HomeTrust Bancshares, Inc.
Form 10-Q
November 09, 2016

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2016

[ ] 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]

(Do not check if a smaller reporting company)

Non-accelerated filer [ ] 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 18,000,750 shares of common stock, par value of $.01 per share, issued and outstanding as of November 4, 2016.

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

1

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements
HOMETRUST BANCSHARES, INC. AND SUBSIDIARY
Consolidated Balance Sheets
(Dollars in thousands, except per share data)

| | (Unaudited) September 30, 2016 | June 30, 2016 |
|---|---|---|
| Assets | | |
| Cash | $ 32,081 | $ 29,947 |
| Interest-bearing deposits | 28,482 | 22,649 |
| Cash and cash equivalents | 60,563 | 52,596 |
| Commercial paper | 220,682 | 229,859 |
| Certificates of deposit in other banks | 153,431 | 161,512 |
| Securities available for sale, at fair value | 193,701 | 200,652 |
| Other investments, at cost | 31,509 | 29,486 |
| Loans held for sale | 8,832 | 5,783 |
| Total loans, net of deferred loan costs and discount | 1,881,481 | 1,832,831 |
| Allowance for loan losses | (20,951) | (21,292) |
| Net loans | 1,860,530 | 1,811,539 |
| Premises and equipment, net | 53,981 | 54,231 |
| Accrued interest receivable | 7,729 | 7,405 |
| Real estate owned ("REO") | 5,715 | 5,956 |
| Deferred income taxes | 52,087 | 54,153 |
| Bank owned life insurance | 80,444 | 79,858 |
| Goodwill | 12,673 | 12,673 |
| Core deposit intangibles | 6,486 | 7,136 |
| Other assets | 5,746 | 4,838 |
| Total Assets | $ 2,754,109 | $ 2,717,677 |
| Liabilities and Stockholders' Equity | | |
| Liabilities | | |
| Deposits | $ 1,793,528 | $ 1,802,696 |
| Borrowings | 536,500 | 491,000 |
| Capital lease obligations | 1,953 | 1,958 |
| Other liabilities | 57,727 | 62,047 |
| Total liabilities | 2,389,708 | 2,357,701 |
| 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, | 180 | 180 |

| | | | | | | |
|---|---|---|---|---|---|---|
| 17,999,150 shares issued and outstanding at September 30, 2016; 17,998,750 at June 30, 2016 | | | | | | |
| Additional paid in capital | 186,960 | | | 186,104 | | |
| Retained earnings | 183,637 | | | 179,813 | | |
| Unearned Employee Stock Ownership Plan ("ESOP") shares | (8,332 | | ) | (8,464 | | ) |
| Accumulated other comprehensive income | 1,956 | | | 2,343 | | |
| Total stockholders' equity | 364,401 | | | 359,976 | | |
| Total Liabilities and Stockholders' Equity | $ | 2,754,109 | | $ | 2,717,677 | |

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

2

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

| | (Unaudited) Three Months Ended September 30, | |
|---|---|---|
| | 2016 | 2015 |
| Interest and Dividend Income | | |
| Loans | $20,480 | $ 19,635 |
| Securities available for sale | 880 | 1,199 |
| Certificates of deposit and other interest-bearing deposits | 1,044 | 830 |
| Other investments | 387 | 345 |
| Total interest and dividend income | 22,791 | 22,009 |
| Interest Expense | | |
| Deposits | 1,099 | 1,191 |
| Other borrowings | 555 | 247 |
| Total interest expense | 1,654 | 1,438 |
| Net Interest Income | 21,137 | 20,571 |
| Provision for Loan Losses | — | — |
| Net Interest Income after Provision for Loan Losses | 21,137 | 20,571 |
| Noninterest Income | | |
| Service charges on deposit accounts | 1,749 | 1,699 |
| Mortgage banking income and fees | 976 | 728 |
| Gain from sale of premises and equipment | 385 | — |
| Other, net | 966 | 942 |
| Total noninterest income | 4,076 | 3,369 |
| Noninterest Expense | | |
| Salaries and employee benefits | 10,691 | 10,857 |
| Net occupancy expense | 2,061 | 2,259 |
| Marketing and advertising | 430 | 485 |
| Telephone, postage, and supplies | 612 | 830 |
| Deposit insurance premiums | 279 | 525 |
| Computer services | 1,427 | 1,584 |
| Loss (gain) on sale and impairment of REO | 129 | (21) |
| REO expense | 144 | 355 |
| Core deposit intangible amortization | 650 | 774 |
| Merger-related expenses | 307 | — |
| Other | 2,235 | 2,187 |
| Total noninterest expense | 18,965 | 19,835 |
| Income Before Income Taxes | 6,248 | 4,105 |
| Income Tax Expense | 2,424 | 1,541 |
| Net Income | $3,824 | $ 2,564 |
| Per Share Data: | | |
| Net income per common share: | | |
| Basic | $0.22 | $ 0.14 |
| Diluted | $0.22 | $ 0.14 |
| Average shares outstanding: | | |
| Basic | 17,208,682 | 18,077,987 |

| | | |
|---|---|---|
| Diluted | 17,451,295 | 18,291,029 |

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

3

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

| | Three Months Ended September 30, | |
|---|---|---|
| | 2016 | 2015 |
| Net Income | $3,824 | $2,564 |
| Other Comprehensive Income | | |
| Unrealized holding gains (losses) on securities available for sale | | |
| Gains (losses) arising during the period | (586) | 1,327 |
| Deferred income tax benefit (expense) | 199 | (451) |
| Total other comprehensive income (loss) | $(387) | $876 |
| Comprehensive Income | $3,437 | $3,440 |

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

4

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

| | Common Stock | | Additional Paid In Capital | Retained Earnings | Unearned ESOP Shares | Accumulated Other Comprehensive Income (loss) | Total Stockholders' Equity |
|---|---|---|---|---|---|---|---|
| | Shares | Amount | | | | | |
| Balance at June 30, 2015 | 19,488,449 | $ 195 | $210,621 | $168,357 | $(8,993) | $ 870 | $ 371,050 |
| Net income | — | — | — | 2,564 | — | — | 2,564 |
| Stock repurchased | (414,362) | (4) | (7,367) | — | — | — | (7,371) |
| Forfeited restricted stock | (450) | — | — | — | — | — | — |
| Exercised stock options | 400 | — | 6 | — | — | — | 6 |
| Stock option expense | — | — | 442 | — | — | — | 442 |
| Restricted stock expense | — | — | 346 | — | — | — | 346 |
| ESOP shares allocated | — | — | 103 | — | 132 | — | 235 |
| Other comprehensive income | — | — | — | — | — | 876 | 876 |
| Balance at September 30, 2015 | 19,074,037 | $ 191 | $204,151 | $170,921 | $(8,861) | $ 1,746 | $ 368,148 |
| | | | | | | | |
| Balance at June 30, 2016 | 17,998,750 | $ 180 | $186,104 | $179,813 | $(8,464) | $ 2,343 | $ 359,976 |
| Net income | — | — | — | 3,824 | — | — | 3,824 |
| Granted restricted stock | 400 | — | — | — | — | — | — |
| Stock option expense | — | — | 362 | — | — | — | 362 |
| Restricted stock expense | — | — | 377 | — | — | — | 377 |
| ESOP shares allocated | — | — | 117 | — | 132 | — | 249 |
| Other comprehensive loss | — | — | — | — | — | (387) | (387) |
| Balance at September 30, 2016 | 17,999,150 | $ 180 | $186,960 | $183,637 | $(8,332) | $ 1,956 | $ 364,401 |

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

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

| | Three Months Ended September 30, | |
|---|---|---|
| | 2016 | 2015 |
| Operating Activities: | | |
| Net income | $3,824 | $2,564 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation | 868 | 1,046 |
| Deferred income tax expense | 2,266 | 1,571 |
| Net amortization and accretion | (2,180) | (1,442) |
| Gain from sale of premises and equipment | (385) | — |
| Loss (gain) on sale and impairment of REO | 129 | (21) |
| Gain on sale of loans held for sale | (382) | (455) |
| Origination of loans held for sale | (38,908) | (22,561) |
| Proceeds from sales of loans held for sale | 36,241 | 24,878 |
| Decrease (increase) in deferred loan costs, net | (5) | 153 |
| Decrease (increase) in accrued interest receivable and other assets | (1,232) | 7,544 |
| Amortization of core deposit intangibles | 650 | 774 |
| Earnings from bank owned life insurance | (586) | (509) |
| ESOP compensation expense | 249 | 235 |
| Restricted stock and stock option expense | 739 | 788 |
| Decrease in other liabilities | (4,320) | (3,031) |
| Net cash provided by (used in) operating activities | (3,032) | 11,534 |
| Investing Activities: | | |
| Purchase of securities available for sale | (13,000) | (11,100) |
| Proceeds from maturities of securities available for sale | 12,570 | 13,060 |
| Net maturities of commercial paper | 9,724 | 13,224 |
| Purchase of certificates of deposit in other banks | (13,754) | (7,453) |
| Maturities of certificates of deposit in other banks | 21,835 | 21,696 |
| Principal repayments of mortgage-backed securities | 6,649 | 7,320 |
| Net purchases of other investments | (2,023) | (42) |
| Net increase in loans | (47,513) | (55,842) |
| Purchase of premises and equipment | (628) | (420) |
| Proceeds from sale of premises and equipment | 395 | — |
| Proceeds from sale of REO | 417 | 639 |
| Net cash used in investing activities | (25,328) | (18,918) |
| Financing Activities: | | |
| Net decrease in deposits | (9,168) | (52,176) |
| Net increase in other borrowings | 45,500 | 1,000 |
| Common stock repurchased | — | (7,371) |
| Exercised stock options | — | 6 |
| Decrease in capital lease obligations | (5) | (5) |
| Net cash provided by (used in) financing activities | 36,327 | (58,546) |
| Net Increase (Decrease) in Cash and Cash Equivalents | 7,967 | (65,930) |
| Cash and Cash Equivalents at Beginning of Period | 52,596 | 116,160 |
| Cash and Cash Equivalents at End of Period | $60,563 | $50,230 |

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

| Supplemental Disclosures: | Three Months Ended September 30, | |
|---|---|---|
| | 2016 | 2015 |
| Cash paid during the period for: | | |
| Interest | $2,129 | $1,445 |
| Income taxes | 100 | 100 |
| Noncash transactions: | | |
| Unrealized gain (loss) in value of securities available for sale, net of income taxes | (387) | 876 |
| Transfers of loans to REO | 305 | 228 |

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

HOMETRUST BANCSHARES, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
(Dollars in thousands, except per share data)

1. Summary of Significant Accounting Policies

The consolidated financial statements presented in this report include the accounts of HomeTrust Bancshares, Inc., a Maryland corporation ("HomeTrust"), and its wholly-owned subsidiary, HomeTrust Bank (the "Bank"). As used throughout this report, the term the "Company" refers to HomeTrust and the Bank, its consolidated subsidiary, unless the context otherwise requires. Effective December 31, 2015, the Bank converted from a national association to a North Carolina state bank. See Management's Discussion and Analysis of Financial Condition and Results of Operations "Overview" for discussion of charter change.

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X as promulgated by the Securities and Exchange Commission ("SEC"). Accordingly, they do not include all the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the financial position and results of operations for the periods presented have been included. It is recommended that these unaudited interim consolidated financial statements be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended June 30, 2016 ("2016 Form 10-K") filed with the SEC on September 13, 2016. The results of operations for the three months ended September 30, 2016 are not necessarily indicative of results that may be expected for the entire fiscal year ending June 30, 2017.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements. Various elements of the Company's accounting policies, by their nature, are inherently subject to estimation techniques, valuation assumptions and other subjective assessments. In particular, management has identified several accounting policies that, due to the judgments, estimates and assumptions inherent in those policies, are critical to an understanding of the Company's financial statements. These policies relate to (i) the determination of the provision and the allowance for loan losses, (ii) business combinations and acquired loans, (iii) the valuation of REO, (iv) the valuation of goodwill and other intangible assets, and (v) the valuation of or recognition of deferred tax assets and liabilities. These policies and judgments, estimates and assumptions are described in greater detail in subsequent notes to the Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations (Critical Accounting Policies) in our 2016 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 August 2015, the Financial Accounting Standards Board ("FASB") issued ASU No. 2015-14, “Revenue from Contracts with Customers (Topic 606)”, which defers the effective date of Accounting Standard Update ("ASU") No. 2014-09 one year. ASU No. 2014-09 created Topic 606 and supersedes Topic 605, Revenue Recognition. The core principle of Topic 606 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In general, the new guidance requires companies to use more judgment and make more estimates than under current guidance, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. In May 2016, the FASB issued ASU No. 2016-12, Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients, which provides clarifying guidance in certain narrow areas and adds some practical expedients, but does not change the core revenue recognition principle in Topic 606. ASU No. 2015-14 is effective for interim and annual periods beginning after December 15, 2017; early adoption

is permitted for interim and annual periods beginning after December 15, 2016. For financial reporting purposes, the standard allows for either full retrospective adoption, meaning the standard is applied to all of the periods presented, or modified retrospective adoption, meaning the standard is applied only to the most current period presented in the financial statements with the cumulative effect of initially applying the standard recognized at the date of initial application. We are currently evaluating the impact of this guidance on our financial statements and the timing of adoption.
In January 2016, the FASB issued ASU 2016-01, "Financial Instruments (Subtopic 825-10) Recognition and Measurement of Financial Assets and Financial Liabilities." The ASU amends the guidance in GAAP on the classification and measurement of financial instruments. The ASU includes the following changes: i) equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income; (ii) requires the use of exit price notion when measuring the fair value of financial instruments for disclosure purposes; (iii) require separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (i.e. securities or loans and receivables) on the balance sheet or the accompanying notes to the financial statements; (iv) allows an equity investment that does not have readily determinable fair values, to be measured at cost minus impairment (if any), plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer; (v) eliminates the requirement to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet, and requires a reporting organization to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk (also referred to as “own credit”) when the organization has elected to measure the liability at fair

HOMETRUST BANCSHARES, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
(Dollars in thousands, except per share data)

value in accordance with the fair value option for financial instruments; (vi) requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (i.e. securities or loans and receivables) on the balance sheet or in the accompanying notes to the financial statements; and (vii) clarifies that a valuation allowance on a deferred tax asset related to available-for-sale securities should be evaluated in combination with the organization’s other deferred tax assets. This ASU is effective for interim and annual periods beginning after December 15, 2017. The adoption of ASU No. 2016-01 is not expected to have a material impact on the Company's Consolidated Financial Statements.

In February 2016, the FASB issued ASU 2016-02, "Leases (ASC 842)." The guidance in this ASU requires most leases to be recognized on the balance sheet as a right-of-use asset and a lease liability. It will be critical to identify leases embedded in a contract to avoid misstating the lessee’s balance sheet. For income statement purposes, the FASB retained a dual model, requiring leases to be classified as either operating or finance. Classification will be based on criteria that are largely similar to those applied in current lease accounting, but without explicit bright lines. This ASU is effective for interim and annual periods beginning after December 15, 2018. We are currently evaluating the impact of this guidance on our Consolidated Financial Statements and the timing of adoption.

In March 2016, the FASB issued ASU 2016-09, "Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting." The ASU changes the accounting for certain aspects of share-based payments to employees. The guidance requires the recognition of the income tax effects of awards in the income statement when the awards vest or are settled, thus eliminating additional paid in capital pools. The guidance also allows for the employer to repurchase more of an employee’s shares for tax withholding purposes without triggering liability accounting. In addition, the guidance allows for a policy election to account for forfeitures as they occur rather than on an estimated basis. This ASU is effective for interim and annual periods beginning after December 15, 2016. We are currently evaluating the impact of this guidance on our Consolidated Financial Statements and the timing of adoption.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." The ASU significantly changes the impairment model for most financial assets that are measured at amortized cost and certain other instruments from an incurred loss model to an expected loss model. This ASU is effective for interim and annual reporting periods beginning after December 15, 2019. Early adoption is permitted for all entities beginning after December 15, 2018, including interim periods within those fiscal years. The Company is currently evaluating the impact of the pending adoption of the ASU on its Consolidated Financial Statements.

In August 2016, the FASB issued ASU No. 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments." The ASU amends the guidance on the classification of certain cash receipts and payments in the statement of cash flows and is intended to reduce the diversity in practice. This ASU is effective for interim and annual reporting periods beginning after December 15, 2017. Early adoption is permitted for all entities beginning after December 15, 2017, including interim periods within those fiscal years. The Company is currently evaluating the impact of the pending adoption of the ASU on its Consolidated Financial Statements.

3. Business Combinations

On September 21, 2016, the Company announced that HomeTrust Bancshares, Inc. and TriSummit Bancorp, Inc. ("TriSummit") entered into an agreement under which the Company will acquire TriSummit with six locations in Kingsport, TN, Johnson City, TN, and Bristol, VA (the “Tri-Cities” region) and also in Morristown and Jefferson City, TN. The acquisition will add approximately $246.0 million of loans and $288.0 million of deposits. Under the terms of the agreement, TriSummit shareholders will receive a total of $8.80 per share in merger consideration consisting of $4.40 in cash plus $4.40 in HomeTrust common stock. This represents approximately $31.8 million of aggregate transaction consideration. The transaction is anticipated to close in the first calendar quarter of 2017, subject to TriSummit shareholder approval and customary closing conditions, including regulatory approvals.

4. Securities Available for Sale

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

| | September 30, 2016 | | | |
|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
| U.S. Government Agencies | $77,868 | $ 503 | $ (9 ) | $78,362 |
| Residential Mortgage-backed Securities of U.S. Government Agencies and Government-Sponsored Enterprises | 88,929 | 1,535 | (78 ) | 90,386 |
| Municipal Bonds | 16,131 | 854 | (3 ) | 16,982 |
| Corporate Bonds | 7,746 | 165 | (3 ) | 7,908 |
| Equity Securities | 63 | — | — | 63 |
| Total | $190,737 | $ 3,057 | $ (93 ) | $193,701 |

HOMETRUST BANCSHARES, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
(Dollars in thousands, except per share data)

| | June 30, 2016 | | | |
|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
| U.S. Government Agencies | $77,356 | $ 624 | $ — | $77,980 |
| Residential Mortgage-backed Securities of U.S. Government Agencies and Government-Sponsored Enterprises | 95,668 | 1,824 | (84 ) | 97,408 |
| Municipal Bonds | 16,242 | 992 | — | 17,234 |
| Corporate Bonds | 7,773 | 194 | — | 7,967 |
| Equity Securities | 63 | — | — | 63 |
| Total | $197,102 | $ 3,634 | $ (84 ) | $200,652 |

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, 2016 | |
|---|---|---|
| | Amortized Cost | Estimated Fair Value |
| Due within one year | $905 | $908 |
| Due after one year through five years | 80,586 | 81,039 |
| Due after five years through ten years | 17,766 | 18,621 |
| Due after ten years | 2,488 | 2,684 |
| Mortgage-backed securities | 88,929 | 90,386 |
| Total | $190,674 | $193,638 |

The Company had no sales of securities available for sale during the three months ended September 30, 2016 and 2015.

Securities available for sale with costs totaling $134,678 and $151,359 with market values of $137,064 and $154,132 at September 30, 2016 and June 30, 2016, respectively, were pledged as collateral to secure various public deposits and other borrowings.

The gross unrealized losses and the fair value for securities available for sale aggregated by the length of time that individual securities have been in a continuous unrealized loss position as of September 30, 2016 and June 30, 2016 were as follows:

| | September 30, 2016 | | | | | |
|---|---|---|---|---|---|---|
| | Less than 12 Months | | 12 Months or More | | Total | |
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| U.S. Government Agencies | $10,995 | $ (9 ) | $— | $ — | $10,995 | $ (9 ) |
| Residential Mortgage-backed Securities of U.S. Government Agencies and Government-Sponsored Enterprises | 6,262 | (19 ) | 4,383 | (59 ) | 10,645 | (78 ) |
| Municipal Bonds | 1,477 | (3 ) | — | — | 1,477 | (3 ) |
| Corporate Bonds | 3,883 | (3 ) | — | — | 3,883 | (3 ) |
| Total | $22,617 | $ (34 ) | $4,383 | $ (59 ) | $27,000 | $ (93 ) |

| | June 30, 2016 | | | | | |
|---|---|---|---|---|---|---|
| | Less than 12 Months | | 12 Months or More | | Total | |

| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
|---|---|---|---|---|---|---|
| Residential Mortgage-backed Securities of U.S. Government Agencies and Government-Sponsored Enterprises | $1,970 | $ (20 ) | $6,040 | $ (64 ) | $8,010 | $ (84 ) |
| Total | $1,970 | $ (20 ) | $6,040 | $ (64 ) | $8,010 | $ (84 ) |

The total number of securities with unrealized losses at September 30, 2016, and June 30, 2016 were 53 and 44, 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,

HOMETRUST BANCSHARES, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
(Dollars in thousands, except per share data)

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, 2016 or the year ended June 30, 2016.

As a requirement for membership, the Bank invests in stock of the FHLB of Atlanta and the Federal Reserve Bank of Richmond ("FRB"). 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 FRB.

5. Loans

Loans consist of the following at the dates indicated:

| | September 30, 2016 | June 30, 2016 |
|---|---|---|
| Retail consumer loans: | | |
| One-to-four family | $613,568 | $623,701 |
| HELOCs - originated | 161,679 | 163,293 |
| HELOCs - purchased | 169,007 | 144,377 |
| Construction and land/lots | 40,100 | 38,102 |
| Indirect auto finance | 122,115 | 108,478 |
| Consumer | 5,348 | 4,635 |
| Total retail consumer loans | 1,111,817 | 1,082,586 |
| Commercial loans: | | |
| Commercial real estate | 487,997 | 486,561 |
| Construction and development | 109,507 | 86,840 |
| Commercial and industrial | 70,393 | 73,289 |
| Municipal leases | 101,400 | 103,183 |
| Total commercial loans | 769,297 | 749,873 |
| Total loans | 1,881,114 | 1,832,459 |
| Deferred loan costs, net | 367 | 372 |
| Total loans, net of deferred loan costs and discount | 1,881,481 | 1,832,831 |
| Allowance for loan and lease losses | (20,951) | (21,292) |
| Loans, net | $1,860,530 | $1,811,539 |

All the qualifying one-to-four family first mortgage loans, HELOCs, and FHLB Stock are pledged as collateral by a blanket pledge to secure any outstanding FHLB advances.

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

| | Pass | Special Mention | Substandard | Doubtful | Loss | Total |
|---|---|---|---|---|---|---|
| September 30, 2016 | | | | | | |
| Retail consumer loans: | | | | | | |
| One-to-four family | $579,110 | $7,542 | $ 19,038 | $ 1,610 | $47 | $607,347 |
| HELOCs - originated | 157,802 | 711 | 2,782 | 94 | 9 | 161,398 |
| HELOCs - purchased | 169,007 | — | — | — | — | 169,007 |
| Construction and land/lots | 38,433 | 444 | 672 | 9 | — | 39,558 |
| Indirect auto finance | 121,990 | 13 | 101 | 10 | 1 | 122,115 |
| Consumer | 5,148 | — | 183 | 1 | 9 | 5,341 |
| Commercial loans: | | | | | | |
| Commercial real estate | 453,449 | 6,862 | 9,476 | 1 | — | 469,788 |
| Construction and development | 102,035 | 681 | 3,869 | — | — | 106,585 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Commercial and industrial | 61,685 | 995 | 4,472 | — | 3 | 67,155 |
| Municipal leases | 99,782 | 964 | 654 | — | — | 101,400 |
| Total loans | $1,788,441 | $18,212 | $ 41,247 | $ 1,725 | $ 69 | $1,849,694 |

11

HOMETRUST BANCSHARES, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
(Dollars in thousands, except per share data)

| | Pass | Special Mention | Substandard | Doubtful | Loss | Total |
|---|---|---|---|---|---|---|
| June 30, 2016 | | | | | | |
| Retail consumer loans: | | | | | | |
| One-to-four family | $587,440 | $7,800 | $ 20,129 | $ 1,283 | $ 11 | $616,663 |
| HELOCs - originated | 159,275 | 678 | 2,997 | 55 | 10 | 163,015 |
| HELOCs - purchased | 144,377 | — | — | — | — | 144,377 |
| Construction and land/lots | 36,298 | 542 | 679 | 9 | — | 37,528 |
| Indirect auto finance | 108,432 | 14 | 21 | 11 | — | 108,478 |
| Consumer | 4,390 | 1 | 224 | 2 | 9 | 4,626 |
| Commercial loans: | | | | | | |
| Commercial real estate | 448,188 | 7,817 | 9,232 | 1 | — | 465,238 |
| Construction and development | 79,005 | 480 | 4,208 | — | — | 83,693 |
| Commercial and industrial | 63,299 | 1,032 | 5,361 | — | 2 | 69,694 |
| Municipal leases | 100,867 | 1,651 | 665 | — | — | 103,183 |
| Total loans | $1,731,571 | $20,015 | $ 43,516 | $ 1,361 | $ 32 | $1,796,495 |

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

| | Pass | Special Mention | Substandard | Doubtful | Loss | Total |
|---|---|---|---|---|---|---|
| September 30, 2016 | | | | | | |
| Retail consumer loans: | | | | | | |
| One-to-four family | $4,244 | $ 376 | $ 1,397 | $ 189 | $ 15 | $6,221 |
| HELOCs - originated | 257 | — | 24 | — | — | 281 |
| Construction and land/lots | 501 | — | 41 | — | — | 542 |
| Consumer | 7 | — | — | — | — | 7 |
| Commercial loans: | | | | | | |
| Commercial real estate | 10,439 | 3,133 | 4,637 | — | — | 18,209 |
| Construction and development | 894 | 64 | 1,964 | — | — | 2,922 |
| Commercial and industrial | 3,055 | 139 | 44 | — | — | 3,238 |
| Total loans | $19,397 | $ 3,712 | $ 8,107 | $ 189 | $ 15 | $31,420 |

| | Pass | Special Mention | Substandard | Doubtful | Loss | Total |
|---|---|---|---|---|---|---|
| June 30, 2016 | | | | | | |
| Retail consumer loans: | | | | | | |
| One-to-four family | $5,039 | $ 377 | $ 1,593 | $ 14 | $ 15 | $7,038 |
| HELOCs - originated | 258 | — | 20 | — | — | 278 |
| Construction and land/lots | 522 | — | 52 | — | — | 574 |
| Consumer | 8 | — | — | — | 1 | 9 |
| Commercial loans: | | | | | | |
| Commercial real estate | 12,594 | 4,266 | 4,463 | — | — | 21,323 |
| Construction and development | 1,136 | 292 | 1,719 | — | — | 3,147 |
| Commercial and industrial | 3,234 | 194 | 167 | — | — | 3,595 |
| Total loans | $22,791 | $ 5,129 | $ 8,014 | $ 14 | $ 16 | $35,964 |

HOMETRUST BANCSHARES, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
(Dollars in thousands, except per share data)

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 |
| September 30, 2016 | | | | | |
| Retail consumer loans: | | | | | |
| One-to-four family | $3,002 | $5,160 | $8,162 | $605,406 | $613,568 |
| HELOCs - originated | 726 | 374 | 1,100 | 160,579 | 161,679 |
| HELOCs - purchased | — | — | — | 169,007 | 169,007 |
| Construction and land/lots | 51 | 61 | 112 | 39,988 | 40,100 |
| Indirect auto finance | 71 | 52 | 123 | 121,992 | 122,115 |
| Consumer | 9 | 8 | 17 | 5,331 | 5,348 |
| Commercial loans: | | | | | |
| Commercial real estate | 1,226 | 3,841 | 5,067 | 482,930 | 487,997 |
| Construction and development | 223 | 1,514 | 1,737 | 107,770 | 109,507 |
| Commercial and industrial | 70 | 1,732 | 1,802 | 68,591 | 70,393 |
| Municipal leases | — | — | — | 101,400 | 101,400 |
| Total loans | $5,378 | $12,742 | $18,120 | $1,862,994 | $1,881,114 |

The table above includes PCI loans of $591 30-89 days past due and $5,580 90 days or more past due as of September 30, 2016.

| | Past Due | | | | Total |
|---|---|---|---|---|---|
| | 30-89 Days | 90 Days+ | Total | Current | Loans |
| June 30, 2016 | | | | | |
| Retail consumer loans: | | | | | |
| One-to-four family | $3,514 | $5,476 | $8,990 | $614,711 | $623,701 |
| HELOCs - originated | 220 | 377 | 597 | 162,696 | 163,293 |
| HELOCs - purchased | — | — | — | 144,377 | 144,377 |
| Construction and land/lots | 100 | 119 | 219 | 37,883 | 38,102 |
| Indirect auto finance | 182 | — | 182 | 108,296 | 108,478 |
| Consumer | 4 | 4 | 8 | 4,627 | 4,635 |
| Commercial loans: | | | | | |
| Commercial real estate | 1,436 | 3,353 | 4,789 | 481,772 | 486,561 |
| Construction and development | 371 | 1,296 | 1,667 | 85,173 | 86,840 |
| Commercial and industrial | 216 | 2,819 | 3,035 | 70,254 | 73,289 |
| Municipal leases | — | — | — | 103,183 | 103,183 |
| Total loans | $6,043 | $13,444 | $19,487 | $1,812,972 | $1,832,459 |

The table above includes PCI loans of $1,596 30-89 days past due and $5,776 90 days or more past due as of June 30, 2016.

HOMETRUST BANCSHARES, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
(Dollars in thousands, except per share data)

The Company's recorded investment in loans, by segment and class, that are not accruing interest or are 90 days or more past due and still accruing interest at the dates indicated follow:

| | September 30, 2016 | | June 30, 2016 | |
|---|---|---|---|---|
| | Nonaccruing | 90 Days + & still accruing | Nonaccruing | 90 Days + & still accruing |
| Retail consumer loans: | | | | |
| One-to-four family | $ 8,611 | $ — | $ 9,192 | $ — |
| HELOCs - originated | 1,000 | — | 1,026 | — |
| Construction and land/lots | 183 | — | 188 | — |
| Indirect auto finance | 91 | — | 20 | — |
| Consumer | 30 | — | 15 | — |
| Commercial loans: | | | | |
| Commercial real estate | 3,226 | — | 3,222 | — |
| Construction and development | 1,275 | — | 1,417 | — |
| Commercial and industrial | 2,195 | — | 3,019 | — |
| Municipal leases | 408 | — | 419 | — |
| Total loans | $ 17,019 | $ — | $ 18,518 | $ — |

PCI loans totaling $6,149 at September 30, 2016 and $6,607 at June 30, 2016 are excluded from nonaccruing loans due to the accretion of discounts established in accordance with the acquisition method of accounting for business combinations.

Troubled debt restructurings ("TDRs") are loans which have renegotiated loan terms to assist borrowers who are unable to meet the original terms of their loans. Such modifications to loan terms may include a lower interest rate, a reduction in principal, or a longer term to maturity. Additionally, all TDRs are considered impaired. The Company had no commitments to lend additional funds on these TDR loans at September 30, 2016.

The Company's loans that were performing under the payment terms of TDRs that were excluded from nonaccruing loans above at the dates indicated follow:

| | September 30, 2016 | June 30, 2016 |
|---|---|---|
| Performing TDRs included in impaired loans | $ 27,635 | $28,263 |

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

| | Three Months Ended September 30, 2016 | | | | Three Months Ended September 30, 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| | PCI | Retail Consumer | Commercial | Total | PCI | Retail Consumer | Commercial | Total |
| Balance at beginning of period | $361 | $11,549 | $ 9,382 | $21,292 | $401 | $12,575 | $ 9,398 | $22,374 |
| Provision for (recovery of) loan losses | (5) | (895) | 900 | — | (73) | 73 | — | — |
| Charge-offs | — | (419) | (607) | (1,026) | — | (469) | (334) | (803) |
| Recoveries | — | 211 | 474 | 685 | — | 247 | 294 | 541 |
| Balance at end of period | $356 | $10,446 | $ 10,149 | $20,951 | $328 | $12,426 | $ 9,358 | $22,112 |

HOMETRUST BANCSHARES, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
(Dollars in thousands, except per share data)

The Company's ending balances of loans and the related allowance, by segment and class, at the dates indicated follows:

| | Allowance for Loan Losses | | | | Total Loans Receivable | | | |
|---|---|---|---|---|---|---|---|---|
| | PCI | Loans individually evaluated for impairment | Loans collectively evaluated | Total | PCI | Loans individually evaluated for impairment | Loans collectively evaluated | Total |
| September 30, 2016 | | | | | | | | |
| Retail consumer loans: | | | | | | | | |
| One-to-four family | $20 | $ 364 | $ 5,526 | $5,910 | $6,221 | $ 11,209 | $596,138 | $613,568 |
| HELOCs - originated | — | 9 | 1,736 | 1,745 | 281 | 14 | 161,384 | 161,679 |
| HELOCs - purchased | — | — | 676 | 676 | — | — | 169,007 | 169,007 |
| Construction and land/lots | — | — | 1,038 | 1,038 | 542 | 388 | 39,170 | 40,100 |
| Indirect auto finance | — | 1 | 1,045 | 1,046 | — | 1 | 122,114 | 122,115 |
| Consumer | — | 9 | 42 | 51 | 7 | 9 | 5,332 | 5,348 |
| Commercial loans: | | | | | | | | |
| Commercial real estate | 298 | 150 | 6,282 | 6,730 | 18,209 | 5,206 | 464,582 | 487,997 |
| Construction and development | 14 | — | 2,313 | 2,327 | 2,922 | 1,767 | 104,818 | 109,507 |
| Commercial and industrial | 24 | 3 | 754 | 781 | 3,238 | 2,773 | 64,382 | 70,393 |
| Municipal leases | — | — | 647 | 647 | — | 294 | 101,106 | 101,400 |
| Total | $356 | $ 536 | $ 20,059 | $20,951 | $31,420 | $ 21,661 | $1,828,033 | $1,881,114 |
| June 30, 2016 | | | | | | | | |
| Retail consumer loans: | | | | | | | | |
| One-to-four family | $23 | $ 187 | $ 6,385 | $6,595 | $7,038 | $ 12,411 | $604,252 | $623,701 |
| HELOCs - originated | — | 288 | 1,709 | 1,997 | 278 | 1,145 | 161,870 | 163,293 |
| HELOCs - purchased | — | — | 558 | 558 | — | — | 144,377 | 144,377 |
| Construction and land/lots | — | 198 | 1,146 | 1,344 | 574 | 392 | 37,136 | 38,102 |
| Indirect auto finance | — | — | 1,016 | 1,016 | — | — | 108,478 | 108,478 |
| Consumer | — | 10 | 51 | 61 | 9 | — | 4,626 | 4,635 |