014	Pro Forma Three Months Ended September 30, 2014	Pro Forma Three Months Ended September 30, 2013
Total revenues*	$ 18,600	$ 21,767	$ 38,450
Net income	2,256	1,996	5,639

* Net interest income plus other income

4. Securities Available for Sale

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

	September 30, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Government Agencies	$ 38,765	$ 103	$ (59)	$ 38,809
Residential Mortgage-backed Securities of U.S. Government Agencies and Government-Sponsored Enterprises	117,418	398	(517)	117,299
Municipal Bonds	15,828	316	(8)	16,136
Corporate Bonds	3,906	87	-	3,993
Total	$ 175,917	$ 904	$ (584)	$ 176,237

	June 30, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value

U.S. government agencies	$ 38,085	$ 45	$ (37)	$ 38,093
Residential Mortgage-backed Securities of U.S. Government Agencies and Government-Sponsored Enterprises	111,430	393	(412)	111,411
Municipal Bonds	15,951	282	(13)	16,220
Corporate Bonds	2,912	113	-	3,025
Total	$ 168,378	$ 833	$ (462)	$ 168,749

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

	September 30, 2014	
	Amortized Cost	Estimated Fair Value
Due within one year	$ 2,518	$ 2,518
Due after one year through five years	12,980	12,978
Due after five years through ten years	36,320	36,599
Due after ten years	6,681	6,843
Mortgage-backed securities	117,418	117,299
Total	$ 175,917	$ 176,237

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

The Company had no sales of securities during the three months ended September 30, 2014 and 2013.

Securities available for sale with costs totaling $42,355 and $51,036 with market values of $42,546 and $51,297 at September 30, 2014 and June 30, 2014, respectively, were pledged as collateral to secure various public deposits.

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

	September 30, 2014					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. government agencies	$ 16,971	$ (59)	$ -	$ -	$ 16,971	$ (59)
Mortgage-backed securities of U.S. government agencies and government-sponsored enterprises	75,671	(505)	152	(12)	75,823	(517)
Taxable municipal securities	2,876	(8)	-	-	2,876	(8)
Total	$ 95,518	$ (572)	$ 152	$ (12)	$ 95,670	$ (584)

	June 30, 2014					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government Agencies	$ 19,475	$ (37)	$ -	$ -	$ 19,475	$ (37)
Residential Mortgage-backed Securities of U.S. Government Agencies and Government-Sponsored Enterprises	75,761	(399)	162	(13)	75,923	(412)
Municipal Bonds	6,668	(13)	-	-	6,668	(13)
Total	$ 101,904	$ (449)	$ 162	$ (13)	$ 102,066	$ (462)

The total number of securities with unrealized losses at September 30, 2014, and June 30, 2014 were 148 and 159, respectively. Unrealized losses on securities have not been recognized in income because management has the intent and ability to hold the securities for the foreseeable future, and has determined that it is not more likely than not that the Company will be required to sell the securities prior to a recovery in value. The decline in fair value was largely due to increases in market interest rates. The Company had no other than temporary impairment losses during the three months ended September 30, 2014 or the year ended June 30, 2014.

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

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

5. Loans

Loans consist of the following at the dates indicated:

	September 30, 2014	June 30, 2014
Retail consumer loans:		
One-to-four family	$ 656,068	$ 660,200
Home equity lines of credit	158,220	148,379
Construction and land/lots	61,781	59,249
Indirect auto finance	15,449	8,833
Consumer	5,556	6,331
Total retail consumer loans	897,074	882,992
Commercial loans:		
Commercial real estate	455,219	377,769
Construction and development	56,437	56,457
Commercial and industrial	91,126	74,435
Municipal leases	109,079	106,215
Total commercial loans	711,861	614,876
Total loans	1,608,935	1,497,868
Deferred loan fees, net	(721)	(1,340)
Total loans, net of deferred loan fees and discount	1,608,214	1,496,528
Allowance for loan and lease losses	(23,080)	(23,429)
Loans, net	$ 1,585,134	$ 1,473,099

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

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

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