

HomeTrust Bancshares, Inc.
Form 10-Q
February 09, 2015

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended December 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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

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Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller

reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes

No

APPLICABLE ONLY TO CORPORATE ISSUERS

There were 20,398,321 shares of common stock, par value of \$.01 per share, issued and outstanding as of February 6, 2015.

HOMETRUST BANCSHARES, INC. AND SUBSIDIARIES
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

Consolidated Balance Sheets

(Dollar amounts in thousands except per share data)

	(Unaudited)	
	December	
	31, 2014	June 30, 2014
Assets		
Cash	\$41,818	\$19,801
Interest-bearing deposits	318,402	26,029
Cash and cash equivalents	360,220	45,830
Certificates of deposit in other banks	196,575	163,780
Securities available for sale, at fair value	195,143	168,749
Other investments, at cost	18,968	3,697
Loans held for sale	1,478	2,537
Total loans, net of deferred loan fees and discount	1,649,986	1,496,528
Allowance for loan losses	(23,356)	(23,429)
Net loans	1,626,630	1,473,099
Premises and equipment, net	59,172	47,411
Accrued interest receivable	7,133	6,787
Real estate owned (REO)	10,618	15,725
Deferred income taxes	58,224	58,381
Bank owned life insurance	76,433	71,285
Goodwill	13,768	9,815
Core deposit intangibles	11,472	4,014
Other assets	4,553	3,344
Total Assets	\$2,640,387	\$2,074,454
Liabilities and Stockholders' Equity		
Liabilities		
Deposits	\$1,938,321	\$1,583,047
Other borrowings	250,000	50,000
Capital lease obligations	1,989	1,998
Other liabilities	69,150	62,258
Total liabilities	2,259,460	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, 20,451,505 shares issued and outstanding at December 31, 2014; 20,632,008 at June 30, 2014	205	207
Additional paid in capital	224,322	225,889
Retained earnings	164,637	160,332
Unearned Employee Stock Ownership Plan (ESOP) shares	(9,258)	(9,522)
Accumulated other comprehensive income	1,021	245
Total stockholders' equity	380,927	377,151
Total Liabilities and Stockholders' Equity	\$2,640,387	\$2,074,454

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 December 31,		Six Months Ended December 31,	
	2014	2013	2014	2013
Interest and Dividend Income				
Loans	\$ 19,823	\$ 14,371	\$ 38,380	\$ 28,453
Securities available for sale	884	424	1,689	721
Certificates of deposit and other interest-bearing deposits	626	455	1,065	907
Other investments	226	15	290	27
Total interest and dividend income	21,559	15,265	41,424	30,108
Interest Expense				
Deposits	1,264	1,382	2,490	2,925
Other borrowings	105	1	144	4
Total interest expense	1,369	1,383	2,634	2,929
Net Interest Income	20,190	13,882	38,790	27,179
Recovery of Loan Losses	-	(700)	(250)	(3,000)
Net Interest Income after Recovery for Loan Losses	20,190	14,582	39,040	30,179
Noninterest Income				
Service charges on deposit accounts	1,318	654	2,379	1,333
Mortgage banking income and fees	713	788	1,560	1,786
Gain from sales of securities available for sale	61	-	61	-
Other, net	727	804	1,588	1,398
Total noninterest income	2,819	2,246	5,588	4,517
Noninterest Expense				
Salaries and employee benefits	10,068	7,518	19,876	14,695
Net occupancy expense	2,032	1,313	3,885	2,463
Marketing and advertising	624	338	1,011	693
Telephone, postage, and supplies	759	483	1,437	865
Deposit insurance premiums	415	332	845	667
Computer services	1,250	935	2,603	1,824
Loss (gain) on sale and impairment of REO	(200)	476	(235)	205
REO expense	433	367	788	821
Core deposit intangible amortization	484	35	898	64
Merger-related expenses	2,310	43	3,731	262
Other	1,960	1,506	3,793	2,662
Total other expense	20,135	13,346	38,632	25,221
Income Before Income Taxes	2,874	3,482	5,996	9,475
Income Tax Expense	825	606	1,691	3,272

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Net Income	\$2,049	\$2,876	\$4,305	\$6,203
Per Share Data:				
Net income per common share:				
Basic	\$0.10	\$0.15	\$0.22	\$0.32
Diluted	\$0.10	\$0.15	\$0.22	\$0.32
Average shares outstanding:				
Basic	19,145,084	18,572,448	19,161,846	18,930,301
Diluted	19,235,841	18,680,463	19,239,539	19,029,109

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

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HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

Consolidated Statements of Comprehensive Income

(Dollar amounts in thousands)

	Three Months Ended December 31, 2014		Six Months Ended December 31, 2013	
Net Income	\$2,049	\$2,876	\$4,305	\$6,203
Other Comprehensive Income (Loss)				
Unrealized holding gains (losses) on securities available for sale				
Gains (losses) arising during the period	1,166	(389)	1,119	(491)
Deferred income tax (expense) benefit	(397)	132	(380)	167
Reclassification of securities gains recognized in net income	61	-	57	-
Deferred income tax expense	(20)	-	(20)	-
Total other comprehensive income (loss)	\$810	\$(257)	\$776	\$(324)
Comprehensive Income	\$2,859	\$2,619	\$5,081	\$5,879

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, 2013	\$ 208	\$ 227,397	\$ 149,990	\$(10,051)	\$ (29)	\$ 367,515
Net income	-	-	6,203	-	-	6,203
Stock repurchased	(10)	(17,045)	-	-	-	(17,055)
Stock option expense	-	649	-	-	-	649
Restricted stock expense	-	687	-	-	-	687
ESOP shares allocated	-	167	-	264	-	431
Other comprehensive loss	-	-	-	-	(324)	(324)
Balance at December 31, 2013	\$ 198	\$ 211,855	\$ 156,193	\$(9,787)	\$ (353)	\$ 358,106
Balance at June 30, 2014	\$207	\$225,889	\$160,332	\$(9,522)	\$245	\$377,151
Net income	-	-	4,305	-	-	4,305
Stock repurchased	(2)	(3,395)	-	-	-	(3,397)
Exercised stock options	-	259	-	-	-	259
Stock option expense	-	693	-	-	-	693
Restricted stock expense	-	734	-	-	-	734
ESOP shares allocated	-	142	-	264	-	406
Other comprehensive income	-	-	-	-	776	776
Balance at December 31, 2014	\$205	\$224,322	\$164,637	\$(9,258)	\$1,021	\$380,927

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

HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows (continued)

(Dollar amounts in thousands)

	Six Months Ended December 31,	
	2014	2013
Operating Activities:		
Net income	\$4,305	\$6,203
Adjustments to reconcile net income to net cash provided by operating activities:		
Recovery of loan losses	(250)	(3,000)
Depreciation	1,696	1,133
Deferred income tax expense	1,679	3,317
Net amortization and accretion	(1,983)	(411)
Loss (gain) on sale and impairment of REO	(235)	205
Gain on sale of loans held for sale	(847)	(1,021)
Origination of loans held for sale	(32,178)	(44,967)
Gain on sale of securities available for sale	(61)	-
Proceeds from sales of loans held for sale	34,084	52,191
Decrease in deferred loan fees, net	(699)	(121)
Increase in accrued interest receivable and other assets	(1,514)	(1,452)
Amortization of core deposit intangibles	898	64
ESOP compensation expense	406	431
Restricted stock and stock option expense	1,427	1,336
Increase (decrease) in other liabilities	506	(4,684)
Net cash provided by operating activities	7,234	9,224
Investing Activities:		
Purchase of securities available for sale	(44,909)	(49,272)
Proceeds from maturities of securities available for sale	21,385	19,750
Proceeds from sale of securities available for sale	10,387	-
Purchase of certificates of deposit in other banks	(54,797)	(27,156)
Maturities of certificates of deposit in other banks	22,002	11,746
Principal repayments of mortgage-backed securities	11,911	5,396
Net redemptions (purchases) of other investments	(14,480)	212
Net decrease (increase) in loans	(64,001)	32,910
Purchase of premises and equipment	(4,329)	(1,040)
Capital improvements to REO	(55)	(125)
Proceeds from sale of REO	6,574	7,231
Acquisition of BankGreenville Financial Corporation, net of cash paid	-	1,475
Acquisition of Bank of Commerce, net of cash paid	(7,759)	-
Acquisition of Bank of America branches, net of cash paid	310,868	-
Net cash provided by investing activities	192,797	1,127
Financing Activities:		
Net decrease in deposits	(67,322)	(32,411)
Net increase (decrease) in other borrowings	184,828	(2,517)
Common stock repurchased	(3,397)	(17,055)
Exercised stock options	259	-
Decrease in capital lease obligations	(9)	(9)
Net cash provided by (used in) financing activities	114,359	(51,992)

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Net Increase (Decrease) in Cash and Cash Equivalents	314,390	(41,641)
Cash and Cash Equivalents at Beginning of Period	45,830	125,713
Cash and Cash Equivalents at End of Period	\$360,220	\$84,072

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Supplemental Disclosures:	Six Months Ended December 31,	
	2014	2013
Cash paid during the period for:		
Interest	\$2,242	\$2,850
Income taxes	140	113
Noncash transactions:		
Unrealized gain (loss) in value of securities available for sale, net of income taxes	776	(324)
Transfers of loans to REO	1,413	3,452
Transfers of loans to held for sale	-	4,340
Loans originated to finance the sale of REO	460	94
Business Combinations:		
Assets acquired	463,959	103,905
Liabilities assumed	444,154	94,352
Net assets acquired	19,805	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 and six months ended December 31, 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 January 2014, the Financial Accounting Standards Board ("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.

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.

HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

(Dollar amounts in thousands)

In January 2015, the FASB issued ASU No. 2015-01, "Income Statement-Extraordinary and Unusual Items (Subtopic 225-20)". The ASU eliminates the need to separately classify, present, and disclose extraordinary events. The disclosure of events or transactions that are unusual or infrequent in nature will be included in other guidance. The amendments in this ASU are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. The adoption of ASU No. 2015-1 is not expected to have a material impact on the Company's consolidated financial statements.

3. Business Combinations

On November 14, 2014, the Bank completed its acquisition of ten branch banking operations in Southwest Virginia and Eden, North Carolina from Bank of America Corporation (the "Branch Acquisition"). Under the terms of the agreement, the Bank paid a deposit premium of \$9.8 million equal to 2.86% of the average daily deposits for the 30 calendar day period prior to the acquisition date. In addition, the Bank acquired approximately \$1.0 million in loans and all related premises and equipment valued at \$9.0 million.

The Branch Acquisition was accounted for as a business combination 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 following table presents the consideration paid by the Bank in the acquisition of these Bank of America branches and the assets acquired and liabilities assumed as of November 14, 2014:

	As Recorded By Bank of America	Fair Value and Other Merger Related Adjustments	As Recorded by the Company
Consideration Paid			
Cash paid as deposit premium			\$9,805
Total consideration			\$9,805
Assets			
Cash and cash equivalents	\$320,673	\$ -	\$320,673
Loans, net of allowance	1,045	-	1,045
Premises and equipment, net	6,303	2,690	8,993
Accrued interest receivable	3	-	3
Deferred income taxes	-	353	353
Core deposit intangibles	-	7,936	7,936
Total assets acquired	\$328,024	\$ 10,979	\$339,003
Liabilities			
Deposits	\$328,007	\$ 1,174	\$329,181
Other liabilities	17	-	17
Total liabilities assumed	\$328,024	\$ 1,174	\$329,198
Net identifiable assets acquired over liabilities assumed	\$-	\$ 9,805	9,805

Goodwill

\$-

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

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HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

(Dollar amounts in thousands)

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

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:			

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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.

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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.

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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 December 31, 2014 and the Branch Acquisition since the effective date of November 14, 2014 - December 31, 2014. In addition, the table presents certain pro forma information as if the Branch Acquisition, 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 Six Months Ended December 31, 2014	Pro Forma Six Months Ended December 31, 2014	Pro Forma Six Months Ended December 31, 2013
Total revenues*	\$ 44,378	\$ 48,682	\$ 48,111
Net income	4,305	6,065	8,561

* Net interest income plus other income

4. Securities Available for Sale

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

	December 31, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Government Agencies	\$55,208	\$ 362	\$ (11) \$55,559
Residential Mortgage-backed Securities of U.S. Government Agencies and Government- Sponsored Enterprises	118,629	867	(225) 119,271
Municipal Bonds	15,794	449	(10) 16,233
Corporate Bonds	3,901	116	-	4,017
Equity Securities	63	-	-	63
Total	\$193,595	\$ 1,794	\$ (246) \$195,143
	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.				

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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.

	December 31, 2014	
	Amortized Cost	Estimated Fair Value
Due within one year	\$ 1,508	\$ 1,508
Due after one year through five years	40,961	41,018
Due after five years through ten years	26,700	27,304
Due after ten years	5,734	5,979
Mortgage-backed securities	118,629	119,271
Total	\$ 193,532	\$ 195,080

HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

(Dollar amounts in thousands)

Proceeds from sales of securities available for sale were \$10,387 in the period ended December 31, 2014. Gross realized gains were \$74 and gross realized losses were \$13 for the three and six months ended December 31, 2014. There were no sales of securities during the three and six months ended December 31, 2013.

Securities available for sale with costs totaling \$41,666 and \$51,036 with market values of \$42,069 and \$51,297 at December 31, 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 December 31, 2014 and June 30, 2014 were as follows:

	December 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	\$ 15,583	\$ (11)	\$-	\$ -	\$ 15,583	\$ (11)
Residential Mortgage-backed Securities of U.S. Government Agencies and Government-Sponsored Enterprises	30,328	(122)	8,185	(103)	38,513	(225)
Municipal Bonds	2,839	(10)	-	-	2,839	(10)
Total	\$ 48,750	\$ (143)	\$ 8,185	\$ (103)	\$ 56,935	\$ (246)

	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 December 31, 2014, and June 30, 2014 were 81 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 and six months ended December 31, 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:

	December 31, 2014	June 30, 2014
Retail consumer loans:		
One-to-four family	\$647,806	\$660,200
Home equity lines of credit	201,712	148,379
Construction and land/lots	54,382	59,249
Indirect auto finance	21,669	8,833
Consumer	4,758	6,331
Total retail consumer loans	930,327	882,992
Commercial loans:		
Commercial real estate	454,899	377,769
Construction and development	64,610	56,457
Commercial and industrial	92,267	74,435
Municipal leases	108,525	106,215
Total commercial loans	720,301	614,876
Total loans	1,650,628	1,497,868
Deferred loan fees, net	(642)	(1,340)
Total loans, net of deferred loan fees and discount	1,649,986	1,496,528
Allowance for loan and lease losses	(23,356)	(23,429)
Loans, net	\$1,626,630	\$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	Doubtful	Loss	Total
December 31, 2014						
Retail consumer loans:						
One-to-four family	\$591,147	\$14,542	\$29,763	\$2,958	\$28	\$638,438
Home equity lines of credit	195,438	758	4,583	424	92	201,295
Construction and land/lots	50,362	951	2,050	137	-	53,500
Indirect auto finance	21,622	47	-	-	-	21,669
Consumer	3,976	78	644	10	36	4,744
Commercial loans:						
Commercial real estate	367,531	20,096	19,794	1,369	1	408,791
Construction and development	47,858	2,482	7,339	-	1	57,680
Commercial and industrial	82,352	1,428	1,599	-	3	85,382
Municipal leases	106,159	1,789	577	-	-	108,525
Total loans	\$1,466,445	\$42,171	\$66,349	\$4,898	\$161	\$1,580,024
June 30, 2014						
Retail consumer loans:						
One-to-four family	\$602,409	\$17,639	\$28,974	\$2,907	\$10	\$651,939
Home equity lines of credit	141,008	1,605	4,967	420	2	148,002
Construction and land/lots	55,374	1,878	807	113	-	58,172
Indirect auto finance	8,801	32	-	-	-	8,833
Consumer	6,115	62	97	13	3	6,290
Commercial loans:						
Commercial real estate	313,437	16,931	19,746	1,944	-	352,058
Construction and development	41,336	2,927	5,972	570	-	50,805
Commercial and industrial	66,481	873	1,723	-	3	69,080
Municipal leases	104,404	1,811	-	-	-	106,215
Total loans	\$1,339,365	\$43,758	\$62,286	\$5,967	\$18	\$1,451,394

HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

(Dollar amounts in thousands)

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

	Pass	Special Mention	Substandard	Doubtful	Loss	Total
December 31, 2014						
Retail consumer loans:						
One-to-four family	\$4,777	\$ 996	\$ 3,595	\$ -	\$ -	\$9,368
Home equity lines of credit	130	-	287	-	-	417
Construction and land/lots	445	-	437	-	-	882
Indirect auto finance	-	-	-	-	-	-
Consumer	14	-	-	-	-	14
Commercial loans:						
Commercial real estate	32,422	5,425	8,261	-	-	46,108
Construction and development	1,698	408	4,824	-	-	6,930
Commercial and industrial	5,437	398	1,050	-	-	6,885
Municipal leases	-	-	-	-	-	-
Total loans	\$44,923	\$ 7,227	\$ 18,454	\$ -	\$ -	\$70,604
June 30, 2014						
Retail consumer loans:						
One-to-four family	\$4,904	\$ -	\$ 3,357	\$ -	\$ -	\$8,261
Home equity lines of credit	7	-	370	-	-	377
Construction and land/lots	791	-	286	-	-	1,077
Indirect auto finance	-	-	-	-	-	-
Consumer	41	-	-	-	-	41
Commercial loans:						
Commercial real estate	20,853	-	4,858	-	-	25,711
Construction and development	2,443	2,169	1,040	-	-	5,652
Commercial and industrial	4,647	-	708	-	-	5,355
Municipal leases	-	-	-	-	-	-
Total loans	\$33,686	\$ 2,169	\$ 10,619	\$ -	\$ -	\$46,474

HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

(Dollar amounts in thousands)

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

	Past Due		Total	Current	Total Loans
	30-89 Days	90 Days+			
December 31, 2014					
Retail consumer loans:					
One-to-four family	\$6,076	\$7,516	\$13,592	\$634,214	\$647,806
Home equity lines of credit	660	574	1,234	200,478	201,712
Construction and land/lots	268	554	822	53,560	54,382
Indirect auto finance	39	-	39	21,630	21,669
Consumer	53	29	82	4,676	4,758
Commercial loans:					
Commercial real estate	1,533	7,111	8,644	446,255	454,899
Construction and development	3,208	3,341	6,549	58,061	64,610
Commercial and industrial	2,117	981	3,098	89,169	92,267
Municipal leases	274	303	577	107,948	108,525
Total loans	\$14,228	\$20,409	\$34,637	\$1,615,991	\$1,650,628

The table above includes PCI loans of \$4,896 30-89 days past due and \$4,939 90 days or more past due as of December 31, 2014.

	Past Due		Total	Current	Total Loans
	30-89 Days	90 Days+			
June 30, 2014					
Retail consumer loans:					
One-to-four family	\$4,929	\$8,208	\$13,137	\$647,063	\$660,200
Home equity lines of credit	400	939	1,339	147,040	148,379
Construction and land/lots	508	122	630	58,619	59,249
Indirect auto finance	-	-	-	8,833	8,833
Consumer	34	16	50	6,281	6,331
Commercial loans:					
Commercial real estate	306	6,729	7,035	370,734	377,769
Construction and development	1,165	3,789	4,954	51,503	56,457
Commercial and industrial	183	576	759	73,676	74,435
Municipal leases	-	-	-	106,215	106,215
Total loans	\$7,525	\$20,379	\$27,904	\$1,469,964	\$1,497,868

The table above includes PCI loans of \$1,817 30-89 days past due and \$4,189 90 days or more past due as of June 30, 2014.

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:

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	December 31, 2014		June 30, 2014	
	90 Days		90 Days	
	+ &		+ &	
	still		still	
	Nonaccruing	accruing	Nonaccruing	accruing
Retail consumer loans:				
One-to-four family	\$ 13,802	\$		