

HomeTrust Bancshares, Inc.  
Form 10-Q  
May 08, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2015

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

(State or other jurisdiction of incorporation of organization)

45-5055422

(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.

Large accelerated filer

Accelerated filer

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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 20,234,574 shares of common stock, par value of \$.01 per share, issued and outstanding as of May 6, 2015.

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HOMETRUST BANCSHARES, INC. AND SUBSIDIARIES  
 10-Q  
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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

## HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

## Consolidated Balance Sheets

(Dollars in thousands, except per share data)

|                                                                                                                                                       | (Unaudited)       |                  |
|-------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|------------------|
|                                                                                                                                                       | March 31,<br>2015 | June 30,<br>2014 |
| Assets                                                                                                                                                |                   |                  |
| Cash                                                                                                                                                  | \$40,988          | \$19,801         |
| Interest-bearing deposits                                                                                                                             | 253,671           | 26,029           |
| Cash and cash equivalents                                                                                                                             | 294,659           | 45,830           |
| Certificates of deposit in other banks                                                                                                                | 204,596           | 163,780          |
| Securities available for sale, at fair value                                                                                                          | 230,512           | 168,749          |
| Other investments, at cost                                                                                                                            | 19,142            | 3,697            |
| Loans held for sale                                                                                                                                   | 2,225             | 2,537            |
| Total loans, net of deferred loan fees and discount                                                                                                   | 1,641,057         | 1,496,528        |
| Allowance for loan losses                                                                                                                             | (22,681 )         | (23,429 )        |
| Net loans                                                                                                                                             | 1,618,376         | 1,473,099        |
| Premises and equipment, net                                                                                                                           | 58,943            | 47,411           |
| Accrued interest receivable                                                                                                                           | 7,249             | 6,787            |
| Real estate owned (REO)                                                                                                                               | 8,558             | 15,725           |
| Deferred income taxes                                                                                                                                 | 57,649            | 58,381           |
| Bank owned life insurance                                                                                                                             | 77,050            | 71,285           |
| Goodwill                                                                                                                                              | 13,768            | 9,815            |
| Core deposit intangibles                                                                                                                              | 10,850            | 4,014            |
| Other assets                                                                                                                                          | 5,060             | 3,344            |
| Total Assets                                                                                                                                          | \$2,608,637       | \$2,074,454      |
| Liabilities and Stockholders' Equity                                                                                                                  |                   |                  |
| Liabilities                                                                                                                                           |                   |                  |
| Deposits                                                                                                                                              | \$1,913,773       | \$1,583,047      |
| Other borrowings                                                                                                                                      | 250,000           | 50,000           |
| Capital lease obligations                                                                                                                             | 1,984             | 1,998            |
| Other liabilities                                                                                                                                     | 60,945            | 62,258           |
| Total liabilities                                                                                                                                     | 2,226,702         | 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, 20,335,781 shares issued and outstanding at March 31, 2015; 20,632,008 at June 30, 2014 | 203               | 207              |
| Additional paid in capital                                                                                                                            | 223,234           | 225,889          |
| Retained earnings                                                                                                                                     | 165,799           | 160,332          |
| Unearned Employee Stock Ownership Plan (ESOP) shares                                                                                                  | (9,125 )          | (9,522 )         |
| Accumulated other comprehensive income                                                                                                                | 1,824             | 245              |
| Total stockholders' equity                                                                                                                            | 381,935           | 377,151          |
| Total Liabilities and Stockholders' Equity                                                                                                            | \$2,608,637       | \$2,074,454      |

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



## HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

## Consolidated Statements of Income

(Dollars in thousands, except per share data)

|                                                             | Three Months Ended<br>March 31, |            | Nine Months Ended<br>March 31, |            |
|-------------------------------------------------------------|---------------------------------|------------|--------------------------------|------------|
|                                                             | 2015                            | 2014       | 2015                           | 2014       |
| Interest and Dividend Income                                |                                 |            |                                |            |
| Loans                                                       | \$19,575                        | \$13,557   | \$57,954                       | \$42,010   |
| Securities available for sale                               | 919                             | 376        | 2,608                          | 1,097      |
| Certificates of deposit and other interest-bearing deposits | 781                             | 439        | 1,846                          | 1,346      |
| Other investments                                           | 261                             | 20         | 551                            | 47         |
| Total interest and dividend income                          | 21,536                          | 14,392     | 62,959                         | 44,500     |
| Interest Expense                                            |                                 |            |                                |            |
| Deposits                                                    | 1,220                           | 1,247      | 3,710                          | 4,172      |
| Other borrowings                                            | 128                             | 1          | 271                            | 5          |
| Total interest expense                                      | 1,348                           | 1,248      | 3,981                          | 4,177      |
| Net Interest Income                                         | 20,188                          | 13,144     | 58,978                         | 40,323     |
| Recovery of Loan Losses                                     | —                               | (1,800)    | (250)                          | (4,800)    |
| Net Interest Income after Recovery for Loan Losses          | 20,188                          | 14,944     | 59,228                         | 45,123     |
| Noninterest Income                                          |                                 |            |                                |            |
| Service charges on deposit accounts                         | 1,732                           | 620        | 4,111                          | 1,954      |
| Mortgage banking income and fees                            | 672                             | 632        | 2,232                          | 2,417      |
| Gain from sales of securities available for sale            | —                               | 10         | 61                             | 10         |
| Other, net                                                  | 909                             | 763        | 2,497                          | 2,161      |
| Total noninterest income                                    | 3,313                           | 2,025      | 8,901                          | 6,542      |
| Noninterest Expense                                         |                                 |            |                                |            |
| Salaries and employee benefits                              | 10,629                          | 7,496      | 30,506                         | 22,192     |
| Net occupancy expense                                       | 2,381                           | 1,284      | 6,266                          | 3,746      |
| Marketing and advertising                                   | 461                             | 336        | 1,472                          | 1,028      |
| Telephone, postage, and supplies                            | 912                             | 403        | 2,348                          | 1,269      |
| Deposit insurance premiums                                  | 608                             | 321        | 1,453                          | 989        |
| Computer services                                           | 1,763                           | 828        | 4,366                          | 2,652      |
| Loss (gain) on sale and impairment of REO                   | (32)                            | 468        | (268)                          | 673        |
| REO expense                                                 | 390                             | 333        | 1,178                          | 1,154      |
| Core deposit intangible amortization                        | 842                             | 31         | 1,740                          | 95         |
| Merger-related expenses                                     | 1,686                           | 449        | 5,417                          | 711        |
| Other                                                       | 2,385                           | 1,447      | 6,179                          | 4,109      |
| Total other expense                                         | 22,025                          | 13,396     | 60,657                         | 38,618     |
| Income Before Income Taxes                                  | 1,476                           | 3,573      | 7,472                          | 13,047     |
| Income Tax Expense                                          | 314                             | 967        | 2,005                          | 4,238      |
| Net Income                                                  | \$1,162                         | \$2,606    | \$5,467                        | \$8,809    |
| Per Share Data:                                             |                                 |            |                                |            |
| Net income per common share:                                |                                 |            |                                |            |
| Basic                                                       | \$0.06                          | \$0.14     | \$0.28                         | \$0.46     |
| Diluted                                                     | \$0.06                          | \$0.14     | \$0.28                         | \$0.46     |
| Average shares outstanding:                                 |                                 |            |                                |            |
| Basic                                                       | 19,113,387                      | 18,302,672 | 19,146,025                     | 18,724,242 |
| Diluted                                                     | 19,192,702                      | 18,378,159 | 19,232,791                     | 18,815,416 |

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





## HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

## Consolidated Statements of Comprehensive Income

(Dollars in thousands)

|                                                                       | Three Months Ended |         | Nine Months Ended |         |
|-----------------------------------------------------------------------|--------------------|---------|-------------------|---------|
|                                                                       | March 31,          |         | March 31,         |         |
|                                                                       | 2015               | 2014    | 2015              | 2014    |
| Net Income                                                            | \$1,162            | \$2,606 | \$5,467           | \$8,809 |
| Other Comprehensive Income (Loss)                                     |                    |         |                   |         |
| Unrealized holding gains (losses) on securities available<br>for sale |                    |         |                   |         |
| Gains (losses) arising during the period                              | 1,216              | 434     | 2,336             | (47 )   |
| Deferred income tax (expense) benefit                                 | (413 )             | (148 )  | (794 )            | 16 )    |
| Reclassification of securities gains recognized in net income         | —                  | 10      | 57                | —       |
| Deferred income tax expense                                           | —                  | (3 )    | (20 )             | — )     |
| Total other comprehensive income (loss)                               | \$803              | \$293   | \$1,579           | \$(31 ) |
| Comprehensive Income                                                  | \$1,965            | \$2,899 | \$7,046           | \$8,778 |

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

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

|                           | Common<br>Stock | Additional<br>Paid In<br>Capital | Retained<br>Earnings | Unearned<br>ESOP<br>Shares | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) | Total<br>Stockholders'<br>Equity |
|---------------------------|-----------------|----------------------------------|----------------------|----------------------------|--------------------------------------------------------|----------------------------------|
| Balance at June 30, 2013  | \$208           | \$227,397                        | \$149,990            | \$(10,051)                 | \$(29)                                                 | \$367,515                        |
| Net income                | —               | —                                | 8,809                | —                          | —                                                      | 8,809                            |
| Stock repurchased         | (12)            | (20,483)                         | —                    | —                          | —                                                      | (20,495)                         |
| Stock option expense      | —               | 971                              | —                    | —                          | —                                                      | 971                              |
| Restricted stock expense  | —               | 1,027                            | —                    | —                          | —                                                      | 1,027                            |
| ESOP shares allocated     | —               | 243                              | —                    | 397                        | —                                                      | 640                              |
| Other comprehensive loss  | —               | —                                | —                    | —                          | (31)                                                   | (31)                             |
| Balance at March 31, 2014 | \$196           | \$209,155                        | \$158,799            | \$(9,654)                  | \$(60)                                                 | \$358,436                        |
| Balance at June 30, 2014  | \$207           | \$225,889                        | \$160,332            | \$(9,522)                  | \$245                                                  | \$377,151                        |
| Net income                | —               | —                                | 5,467                | —                          | —                                                      | 5,467                            |
| Stock repurchased         | (4)             | (5,222)                          | —                    | —                          | —                                                      | (5,226)                          |
| Exercised stock options   | —               | 259                              | —                    | —                          | —                                                      | 259                              |
| Stock option expense      | —               | 1,010                            | —                    | —                          | —                                                      | 1,010                            |
| Restricted stock expense  | —               | 1,078                            | —                    | —                          | —                                                      | 1,078                            |
| ESOP shares allocated     | —               | 220                              | —                    | 397                        | —                                                      | 617                              |
| Other comprehensive gain  | —               | —                                | —                    | —                          | 1,579                                                  | 1,579                            |
| Balance at March 31, 2015 | \$203           | \$223,234                        | \$165,799            | \$(9,125)                  | \$1,824                                                | \$381,935                        |

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

## HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

## Consolidated Statements of Cash Flows (continued)

(Dollars in thousands)

|                                                                                   | Nine Months Ended<br>March 31, |           |
|-----------------------------------------------------------------------------------|--------------------------------|-----------|
|                                                                                   | 2015                           | 2014      |
| Operating Activities:                                                             |                                |           |
| Net income                                                                        | \$5,467                        | \$8,809   |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                |           |
| Recovery of loan losses                                                           | (250                           | ) (4,800  |
| Depreciation                                                                      | 2,707                          | 1,675     |
| Deferred income tax expense                                                       | 1,841                          | 4,226     |
| Net amortization and accretion                                                    | (3,189                         | ) (701    |
| Loss (gain) on sale and impairment of REO                                         | (268                           | ) 673     |
| Gain on sale of loans held for sale                                               | (1,232                         | ) (1,276  |
| Origination of loans held for sale                                                | (47,381                        | ) (55,788 |
| Proceeds from sales of loans held for sale                                        | 48,925                         | 69,898    |
| Gain on sale of securities available for sale                                     | (61                            | ) (10     |
| Decrease in deferred loan fees, net                                               | (915                           | ) (260    |
| Increase in accrued interest receivable and other assets                          | (2,754                         | ) (1,699  |
| Amortization of core deposit intangibles                                          | 1,740                          | 95        |
| ESOP compensation expense                                                         | 617                            | 640       |
| Restricted stock and stock option expense                                         | 2,088                          | 1,998     |
| Decrease in other liabilities                                                     | (6,800                         | ) (2,474  |
| Net cash provided by operating activities                                         | 535                            | 21,006    |
| Investing Activities:                                                             |                                |           |
| Purchase of securities available for sale                                         | (87,955                        | ) (67,271 |
| Proceeds from maturities of securities available for sale                         | 21,885                         | 27,225    |
| Proceeds from sale of securities available for sale                               | 10,387                         | 2,086     |
| Purchase of certificates of deposit in other banks                                | (80,591                        | ) (37,266 |
| Maturities of certificates of deposit in other banks                              | 39,775                         | 14,184    |
| Principal repayments of mortgage-backed securities                                | 20,017                         | 7,015     |
| Net redemptions (purchases) of other investments                                  | (14,654                        | ) 764     |
| Net decrease (increase) in loans                                                  | (54,796                        | ) 36,559  |
| Purchase of premises and equipment                                                | (5,111                         | ) (1,174  |
| Capital improvements to REO                                                       | (93                            | ) (126    |
| Proceeds from sale of REO                                                         | 8,564                          | 8,214     |
| Acquisition of BankGreenville Financial Corporation, net of cash paid             | —                              | 1,475     |
| Acquisition of Bank of Commerce, net of cash received                             | (7,759                         | ) —       |
| Acquisition of Bank of America branches, net of cash paid                         | 310,868                        | —         |
| Net cash provided by (used in) investing activities                               | 160,537                        | (8,315    |
| Financing Activities:                                                             |                                |           |
| Net decrease in deposits                                                          | (92,090                        | ) (31,954 |
| Net increase (decrease) in other borrowings                                       | 184,828                        | (2,527    |
| Common stock repurchased                                                          | (5,226                         | ) (20,495 |
| Exercised stock options                                                           | 259                            | —         |
| Decrease in capital lease obligations                                             | (14                            | ) (13     |
| Net cash provided by (used in) financing activities                               | 87,757                         | (54,989   |
| Net Increase (Decrease) in Cash and Cash Equivalents                              | 248,829                        | (42,298   |

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|                                                  |           |          |
|--------------------------------------------------|-----------|----------|
| Cash and Cash Equivalents at Beginning of Period | 45,830    | 125,713  |
| Cash and Cash Equivalents at End of Period       | \$294,659 | \$83,415 |

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| Supplemental Disclosures:                                                               | Nine Months Ended |         |
|-----------------------------------------------------------------------------------------|-------------------|---------|
|                                                                                         | 2015              | 2014    |
| Cash paid during the period for:                                                        |                   |         |
| Interest                                                                                | \$3,589           | \$4,047 |
| Income taxes                                                                            | 222               | 113     |
| Noncash transactions:                                                                   |                   |         |
| Unrealized gain (loss) in value of securities available for sale, net of income taxes   | 1,579             | (31 )   |
| Transfers of loans to REO                                                               | 2,171             | 4,166   |
| Transfers of loans to held for sale                                                     | —                 | 4,340   |
| Loans originated to finance the sale of REO                                             | 460               | 94      |
| Business Combinations:                                                                  |                   |         |
| Assets acquired                                                                         | 464,179           | 103,905 |
| Liabilities assumed                                                                     | 444,374           | 94,352  |
| Net assets acquired                                                                     | 19,805            | 9,553   |
| The accompanying notes are an integral part of these consolidated financial statements. |                   |         |

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## HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

### Notes to Consolidated Financial Statements

(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, 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 nine months ended March 31, 2015 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 Accounting Standards Update ("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 the Company, for interim and annual reporting periods beginning after June 30, 2015. 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 the Company, for annual periods, and interim periods within those annual periods, beginning after June 30, 2015. 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

(Dollars in thousands, except per share data)

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 \$9,805 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 \$1,045 in loans and all related premises and equipment valued at \$8,993.

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<br>By Bank of<br>America | Fair Value and<br>Other Merger<br>Related<br>Adjustments | As<br>Recorded<br>by the<br>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                                  | —                                    | 8,156                                                    | 8,156                               |
| Total assets acquired                                     | \$328,024                            | \$11,199                                                 | \$339,223                           |
| Liabilities                                               |                                      |                                                          |                                     |
| Deposits                                                  | \$328,007                            | \$1,394                                                  | \$329,401                           |
| Other liabilities                                         | 17                                   | —                                                        | 17                                  |
| Total liabilities assumed                                 | \$328,024                            | \$1,394                                                  | \$329,418                           |
| 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 \$10,000 of aggregate deal consideration. In addition, all \$3,200 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 \$122,530 and liabilities assumed was \$114,672. The Company recorded \$3,953 in goodwill related to the acquisition.

## HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)

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<br>By Bank of<br>Commerce | Fair Value and<br>Other Merger<br>Related<br>Adjustments | As<br>Recorded<br>by the<br>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<br>Performing | PCI      | Total<br>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 \$50,490 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 \$494,261 and liabilities assumed was \$441,858. The Company recorded \$7,013 in goodwill related to the acquisition.

## HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)

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<br>Recorded<br>by<br>Jefferson | Fair Value<br>and<br>Other Merger<br>Related<br>Adjustments | As<br>Recorded<br>by the<br>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<br>Performing | PCI      | Total<br>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 \$7,823 of aggregate deal consideration. Additional contingent cash consideration of up to \$0.75 per share (or approximately \$883) may be realized at the expiration of 24 months based on the performance of a select pool of loans totaling approximately \$8,000.

## HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)

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 \$102,180 and liabilities assumed was \$94,117. The Company recorded \$2,802 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<br>by<br>BankGreenville | Fair Value and<br>Other Merger<br>Related<br>Adjustments | As<br>Recorded<br>by the<br>Company |
|-----------------------------------------------------------|-------------------------------------|----------------------------------------------------------|-------------------------------------|
| Consideration Paid                                        |                                     |                                                          |                                     |
| Cash                                                      |                                     |                                                          | \$7,823                             |
| Repayment of BankGreenville preferred stock               |                                     |                                                          | 1,050                               |
| Contingent cash consideration <sup>(1)</sup>              |                                     |                                                          | 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 \$8,000.

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<br>Performing | PCI     | Total<br>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:                 |                         |         |                |

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|                              |          |         |          |
|------------------------------|----------|---------|----------|
| 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 |

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## HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)

The following table discloses the impact of the acquisition of Bank of Commerce since the effective date of July 31, 2014 through March 31, 2015 and the Branch Acquisition since the effective date of November 14, 2014 through March 31, 2015. 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 Nine<br>Months Ended<br>March 31,<br>2015 | Pro Forma<br>Nine Months<br>Ended March<br>31, 2015 | Pro Forma<br>Nine Months<br>Ended March<br>31, 2014 |
|-----------------|--------------------------------------------------|-----------------------------------------------------|-----------------------------------------------------|
| Total revenues* | \$67,879                                         | \$72,183                                            | \$71,341                                            |
| Net income      | 5,467                                            | 8,194                                               | 12,542                                              |

\* Net interest income plus other income

## 4. Securities Available for Sale

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

|                                                              | March 31, 2015    |                              |                               |                            |
|--------------------------------------------------------------|-------------------|------------------------------|-------------------------------|----------------------------|
|                                                              | Amortized<br>Cost | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Losses | Estimated<br>Fair<br>Value |
| U.S. Government Agencies                                     | \$87,263          | \$854                        | \$—                           | \$88,117                   |
| Residential Mortgage-backed Securities of U.S.<br>Government |                   |                              |                               |                            |
| Agencies and Government-Sponsored Enterprises                | 120,101           | 1,313                        | (130)                         | ) 121,284                  |
| Municipal Bonds                                              | 16,426            | 608                          | (32)                          | ) 17,002                   |
| Corporate Bonds                                              | 3,895             | 151                          | —                             | 4,046                      |
| Equity Securities                                            | 63                | —                            | —                             | 63                         |
| Total                                                        | \$227,748         | \$2,926                      | \$(162)                       | ) \$230,512                |
|                                                              | June 30, 2014     |                              |                               |                            |
|                                                              | Amortized<br>Cost | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Losses | Estimated<br>Fair<br>Value |
| U.S. Government Agencies                                     | \$38,085          | \$45                         | \$(37)                        | ) \$38,093                 |
| Residential Mortgage-backed Securities of U.S.<br>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                |



## HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)

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

|                                        | March 31, 2015 |                      |
|----------------------------------------|----------------|----------------------|
|                                        | Amortized Cost | Estimated Fair Value |
| Due within one year                    | \$ 1,001       | \$ 1,001             |
| Due after one year through five years  | 69,225         | 69,502               |
| Due after five years through ten years | 33,579         | 34,706               |
| Due after ten years                    | 3,779          | 3,956                |
| Mortgage-backed securities             | 120,101        | 121,284              |
| Total                                  | \$ 227,685     | \$ 230,449           |

The Company did not sell any securities available for sale in the three months ended March 31, 2015. Proceeds from sales of securities available for sale were \$10,387 in the nine months ended March 31, 2015. Gross realized gains were \$74 and gross realized losses were \$13 for the nine months ended March 31, 2015. Proceeds from sales of securities available for sale were \$2,086 in the three and nine months ended March 31, 2014. Gross realized gains were \$42 and gross realized losses were \$32 for the three and nine months ended March 31, 2014.

Securities available for sale with costs totaling \$153,590 and \$51,036 with market values of \$155,285 and \$51,297 at March 31, 2015 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 March 31, 2015 and June 30, 2014 were as follows:

|                                                                                                         | March 31, 2015      |                   |                   |                   |            |                   |
|---------------------------------------------------------------------------------------------------------|---------------------|-------------------|-------------------|-------------------|------------|-------------------|
|                                                                                                         | 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                                                                                | \$—                 | \$—               | \$—               | \$—               | \$—        | \$—               |
| Residential Mortgage-backed Securities of U.S. Government Agencies and Government-Sponsored Enterprises | 12,404              | (43 )             | 5,263             | (87 )             | 17,667     | (130 )            |
| Municipal Bonds                                                                                         | 2,594               | (32 )             | —                 | —                 | 2,594      | (32 )             |
| Total                                                                                                   | \$14,998            | \$(75 )           | \$5,263           | \$(87 )           | \$20,261   | \$(162 )          |
|                                                                                                         | 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 March 31, 2015, and June 30, 2014 were 48 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 nine months ended March 31, 2015 or the year ended June 30, 2014.

## HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)

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

## 5. Loans

Loans consist of the following at the dates indicated:

|                                                     | March 31,<br>2015 | June 30,<br>2014 |
|-----------------------------------------------------|-------------------|------------------|
| Retail consumer loans:                              |                   |                  |
| One-to-four family                                  | \$651,588         | \$660,200        |
| Home equity lines of credit                         | 198,717           | 148,379          |
| Construction and land/lots                          | 48,248            | 59,249           |
| Indirect auto finance                               | 32,230            | 8,833            |
| Consumer                                            | 4,135             | 6,331            |
| Total retail consumer loans                         | 934,918           | 882,992          |
| Commercial loans:                                   |                   |                  |
| Commercial real estate                              | 452,431           | 377,769          |
| Construction and development                        | 58,989            | 56,457           |
| Commercial and industrial                           | 88,451            | 74,435           |
| Municipal leases                                    | 106,693           | 106,215          |
| Total commercial loans                              | 706,564           | 614,876          |
| Total loans                                         | 1,641,482         | 1,497,868        |
| Deferred loan fees, net                             | (425)             | (1,340)          |
| Total loans, net of deferred loan fees and discount | 1,641,057         | 1,496,528        |
| Allowance for loan and lease losses                 | (22,681)          | (23,429)         |
| Loans, net                                          | \$1,618,376       | \$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.

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

|                              | Pass        | Special<br>Mention | Substandard | Doubtful | Loss  | Total       |
|------------------------------|-------------|--------------------|-------------|----------|-------|-------------|
| March 31, 2015               |             |                    |             |          |       |             |
| Retail consumer loans:       |             |                    |             |          |       |             |
| One-to-four family           | \$593,246   | \$13,794           | \$31,940    | \$3,111  | \$4   | \$642,095   |
| Home equity lines of credit  | 192,665     | 635                | 4,542       | 407      | 100   | 198,349     |
| Construction and land/lots   | 44,642      | 517                | 2,060       | 163      | —     | 47,382      |
| Indirect auto finance        | 32,185      | 45                 | —           | —        | —     | 32,230      |
| Consumer                     | 3,927       | 78                 | 97          | 9        | 11    | 4,122       |
| Commercial loans:            |             |                    |             |          |       |             |
| Commercial real estate       | 379,567     | 14,363             | 18,261      | 311      | —     | 412,502     |
| Construction and development | 45,076      | 2,047              | 5,928       | —        | —     | 53,051      |
| Commercial and industrial    | 79,329      | 565                | 2,217       | —        | 1     | 82,112      |
| Municipal leases             | 104,355     | 1,757              | 581         | —        | —     | 106,693     |
| Total loans                  | \$1,474,992 | \$33,801           | \$65,626    | \$4,001  | \$116 | \$1,578,536 |

## HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)

|                                                                                                | Pass        | Special<br>Mention | Substandard | Doubtful | Loss | Total       |
|------------------------------------------------------------------------------------------------|-------------|--------------------|-------------|----------|------|-------------|
| 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 |
| The Company's total PCI loans by segment, class, and risk grade at the dates indicated follow: |             |                    |             |          |      |             |
|                                                                                                | Pass        | Special<br>Mention | Substandard | Doubtful | Loss | Total       |
| March 31, 2015                                                                                 |             |                    |             |          |      |             |
| Retail consumer loans:                                                                         |             |                    |             |          |      |             |
| One-to-four family                                                                             | \$5,643     | \$1,222            | \$2,571     | \$57     | \$—  | \$9,493     |
| Home equity lines of credit                                                                    | 260         | —                  | 108         | —        | —    | 368         |
| Construction and land/lots                                                                     | 599         | —                  | 267         | —        | —    | 866         |
| Indirect auto finance                                                                          | —           | —                  | —           | —        | —    | —           |
| Consumer                                                                                       | 13          | —                  | —           | —        | —    | 13          |
| Commercial loans:                                                                              |             |                    |             |          |      |             |
| Commercial real estate                                                                         | 28,725      | 5,166              | 6,038       | —        | —    | 39,929      |
| Construction and development                                                                   | 2,433       | 156                | 3,349       | —        | —    | 5,938       |
| Commercial and industrial                                                                      | 4,891       | 677                | 771         | —        | —    | 6,339       |
| Municipal leases                                                                               | —           | —                  | —           | —        | —    | —           |
| Total loans                                                                                    | \$42,564    | \$7,221            | \$13,104    | \$57     | \$—  | \$62,946    |
|                                                                                                | Pass        | Special<br>Mention | Substandard | Doubtful | Loss | Total       |
| 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

(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    | Current     | Total<br>Loans |
|------------------------------|------------|----------|----------|-------------|----------------|
|                              | 30-89 Days | 90 Days+ |          |             |                |
| March 31, 2015               |            |          |          |             |                |
| Retail consumer loans:       |            |          |          |             |                |
| One-to-four family           | \$6,861    | \$7,289  | \$14,150 | \$637,438   | \$651,588      |
| Home equity lines of credit  | 931        | 490      | 1,421    | 197,296     | 198,717        |
| Construction and land/lots   | 48         | 639      | 687      | 47,561      | 48,248         |
| Indirect auto finance        | —          | —        | —        | 32,230      | 32,230         |
| Consumer                     | 8          | 5        | 13       | 4,122       | 4,135          |
| Commercial loans:            |            |          |          |             |                |
| Commercial real estate       | 2,466      | 6,431    | 8,897    | 443,534     | 452,431        |
| Construction and development | 1,597      | 4,213    | 5,810    | 53,179      | 58,989         |
| Commercial and industrial    | 1,102      | 1,185    | 2,287    | 86,164      | 88,451         |
| Municipal leases             | 1,037      | —        | 1,037    | 105,656     | 106,693        |
| Total loans                  | \$14,050   | \$20,252 | \$34,302 | \$1,607,180 | \$1,641,482    |

The table above includes PCI loans of \$2,912 30-89 days past due and \$6,372 90 days or more past due as of March 31, 2015.

|                              | Past Due   |          | Total    | Current     | Total<br>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.

## 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:

|                              | March 31, 2015 |                            | June 30, 2014 |                            |
|------------------------------|----------------|----------------------------|---------------|----------------------------|
|                              | Nonaccruing    | 90 Days + & still accruing | Nonaccruing   | 90 Days + & still accruing |
| Retail consumer loans:       |                |                            |               |                            |
| One-to-four family           | \$13,189       | \$—                        | \$14,917      | \$—                        |
| Home equity lines of credit  | 2,204          | —                          | 2,749         | —                          |
| Construction and land/lots   | 633            | —                          | 443           | —                          |
| Indirect auto finance        | —              | —                          | —             | —                          |
| Consumer                     | 21             | —                          | 27            | —                          |
| Commercial loans:            |                |                            |               |                            |
| Commercial real estate       | 9,581          | —                          | 12,953        | —                          |
| Construction and development | 4,046          | —                          | 5,697         | —                          |
| Commercial and industrial    | 903            | —                          | 1,134         | —                          |
| Municipal leases             | 316            | —                          | —             | —                          |
| Total loans                  | \$30,893       | \$—                        | \$37,920      | \$—                        |

PCI loans totaling \$10,354 at March 31, 2015 and \$9,220 at June 30, 2014 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's loans that were performing under the payment terms of TDRs that were excluded from nonaccruing loans above at the dates indicated follow:

|                                            | March 31, 2015 | June 30, 2014 |
|--------------------------------------------|----------------|---------------|
| Performing TDRs included in impaired loans | \$21,189       | \$22,179      |

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

|                                         | Three Months Ended March 31, 2015 |            |          | Three Months Ended March 31, 2014 |            |          |
|-----------------------------------------|-----------------------------------|------------|----------|-----------------------------------|------------|----------|
|                                         | Retail Consumer                   | Commercial | Total    | Retail Consumer                   | Commercial | Total    |
| Balance at beginning of period          | \$14,603                          | \$8,753    | \$23,356 | \$18,217                          | \$8,908    | \$27,125 |
| Provision for (recovery of) loan losses | 184                               | (184)      | —        | (611)                             | (1,189)    | (1,800)  |
| Charge-offs                             | (1,313)                           | (354)      | (1,667)  | (402)                             | (253)      | (655)    |
| Recoveries                              | 101                               | 891        | 992      | 113                               | 486        | 599      |
| Balance at end of period                | \$13,575                          | \$9,106    | \$22,681 | \$17,317                          | \$7,952    | \$25,269 |
|                                         | Nine Months Ended March 31, 2015  |            |          | Nine Months Ended March 31, 2014  |            |          |
|                                         | Retail Consumer                   | Commercial | Total    | Retail Consumer                   | Commercial | Total    |
| Balance at beginning of period          | \$15,731                          | \$7,698    | \$23,429 | \$21,952                          | \$10,121   | \$32,073 |
| Provision for (recovery of) loan losses | (745)                             | 495        | (250)    | (1,887)                           | (2,913)    | (4,800)  |
| Charge-offs                             | (2,369)                           | (682)      | (3,051)  | (3,768)                           | (550)      | (4,318)  |
| Recoveries                              | 958                               | 1,595      | 2,553    | 1,020                             | 1,294      | 2,314    |
| Balance at end of period                | \$13,575                          | \$9,106    | \$22,681 | \$17,317                          | \$7,952    | \$25,269 |





## 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 | Collectively Evaluated | Total    | PCI                    | Loans individually evaluated for impairment | Collectively Evaluated | Total       |
| March 31, 2015                 |                           |                                             |                        |          |                        |                                             |                        |             |
| Retail consumer loans:         |                           |                                             |                        |          |                        |                                             |                        |             |
| One-to-four family Home equity | \$—                       | \$ 480                                      | \$ 8,042               | \$8,522  | \$9,493                | \$ 24,438                                   | \$617,657              | \$651,588   |
| Construction and land/lots     | —                         | 407                                         | 1,897                  | 2,304    | 368                    | 2,724                                       | 195,625                | 198,717     |
| Indirect auto finance          | —                         | 573                                         | 1,636                  | 2,209    | 866                    | 2,129                                       | 45,253                 | 48,248      |
| Consumer                       | —                         | —                                           | 438                    | 438      | —                      | —                                           | 32,230                 | 32,230      |
| Commercial loans:              | —                         | 11                                          | 91                     | 102      | 13                     | 17                                          | 4,105                  | 4,135       |
| Commercial real estate         | —                         | 60                                          | 5,736                  | 5,796    | 39,929                 | 15,650                                      | 396,852                | 452,431     |
| Construction and development   | —                         | 412                                         | 1,475                  | 1,887    | 5,938                  | 6,022                                       | 47,029                 | 58,989      |
| Commercial and industrial      | —                         | 1                                           | 751                    | 752      | 6,339                  | 2,173                                       | 79,939                 | 88,451      |
| Municipal leases               | —                         | —                                           | 671                    | 671      | —                      | 316                                         | 106,377                | 106,693     |
| Total                          | \$—                       | \$ 1,944                                    | \$ 20,737              | \$22,681 | \$62,946               | \$ 53,469                                   | \$1,525,067            | \$1,641,482 |
| June 30, 2014                  |                           |                                             |                        |          |                        |                                             |                        |             |
| Retail consumer loans:         |                           |                                             |                        |          |                        |                                             |                        |             |
| One-to-four family Home equity | \$—                       | \$ 493                                      | \$ 10,034              | \$10,527 | \$8,261                | \$ 23,929                                   | \$628,010              | \$660,200   |
| Construction and land/lots     | —                         | 134                                         | 2,353                  | 2,487    | 377                    | 3,014                                       | 144,988                | 148,379     |
| Indirect auto finance          | —                         | 379                                         | 2,041                  | 2,420    | 1,077                  | 1,735                                       | 56,437                 | 59,249      |
| Consumer                       | —                         | —                                           | 113                    | 113      | —                      | —                                           | 8,833                  | 8,833       |
| Commercial loans:              | —                         | 3                                           | 181                    | 184      | 41                     | 10                                          | 6,280                  | 6,331       |
| Commercial real estate         | —                         | 26                                          | 5,413                  | 5,439    | 25,711                 | 13,784                                      | 338,274                | 377,769     |
| Construction and development   | —                         | 26                                          | 1,215                  | 1,241    | 5,652                  | 5,571                                       | 45,234                 | 56,457      |
| Commercial and industrial      | —                         | 3                                           | 246                    | 249      | 5,355                  | 2,378                                       | 66,702                 | 74,435      |
| Municipal leases               | —                         | —                                           | 769                    | 769      | —                      | —                                           | 106,215                | 106,215     |
| Total                          | \$—                       | \$ 1,064                                    | \$ 22,365              | \$23,429 | \$46,474               | \$ 50,421                                   | \$1,400,973            | \$1,497,868 |

In December 2014, the Company purchased \$40,914 of home equity lines of credit from a third party. The credit risk characteristics are different for these loans since they were not originated by the Company and the collateral is located outside the Company's market area, primarily in several western states. These loans were originated in 2014, have an

average FICO score of 757 and loan to values of less than 90%. The Company established an allowance for loan losses based on the historical losses in the states where these loans were originated. The Company will monitor the performance of these loans and adjust the allowance for loan losses as necessary.

Loans acquired from BankGreenville, Jefferson, and Bank of Commerce were initially excluded from the allowance for loan losses in accordance with the acquisition method of accounting for business combinations. The Company recorded these loans at fair value, which includes a credit discount, therefore, no allowance for loan losses was established for these acquired loans at acquisition. A provision for loan losses is recorded for any further deterioration in these acquired loans subsequent to the acquisition.

## HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)

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

|                              | Total Impaired Loans     |                                               |                                                | Total    | Related Recorded Allowance |
|------------------------------|--------------------------|-----------------------------------------------|------------------------------------------------|----------|----------------------------|
|                              | Unpaid Principal Balance | Recorded Investment With a Recorded Allowance | Recorded Investment With No Recorded Allowance |          |                            |
| March 31, 2015               |                          |                                               |                                                |          |                            |
| Retail consumer loans:       |                          |                                               |                                                |          |                            |
| One-to-four family           | \$35,707                 | \$12,373                                      | \$19,036                                       | \$31,409 | \$578                      |
| Home equity lines of credit  | 6,391                    | 3,110                                         | 1,380                                          | 4,490    | 429                        |
| Construction and land/lots   | 3,670                    | 1,466                                         | 816                                            | 2,282    | 579                        |
| Indirect auto finance        | 31                       | —                                             | —                                              | —        | —                          |
| Consumer                     | 1,617                    | 10                                            | 19                                             | 29       | 11                         |
| Commercial loans:            |                          |                                               |                                                |          |                            |
| Commercial real estate       | 22,047                   | 2,651                                         | 14,626                                         | 17,277   | 88                         |
| Construction and development | 8,631                    | 3,344                                         | 3,476                                          | 6,820    | 436                        |
| Commercial and industrial    | 3,439                    | 171                                           | 2,202                                          | 2,373    | 3                          |
| Municipal leases             | 316                      | —                                             | 316                                            | 316      | —                          |
| Total impaired loans         | \$81,849                 | \$23,125                                      | \$41,871                                       | \$64,996 | \$2,124                    |
| June 30, 2014                |                          |                                               |                                                |          |                            |
| Retail consumer loans:       |                          |                                               |                                                |          |                            |
| One-to-four family           | \$34,243                 | \$12,946                                      | \$18,047                                       | \$30,993 | \$618                      |
| Home equity lines of credit  | 6,161                    | 2,110                                         | 2,299                                          | 4,409    | 160                        |
| Construction and land/lots   | 3,287                    | 1,053                                         | 793                                            | 1,846    | 383                        |
| Indirect auto finance        | —                        | —                                             | —                                              | —        | —                          |
| Consumer                     | 364                      | 16                                            | 11                                             | 27       | 3                          |
| Commercial loans:            |                          |                                               |                                                |          |                            |
| Commercial real estate       | 18,558                   | 1,714                                         | 13,082                                         | 14,796   | 59                         |
| Construction and development | 9,091                    | 928                                           | 4,930                                          | 5,858    | 48                         |
| Commercial and industrial    | 2,987                    | 313                                           | 2,030                                          | 2,343    | 7                          |
| Municipal leases             | —                        | —                                             | —                                              | —        | —                          |
| Total impaired loans         | \$74,691                 | \$19,080                                      | \$41,192                                       | \$60,272 | \$1,278                    |

Impaired loans above excludes \$10,354 at March 31, 2015 and \$9,220 at June 30, 2014 in PCI loans due to the accretion of discounts established in accordance with the acquisition method of accounting for business combinations. The table above includes \$11,527 and \$12,406, of impaired loans that were not individually evaluated at March 31, 2015 and June 30, 2014, respectively, because these loans did not meet the Company's threshold for individual impairment evaluation. The recorded allowance above includes \$180 and \$427 related to these loans that were not individually evaluated at March 31, 2015 and June 30, 2014, respectively.

## HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)

The Company's average recorded investment in loans individually evaluated for impairment and interest income recognized on impaired loans for the three and nine months ended March 31, 2015 and 2014 was as follows:

|                              | Three Months Ended          |                            |                             |                            |
|------------------------------|-----------------------------|----------------------------|-----------------------------|----------------------------|
|                              | March 31, 2015              |                            | March 31, 2014              |                            |
|                              | Average Recorded Investment | Interest Income Recognized | Average Recorded Investment | Interest Income Recognized |
| Retail consumer loans:       |                             |                            |                             |                            |
| One-to-four family           | \$30,155                    | \$395                      | \$37,320                    | \$355                      |
| Home equity lines of credit  | 4,316                       | 66                         | 5,722                       | 57                         |
| Construction and land/lots   | 2,152                       | 38                         | 2,101                       | 46                         |
| Indirect auto finance        | —                           | —                          | —                           | —                          |
| Consumer                     | 55                          | 5                          | 32                          | 3                          |
| Commercial loans:            |                             |                            |                             |                            |
| Commercial real estate       | 15,551                      | 147                        | 22,930                      | 140                        |
| Construction and development | 6,019                       | 55                         | 6,789                       | 45                         |
| Commercial and industrial    | 2,270                       | 18                         | 2,791                       | 37                         |
| Municipal leases             | 447                         | 12                         | —                           | —                          |
| Total loans                  | \$60,965                    | \$736                      | \$77,685                    | \$683                      |
|                              | Nine Months Ended           |                            |                             |                            |
|                              | March 31, 2015              |                            | March 31, 2014              |                            |
|                              | Average Recorded Investment | Interest Income Recognized | Average Recorded Investment | Interest Income Recognized |
| Retail consumer loans:       |                             |                            |                             |                            |
| One-to-four family           | \$31,914                    | \$1,283                    | \$41,601                    | \$1,247                    |
| Home equity lines of credit  | 4,730                       | 195                        | 5,855                       | 213                        |
| Construction and land/lots   | 2,153                       | 125                        | 2,205                       | 155                        |
| Indirect auto finance        | —                           | 1                          | —                           | —                          |
| Consumer                     | 37                          | 16                         | 40                          | 6                          |
| Commercial loans:            |                             |                            |                             |                            |
| Commercial real estate       | 17,281                      | 406                        | 24,434                      | 499                        |
| Construction and development | 6,104                       | 133                        | 8,888                       | 132                        |
| Commercial and industrial    | 2,622                       | 74                         | 2,775                       | 131                        |
| Municipal leases             | 239                         | 17                         | —                           | —                          |
| Total loans                  | \$65,080                    | \$2,250                    | \$85,798                    | \$2,383                    |

A summary of changes in the accretable yield for PCI loans for the three and nine months ended March 31, 2015 and 2014 was as follows:

|                                       | Three Months Ended |                |
|---------------------------------------|--------------------|----------------|
|                                       | March 31, 2015     | March 31, 2014 |
| Accretable yield, beginning of period | \$10,335           | \$1,610        |
| Interest income                       | (1,616)            | (155)          |
| Accretable yield, end of period       | \$8,719            | \$1,455        |

HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)

|                                                | Nine Months Ended |                   |
|------------------------------------------------|-------------------|-------------------|
|                                                | March 31,<br>2015 | March 31,<br>2014 |
| Accretable yield, beginning of period          | \$6,151           | \$—               |
| Addition from the BankGreenville acquisition   | —                 | 1,835             |
| Addition from the Bank of Commerce acquisition | 7,315             | —                 |
| Interest income                                | (4,747            | ) (380            |
| Accretable yield, end of period                | \$8,719           | \$1,455           |

The following table presents the purchased performing loans receivable for Bank of Commerce at July 31, 2014 (the acquisition date):

|                                                      | July 31,<br>2014 |
|------------------------------------------------------|------------------|
| Contractually required principal payments receivable | \$47,112         |
| Adjustment for credit, interest rate, and liquidity  | 1,159            |
| Balance of purchased loans receivable                | \$45,953         |

The following table presents the PCI loans for Bank of Commerce at July 31, 2014 (the acquisition date):

|                                                                   | July 31,<br>2014 |
|-------------------------------------------------------------------|------------------|
| Contractually required principal and interest payments receivable | \$49,870         |
| Amounts not expected to be collected – nonaccretable difference   | 2,300            |
| Estimated payments expected to be received                        | 47,570           |
| Accretable yield                                                  | 7,315            |
| Fair value of PCI loans                                           | \$40,255         |

For the three and nine months ended March 31, 2015 and 2014, the following table presents a breakdown of the types of concessions made on TDRs by loan class:

|                             | Three Months Ended March 31, 2015 |                                                              |                                                               | Three Months Ended March 31, 2014 |                                                              |                                                               |
|-----------------------------|-----------------------------------|--------------------------------------------------------------|---------------------------------------------------------------|-----------------------------------|--------------------------------------------------------------|---------------------------------------------------------------|
|                             | Number<br>of<br>Loans             | Pre<br>Modification<br>Outstanding<br>Recorded<br>Investment | Post<br>Modification<br>Outstanding<br>Recorded<br>Investment | Number<br>of<br>Loans             | Pre<br>Modification<br>Outstanding<br>Recorded<br>Investment | Post<br>Modification<br>Outstanding<br>Recorded<br>Investment |
| Below market interest rate: |                                   |                                                              |                                                               |                                   |                                                              |                                                               |
| Retail consumer:            |                                   |                                                              |                                                               |                                   |                                                              |                                                               |
| One-to-four family          | 3                                 | \$388                                                        | \$386                                                         | —                                 | \$—                                                          | \$—                                                           |
| Total                       | 3                                 | \$388                                                        | \$386                                                         | —                                 | \$—                                                          | \$—                                                           |
| Extended term:              |                                   |                                                              |                                                               |                                   |                                                              |                                                               |
| Retail consumer:            |                                   |                                                              |                                                               |                                   |                                                              |                                                               |
| One-to-four family          | —                                 | \$—                                                          | \$—                                                           | 1                                 | \$42                                                         | \$41                                                          |
| Total                       | —                                 | \$—                                                          | \$—                                                           | 1                                 | \$42                                                         | \$41                                                          |
| Other TDRs:                 |                                   |                                                              |                                                               |                                   |                                                              |                                                               |
| Retail consumer:            |                                   |                                                              |                                                               |                                   |                                                              |                                                               |
| One-to-four family          | 6                                 | \$3,091                                                      | \$3,006                                                       | 7                                 | \$777                                                        | \$787                                                         |
| Home equity lines of credit | 2                                 | 41                                                           | 9                                                             | —                                 | —                                                            | —                                                             |
| Construction and land/lots  | —                                 | \$—                                                          | \$—                                                           | 1                                 | 652                                                          | 642                                                           |
| Total                       | 8                                 | \$3,132                                                      | \$3,015                                                       | 8                                 | \$1,429                                                      | \$1,429                                                       |

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|       |    |         |         |   |         |         |
|-------|----|---------|---------|---|---------|---------|
| Total | 11 | \$3,520 | \$3,401 | 9 | \$1,471 | \$1,470 |
|-------|----|---------|---------|---|---------|---------|

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## HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)

|                                   | Nine Months Ended March 31, 2015 |                                                  |                                                   | Nine Months Ended March 31, 2014 |                                                  |                                                   |
|-----------------------------------|----------------------------------|--------------------------------------------------|---------------------------------------------------|----------------------------------|--------------------------------------------------|---------------------------------------------------|
|                                   | Number of Loans                  | Pre Modification Outstanding Recorded Investment | Post Modification Outstanding Recorded Investment | Number of Loans                  | Pre Modification Outstanding Recorded Investment | Post Modification Outstanding Recorded Investment |
| Below market interest rate:       |                                  |                                                  |                                                   |                                  |                                                  |                                                   |
| Retail consumer:                  |                                  |                                                  |                                                   |                                  |                                                  |                                                   |
| One-to-four family                | 4                                | \$449                                            | \$473                                             | 3                                | \$146                                            | \$142                                             |
| Home equity lines of credit       | —                                | —                                                | —                                                 | 2                                | 347                                              | 343                                               |
| Construction and land/lots        | 1                                | 110                                              | 103                                               | —                                | —                                                | —                                                 |
| Total                             | 5                                | \$559                                            | \$576                                             | 5                                | \$493                                            | \$485                                             |
| Extended term:                    |                                  |                                                  |                                                   |                                  |                                                  |                                                   |
| Retail consumer:                  |                                  |                                                  |                                                   |                                  |                                                  |                                                   |
| One-to-four family                | —                                | \$—                                              | \$—                                               | 2                                | \$44                                             | \$41                                              |
| Home equity lines of credit       | 3                                | 91                                               | 87                                                | —                                | —                                                | —                                                 |
| Consumer                          | 2                                | 10                                               | 9                                                 | —                                | —                                                | —                                                 |
| Commercial:                       |                                  |                                                  |                                                   |                                  |                                                  |                                                   |
| Commercial real estate            | 2                                | \$426                                            | 471                                               | —                                | \$—                                              | \$—                                               |
| Total                             | 7                                | \$527                                            | \$567                                             | 2                                | \$44                                             | \$41                                              |
| Other TDRs:                       |                                  |                                                  |                                                   |                                  |                                                  |                                                   |
| Retail consumer:                  |                                  |                                                  |                                                   |                                  |                                                  |                                                   |
| One-to-four family                | 16                               | \$3,684                                          | \$3,568                                           | 13                               | \$1,169                                          | \$1,178                                           |
| Home equity lines of credit       | 4                                | 155                                              | 121                                               | 2                                | 42                                               | 4                                                 |
| Construction and land/lots        | 1                                | 106                                              | 103                                               | 2                                | 787                                              | 773                                               |
| Commercial:                       |                                  |                                                  |                                                   |                                  |                                                  |                                                   |
| Construction and land development | 2                                | 173                                              | 172                                               | —                                | —                                                | —                                                 |
| Total                             | 23                               | \$4,118                                          | \$3,964                                           | 17                               | \$1,998                                          | \$1,955                                           |
| Total                             | 35                               | \$5,204                                          | \$5,107                                           | 24                               | \$2,535                                          | \$2,481                                           |

The following table presents loans that were modified as TDRs within the previous 12 months and for which there was a payment default during the three and nine months ended March 31, 2015 and 2014:

|                             | Three Months Ended March 31, 2015 |                     | Three Months Ended March 31, 2014 |                     |
|-----------------------------|-----------------------------------|---------------------|-----------------------------------|---------------------|
|                             | Number of Loans                   | Recorded Investment | Number of Loans                   | Recorded Investment |
| Below market interest rate: |                                   |                     |                                   |                     |
| Retail consumer:            |                                   |                     |                                   |                     |
| One-to-four family          | 2                                 | \$380               | —                                 | \$—                 |
| Total                       | 2                                 | \$380               | —                                 | \$—                 |
| Extended payment terms:     |                                   |                     |                                   |                     |
| Total                       | —                                 | \$—                 | —                                 | \$—                 |
| Other TDRs:                 |                                   |                     |                                   |                     |
| Total                       | —                                 | \$—                 | —                                 | \$—                 |

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Retail consumer:

|                             |   |         |   |       |
|-----------------------------|---|---------|---|-------|
| One-to-four family          | 2 | \$716   | 2 | \$166 |
| Home equity lines of credit | 2 | 9       | — | —     |
| Total                       | 4 | \$725   | 2 | \$166 |
| Total                       | 6 | \$1,105 | 2 | \$166 |

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## HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)

|                             | Nine Months Ended March<br>31, 2015 |                        | Nine Months Ended March<br>31, 2014 |                        |
|-----------------------------|-------------------------------------|------------------------|-------------------------------------|------------------------|
|                             | Number of<br>Loans                  | Recorded<br>Investment | Number of<br>Loans                  | Recorded<br>Investment |
| Below market interest rate: |                                     |                        |                                     |                        |
| Retail consumer:            |                                     |                        |                                     |                        |
| One-to-four family          | 2                                   | \$ 380                 | —                                   | \$—                    |
| Total                       | 2                                   | \$380                  | —                                   | \$—                    |
| Extended payment terms:     |                                     |                        |                                     |                        |
| Home equity lines of credit | —                                   | \$—                    | 1                                   | \$250                  |
| Total                       | —                                   | \$—                    | 1                                   | \$250                  |
| Other TDRs:                 |                                     |                        |                                     |                        |
| Retail consumer:            |                                     |                        |                                     |                        |
| One-to-four family          | 10                                  | \$1,116                | 4                                   | \$422                  |
| Home equity lines of credit | 2                                   | 9                      | 1                                   | 120                    |
| Construction and land/lots  | 1                                   | 172                    | —                                   | —                      |
| Total                       | 13                                  | \$1,297                | 5                                   | \$542                  |
| Total                       | 15                                  | \$1,677                | 6                                   | \$792                  |

Other TDRs include TDRs that have a below market interest rate and extended payment terms. The Company does not typically forgive principal when restructuring troubled debt.

In the determination of the allowance for loan losses, management considers TDRs for all loan classes, and the subsequent nonperformance in accordance with their modified terms, by measuring impairment on a loan-by-loan basis based on either the value of the loan's expected future cash flows discounted at the loan's original effective interest rate or on the collateral value, net of the estimated costs of disposal, if the loan is collateral dependent.

## 6. Net income per Share

Per the provisions of FASB ASC 260, Earnings Per Share, nonvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents are participating securities and are included in the computation of earnings per share pursuant to the two-class method. The two-class method is an earnings allocation formula that determines earnings per share for each class of common stock and participating security according to dividends declared (or accumulated) and participation rights in undistributed earnings. ESOP shares are considered outstanding for basic and diluted earnings per share when the shares are committed to be released.

Net income is allocated between the common stock and participating securities pursuant to the two-class method, based on their rights to receive dividends, participate in earnings, or absorb losses. Basic earnings per common shares is computed by dividing net earnings available to common shareholders by the weighted average number of common shares outstanding during the period, excluding participating nonvested restricted shares.

The following is a reconciliation of the numerator and denominator of basic and diluted net income per share of common stock:

|                                                      | Three Months Ended March<br>31,<br>2015 |            | Nine Months Ended March<br>31,<br>2014 |            |
|------------------------------------------------------|-----------------------------------------|------------|----------------------------------------|------------|
| Numerator:                                           |                                         |            |                                        |            |
| Net income available to common stockholders          | \$ 1,162                                | \$2,606    | \$5,467                                | \$8,809    |
| Denominator:                                         |                                         |            |                                        |            |
| Weighted-average common shares outstanding - basic   | 19,113,387                              | 18,302,672 | 19,146,025                             | 18,724,242 |
| Effect of dilutive shares                            | 79,315                                  | 75,487     | 86,766                                 | 91,174     |
| Weighted-average common shares outstanding - diluted | 19,192,702                              | 18,378,159 | 19,232,791                             | 18,815,416 |
| Net income per share - basic                         | \$0.06                                  | \$0.14     | \$0.28                                 | \$0.46     |

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|                                |        |        |        |        |
|--------------------------------|--------|--------|--------|--------|
| Net income per share - diluted | \$0.06 | \$0.14 | \$0.28 | \$0.46 |
|--------------------------------|--------|--------|--------|--------|

There were 1,450,100 and 1,585,500 outstanding stock options that were anti-dilutive for the three and nine months ended March 31, 2015 and 2014, respectively.

## HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)

## 7. Equity Incentive Plan

On January 17, 2013, the Company's stockholders approved the 2013 Omnibus Incentive Plan, which provides for awards of restricted stock, restricted stock units, stock options, stock appreciation rights and cash awards to directors, emeritus directors, officers, employees and advisory directors. The cost of equity-based awards under the 2013 Omnibus Incentive Plan generally is based on the fair value of the awards on their grant date. The maximum number of shares that may be utilized for awards under the plan is 2,962,400, including 2,116,000 for stock options and stock appreciation rights and 846,400 for awards of restricted stock and restricted stock units.

Shares of common stock issued under the 2013 Omnibus Incentive Plan may be authorized but unissued shares or repurchased shares. During fiscal 2013, the Company had repurchased the 846,400 shares available for awards of restricted stock and restricted stock units under the 2013 Omnibus Incentive Plan on the open market, for \$13,297, at an average cost of \$15.71 per share.

Share based compensation expense related to stock options and restricted stock recognized for the three months ended March 31, 2015 and 2014 was \$662 and \$662, respectively, before the tax related benefit of \$245 and \$245, respectively. Share based compensation expense related to stock options and restricted stock recognized for the nine months ended March 31, 2015 and 2014 was \$2,088 and \$1,999, respectively, before the tax related benefit of \$773 and \$740, respectively.

The table below presents stock option activity for the nine months ended March 31, 2015 and 2014:

|                                       | Options     | Weighted-average exercise price | Remaining contractual life (years) | Aggregate Intrinsic Value |
|---------------------------------------|-------------|---------------------------------|------------------------------------|---------------------------|
| Options outstanding at June 30, 2013  | 1,557,000   | \$14.37                         | 9.6                                | \$4,033                   |
| Granted                               | 30,000      | 15.83                           | 10.0                               | —                         |
| Exercised                             | —           | —                               | —                                  | —                         |
| Forfeited                             | 1,500       | 14.37                           | —                                  | —                         |
| Expired                               | —           | —                               | —                                  | —                         |
| Options outstanding at March 31, 2014 | 1,585,500   | \$14.40                         | 8.9                                | \$2,193                   |
| Exercisable at March 31, 2014         | 290,175     | \$14.37                         |                                    |                           |
| Options outstanding at June 30, 2014  | 1,513,500   | \$14.40                         | 8.6                                | \$2,077                   |
| Granted                               | 10,000      | 16.08                           | 10.0                               | —                         |
| Exercised                             | 18,000      | 14.37                           | —                                  | —                         |
| Forfeited                             | 5,400       | 14.37                           | —                                  | —                         |
| Expired                               | —           | —                               | —                                  | —                         |
| Options outstanding at March 31, 2015 | \$1,500,100 | \$14.4                          | 7.9                                | \$2,340                   |
| Exercisable at March 31, 2015         | 549,150     | \$14.39                         |                                    |                           |

The fair value of each option is estimated on the date of grant using the Black-Scholes-Merton option pricing model. The weighted average fair value of each option granted in 2015, 2014 and 2013 was \$3.59, \$4.49 and \$4.50, respectively. 10,000 options were granted in fiscal year 2015. Assumptions used for grants were as follows:

## Assumptions in Estimating Option Values

|                             | 2015  |   | 2014  |   | 2013  |   |
|-----------------------------|-------|---|-------|---|-------|---|
| Weighted-average volatility | 18.90 | % | 28.19 | % | 28.19 | % |
| Expected dividend yield     | —     | % | —     | % | —     | % |
| Risk-free interest rate     | 1.56  | % | 2.04  | % | 1.28  | % |
| Expected life (years)       | 6.0   |   | 6.5   |   | 6.6   |   |

At March 31, 2015, the Company had \$3,851 of unrecognized compensation expense related to 1,500,100 stock options scheduled to vest over five- and seven-year vesting periods. The weighted average period over which compensation cost related to non-vested awards expected to be recognized was 2.0 years at March 31, 2015. At March 31, 2014, the Company had \$5,650 of unrecognized compensation expense related to 1,585,500 stock options scheduled to vest over five- and seven-year vesting periods. The weighted average period over which compensation cost related to non-vested awards expected to be recognized was 3.9 years at March 31, 2014.

## HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)

The table below presents restricted stock award activity for the nine months ended March 31, 2015 and 2014:

|                              | Restricted<br>stock awards | Weighted-<br>average grant<br>date fair value | Aggregate<br>Intrinsic<br>Value |
|------------------------------|----------------------------|-----------------------------------------------|---------------------------------|
| Non-vested at June 30, 2013  | 511,300                    | \$ 14.37                                      | \$8,672                         |
| Granted                      | 7,050                      | 15.80                                         | —                               |
| Vested                       | 95,485                     | 14.37                                         | —                               |
| Forfeited                    | —                          | —                                             | —                               |
| Non-vested at March 31, 2014 | 422,865                    | \$ 14.39                                      | \$6,673                         |
| Non-vested at June 30, 2014  | 403,965                    | \$ 14.39                                      | \$6,371                         |
| Granted                      | —                          | —                                             | —                               |
| Vested                       | 91,895                     | 14.39                                         | —                               |
| Forfeited                    | 1,600                      | 14.37                                         | —                               |
| Non-vested at March 31, 2015 | 310,470                    | \$ 14.40                                      | \$4,958                         |

At March 31, 2015, unrecognized compensation expense was \$4,163 related to 310,470 shares of restricted stock scheduled to vest over five- and seven-year vesting periods. The weighted average period over which compensation cost related to non-vested awards is expected to be recognized was 2.0 years at March 31, 2015. At March 31, 2014, unrecognized compensation expense was \$5,859 related to 422,865 shares of restricted stock scheduled to vest over five- and seven-year vesting periods. The weighted average period over which compensation cost related to non-vested awards is expected to be recognized was 3.9 years at March 31, 2014.

## 8. Commitments and Contingencies

**Loan Commitments** – Legally binding commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. In the normal course of business, there are various outstanding commitments to extend credit that are not reflected in the consolidated financial statements. At March 31, 2015 and June 30, 2014, respectively, loan commitments (excluding \$46,151 and \$27,086 of undisbursed portions of construction loans) totaled \$28,013 and \$28,360 of which \$9,995 and \$3,620 were variable rate commitments and \$18,018 and \$24,740 were fixed rate commitments. The fixed rate loans had interest rates ranging from 1.99% to 6.25% at March 31, 2015 and 1.85% to 10.51% at June 30, 2014, and terms ranging from 3 to 30 years. Pre-approved but unused lines of credit (principally second mortgage home equity loans and overdraft protection loans) totaled \$223,181 and \$167,630 at March 31, 2015 and June 30, 2014, respectively. These amounts represent the Company's exposure to credit risk, and in the opinion of management have no more than the normal lending risk that the Company commits to its borrowers. The Company has freestanding derivative instruments consisting of commitments to originate fixed rate conforming loans and commitments to sell fixed rate conforming loans. The fair value of these commitments was not material at March 31, 2015 or June 30, 2014. The Company grants construction and permanent loans collateralized primarily by residential and commercial real estate to customers throughout its primary market area. In addition, the Company grants municipal leases to customers throughout North and South Carolina. The Company's loan portfolio can be affected by the general economic conditions within these market areas. Management believes that the Company has no concentration of credit in the loan portfolio.

**Restrictions on Cash** – The Bank is required by regulation to maintain a varying cash reserve balance with the Federal Reserve System. The daily average calculated cash reserve required as of March 31, 2015 and June 30, 2014 was \$1,873, and \$8,087, respectively, which was satisfied by vault cash and balances held at the Federal Reserve Bank.

**Guarantees** – Standby letters of credit obligate the Company to meet certain financial obligations of its customers, if, under the contractual terms of the agreement, the customers are unable to do so. The financial standby letters of credit

issued by the Company are irrevocable and payment is only guaranteed upon the borrower's failure to perform its obligations to the beneficiary. Total commitments under standby letters of credit as of March 31, 2015 and June 30, 2014 were \$2,768 and \$483. There was no liability recorded for these letters of credit at March 31, 2015 or June 30, 2014, respectively.

Litigation – The Company is involved in several litigation matters in the ordinary course of business. One matter, originally filed in March 2012, involves claims of \$12.5 million in compensatory damages and a request for additional punitive treble damages resulting from the purported failure of the Company and a third party brokerage firm to discover a Ponzi scheme conducted by a customer holding accounts at each entity. The Company received a favorable summary judgment ruling on February 20, 2015, however the plaintiffs filed an appeal. The Company continues to believe that the lawsuit is without merit and intends to defend itself vigorously. Management, after review with its legal counsel, is of the opinion that this litigation should not have a material effect on the Company's financial position or results of operations, although new developments could result in management modifying its assessment. There can be no assurance that the Company will successfully defend or resolve this litigation matter.

HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)

The Company is also subject to a variety of other legal matters that have arisen in the ordinary course of our business. In the current economic environment, litigation has increased significantly, primarily as a result of defaulted borrowers asserting claims to defeat or delay foreclosure proceedings. There can be no assurance that loan workouts and other activities will not expose the Company to additional legal actions, including lender liability or environmental claims. Therefore, the Company may be exposed to substantial liabilities, which could adversely affect its results of operations and financial condition. Moreover, the expenses of legal proceedings will adversely affect its results of operations until they are resolved.

9. Fair Value of Financial Instruments

The Company utilizes fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. Securities available for sale are recorded at fair value on a recurring basis. Additionally, from time to time, the Company may be required to record at fair value other assets on a nonrecurring basis, such as impaired loans. These nonrecurring fair value adjustments typically involve application of lower of cost or market accounting or write-downs of individual assets.

Fair Value Hierarchy

The Company groups assets at fair value in three levels, based on the markets in which the assets are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

Following is a description of valuation methodologies used for assets recorded at fair value. The Company does not have any liabilities recorded at fair value.

Investment Securities Available for Sale

Securities available for sale are valued on a recurring basis at quoted market prices where available. If quoted market prices are not available, fair values are based on quoted prices of comparable securities. Level 1 securities include those traded on an active exchange, such as the New York Stock Exchange or U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter markets and money market funds. Level 2 securities include mortgage-backed securities and debentures issued by government sponsored enterprises, municipal bonds, and corporate debt securities.

Loans

The Company does not record loans at fair value on a recurring basis. From time to time, however, a loan is considered impaired and an allowance for loan losses is established. Loans for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement are considered impaired. Once a loan is identified as individually impaired, the fair value is estimated using one of several methods, including collateral value, market value of similar debt, enterprise value, liquidation value and discounted cash flows. The Company reviews all impaired loans each quarter to determine if an allowance is necessary. Those impaired loans not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceed the recorded investments in such loans.

At March 31, 2015 and June 30, 2014, most of the total impaired loans were evaluated based on the fair value of the collateral. For these collateral dependent impaired loans, the Company obtains updated appraisals at least annually. These appraisals are reviewed for appropriateness and then discounted for estimated closing costs to determine if an allowance is necessary. As part of the quarterly review of impaired loans, the Company reviews these appraisals to determine if any additional discounts to the fair value are necessary. If a current appraisal is not obtained, the

Company determines whether a discount is needed to the value from the original appraisal based on the decline in value of similar properties with recent appraisals. Impaired loans where a charge-off has occurred or an allowance is established during the period being reported require classification in the fair value hierarchy. The Company records all impaired loans with an allowance as nonrecurring Level 3.

Loans Held for Sale

Loans held for sale are adjusted to lower of cost or fair value. Fair value is based upon investor pricing. The Company considers all loans held for sale carried at fair value as nonrecurring Level 3.

Real Estate Owned

REO is considered held for sale and is adjusted to fair value less estimated selling costs upon transfer of the loan to foreclosed assets. Fair value is based upon independent market prices, appraised value of the collateral or management's estimation of the value of the collateral. The Company considers all REO carried at fair value as nonrecurring Level 3.



## HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)

The following table presents financial assets measured at fair value on a recurring basis at the dates indicated:

| Description                                                                                             | March 31, 2015 |         |           |         |
|---------------------------------------------------------------------------------------------------------|----------------|---------|-----------|---------|
|                                                                                                         | Total          | Level 1 | Level 2   | Level 3 |
| U.S Government Agencies                                                                                 | \$88,117       | \$—     | \$88,117  | \$—     |
| Residential Mortgage-backed Securities of U.S. Government Agencies and Government Sponsored Enterprises | 121,284        | —       | 121,284   | —       |
| Municipal Bonds                                                                                         | 17,002         | —       | 17,002    | —       |
| Corporate Bonds                                                                                         | 4,046          | —       | 3,046     | 1,000   |
| Equity Securities                                                                                       | 63             | —       | 63        | —       |
| Total                                                                                                   | \$230,512      | \$—     | \$229,512 | \$1,000 |
| Description                                                                                             | June 30, 2014  |         |           |         |
|                                                                                                         | Total          | Level 1 | Level 2   | Level 3 |
| U.S Government Agencies                                                                                 | \$38,093       | \$—     | \$38,093  | \$—     |
| Residential Mortgage-backed Securities of U.S. Government Agencies and Government Sponsored Enterprises | 111,411        | —       | 111,411   | —       |
| Municipal Bonds                                                                                         | 16,220         | —       | 16,220    | —       |
| Corporate Bonds                                                                                         | 3,025          | —       | 3,025     | —       |
| Total                                                                                                   | \$168,749      | \$—     | \$168,749 | \$—     |

The following table presents financial assets measured at fair value on a non-recurring basis during the periods indicated:

| Description    | Nine Months Ended March 31, 2015 |         |         |          |
|----------------|----------------------------------|---------|---------|----------|
|                | Total                            | Level 1 | Level 2 | Level 3  |
| Impaired loans | \$5,319                          | \$—     | \$—     | \$5,319  |
| REO            | 1,185                            | —       | —       | 1,185    |
| Total          | \$6,504                          | \$—     | \$—     | \$6,504  |
| Description    | Year Ended June 30, 2014         |         |         |          |
|                | Total                            | Level 1 | Level 2 | Level 3  |
| Impaired loans | \$3,686                          | \$—     | \$—     | \$3,686  |
| REO            | 9,185                            | —       | —       | 9,185    |
| Total          | \$12,871                         | \$—     | \$—     | \$12,871 |

Quantitative information about Level 3 fair value measurements during the period ended March 31, 2015 is shown in the table below:

|                            | Fair Value at March 31, 2015 | Valuation Techniques  | Unobservable Input   | Range     | Weighted Average |
|----------------------------|------------------------------|-----------------------|----------------------|-----------|------------------|
| Nonrecurring measurements: |                              |                       |                      |           |                  |
| Impaired loans, net        | \$5,319                      | Discounted appraisals | Collateral discounts | 3% - 60%  | 15%              |
| REO                        | \$1,185                      | Discounted appraisals | Collateral discounts | 10% - 15% | 14%              |

## HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)

The stated carrying value and estimated fair value amounts of financial instruments as of March 31, 2015 and June 30, 2014, are summarized below:

|                                        | March 31, 2015 |            |           |         |           |
|----------------------------------------|----------------|------------|-----------|---------|-----------|
|                                        | Carrying Value | Fair Value | Level 1   | Level 2 | Level 3   |
| Cash and interest-bearing deposits     | \$294,659      | \$294,659  | \$294,659 | \$—     | \$—       |
| Certificates of deposit in other banks | 204,596        | 204,596    | —         | 204,596 | —         |
| Securities available for sale          | 230,512        | 230,512    | —         | 229,512 | 1,000     |
| Other investments                      | 19,142         | 19,142     | 19,142    | —       | —         |
| Loans held for sale                    | 2,225          | 2,261      | —         | —       | 2,261     |
| Loans, net                             | 1,618,376      | 1,524,874  | —         | —       | 1,524,874 |
| Accrued interest receivable            | 7,249          | 7,249      | —         | 1,095   | 6,154     |
| Non-interest-bearing and NOW deposits  | 592,338        | 592,338    | —         | 592,338 | —         |
| Money market accounts                  | 489,606        | 489,606    | —         | 489,606 | —         |
| Savings accounts                       | 223,748        | 223,748    | —         | 223,748 | —         |
| Certificates of deposit                | 608,081        | 607,650    | —         | 607,650 | —         |
| Other borrowings                       | 250,000        | 250,000    | —         | 250,000 | —         |
| Accrued interest payable               | 146            | 146        | —         | 146     | —         |
|                                        | June 30, 2014  |            |           |         |           |
|                                        | Carrying Value | Fair Value | Level 1   | Level 2 | Level 3   |
| Cash and interest-bearing deposits     | \$45,830       | \$45,830   | \$45,830  | \$—     | \$—       |
| Certificates of deposit in other banks | 163,780        | 163,780    | —         | 163,780 | —         |
| Securities available for sale          | 168,749        | 168,749    | —         | 168,749 | —         |
| Other investments                      | 3,697          | 3,697      | 3,697     | —       | —         |
| Loans held for sale                    | 2,537          | 2,578      | —         | —       | 2,578     |
| Loans, net                             | 1,473,099      | 1,381,438  | —         | —       | 1,381,438 |
| Accrued interest receivable            | 6,787          | 6,787      | —         | 736     | 6,051     |
| Non-interest-bearing and NOW deposits  | 418,671        | 418,671    | —         | 418,671 | —         |
| Money market accounts                  | 354,247        | 354,247    | —         | 354,247 | —         |
| Savings accounts                       | 175,974        | 175,974    | —         | 175,974 | —         |
| Certificates of deposit                | 634,154        | 620,196    | —         | 620,196 | —         |
| Other borrowings                       | 50,000         | 50,000     | —         | 50,000  | —         |
| Accrued interest payable               | 244            | 244        | —         | 244     | —         |

The Company had off-balance sheet financial commitments, which include approximately \$297,345 and \$223,076 of commitments to originate loans, undisbursed portions of interim construction loans, and unused lines of credit at March 31, 2015 and June 30, 2014, respectively (see Note 8). Since these commitments are based on current rates, the carrying amount approximates the fair value.

Estimated fair values were determined using the following methods and assumptions:

Cash and interest-bearing deposits – The stated amounts approximate fair values as maturities are less than 90 days.

Certificates of deposit in other banks – The stated amounts approximate fair values.

Securities available for sale and investment securities – Fair values are based on quoted market prices where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

Loans held for sale – The fair value of loans held for sale is determined by outstanding commitments from investors on a "best efforts" basis or current investor yield requirements, calculated on the aggregate loan basis.

Loans, net – Fair values for loans are estimated by segregating the portfolio by type of loan and discounting scheduled cash flows using current market interest rates for loans with similar terms and credit quality. A prepayment

assumption is used as an estimate of the portion of loans that will be repaid prior to their scheduled maturity. Both the carrying value and estimated fair value amounts are shown net of the allowance for loan losses.

HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)

Other investments – This represents stock in the FHLB of Atlanta and the Federal Reserve Bank with no existing market and no quoted market value. However, redemption of this stock has historically been at par value.

Accordingly, cost is deemed to be a reasonable estimate of fair value.

Deposits – Fair values for demand deposits, money market accounts, and savings accounts are the amounts payable on demand as of March 31, 2015 and June 30, 2014. The fair value of certificates of deposit is estimated by discounting the contractual cash flows using current market interest rates for accounts with similar maturities.

Other borrowings – The fair value of advances from the FHLB is estimated based on current rates for borrowings with similar terms.

Accrued interest receivable and payable – The stated amounts of accrued interest receivable and payable approximate the fair value.

Limitations – Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Because no market exists for a significant portion of the Company's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Fair value estimates are based on existing on-and-off balance sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. For example, a significant asset not considered a financial asset is premises and equipment. In addition, tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in any of the estimates.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

Certain matters in this Form 10-Q constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate to our financial condition, results of operations, plans, objectives, future performance or business. Forward-looking statements are not statements of historical fact, are based on certain assumptions and are generally identified by use of the words "believes," "expects," "anticipates," "estimates," "forecasts," "intends," "plans," "targets," "potentially," "probably," "projects," "outlook" or similar expressions or future or conditional verbs such as "may," "will," "should," "would" and "could." Forward-looking statements include statements with respect to our beliefs, plans, objectives, goals, expectations, assumptions and statements about future economic performance and projections of financial items. These forward-looking statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from the results anticipated or implied by our forward-looking statements, including, but not limited to: expected cost savings, synergies and other financial benefits from our recent acquisitions might not be realized within the expected time frames or at all, and costs or difficulties relating to integration matters might be greater than expected; the credit risks of lending activities, including changes in the level and trend of loan delinquencies and write offs and changes in our allowance for loan losses and provision for loan losses that may be impacted by deterioration in the housing and commercial real estate markets; changes in general economic conditions, either nationally or in our market areas; changes in the levels of general interest rates, and the relative differences between short and long term interest rates, deposit interest rates, our net interest margin and funding sources; fluctuations in the demand for loans, the number of unsold homes, land and other properties and fluctuations in real estate values in our market areas; decreases in the secondary market for the sale of loans that we originate; results of examinations of us by the Office of the Comptroller of the Currency ("OCC") or other regulatory authorities, including the possibility that any such regulatory authority may, among other things, require us to increase our allowance for loan losses, write-down assets, change our regulatory capital position or affect our ability to borrow funds or maintain or increase deposits, which could adversely affect our liquidity and earnings; legislative or regulatory changes that adversely affect our business including the effect of Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), changes in regulatory policies and principles, or the interpretation of regulatory capital or other rules, including as a result of Basel III; our ability to attract and retain deposits; increases in premiums for deposit insurance; management's assumptions in determining the adequacy of the allowance for loan losses; our ability to control operating costs and expenses, especially costs associated with our operation as a public company; the use of estimates in determining fair value of certain of our assets, which estimates may prove to be incorrect and result in significant declines in valuation; difficulties in reducing risks associated with the loans on our balance sheet; staffing fluctuations in response to product demand or the implementation of corporate strategies that affect our workforce and potential associated charges; computer systems on which we depend could fail or experience a security breach; our ability to retain key members of our senior management team; costs and effects of litigation, including settlements and judgments; our ability to successfully integrate any assets, liabilities, customers, systems, and management personnel we may in the future acquire into our operations and our ability to realize related revenue synergies and cost savings within expected time frames and any goodwill charges related thereto; increased competitive pressures among financial services companies; changes in consumer spending, borrowing and savings habits; the availability of resources to address changes in laws, rules, or regulations or to respond to regulatory actions; adverse changes in the securities markets; inability of key third-party providers to perform their obligations to us; statements with respect to our intentions regarding disclosure and other changes resulting from the Jumpstart Our Business Startups Act of 2012 ("JOBS Act"); changes in accounting policies and practices, as may be adopted by the financial institution regulatory agencies, the Public Company Accounting Oversight Board or the Financial Accounting Standards Board; and other economic, competitive, governmental, regulatory, and technological factors affecting our operations, pricing, products and services; and the other risks detailed from time to time in our filings with the Securities and Exchange Commission ("SEC"), including our 2014 Form 10-K.

Any of the forward-looking statements are based upon management's beliefs and assumptions at the time they are made. We undertake no obligation to publicly update or revise any forward-looking statements included in this report

or to update the reasons why actual results could differ from those contained in such statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking statements discussed in this report might not occur and you should not put undue reliance on any forward-looking statements.

As used throughout this report, the terms "we", "our", "us", "HomeTrust Bancshares" or the "Company" refer to HomeTrust Bancshares, Inc. and its consolidated subsidiaries, including HomeTrust Bank, National Association (the "Bank") unless the context indicates otherwise.

#### Overview

HomeTrust Bancshares, Inc., a Maryland corporation, was organized in July 2012 for the purpose of becoming the holding company of HomeTrust Bank, upon the Bank's conversion from a federal mutual to a federal stock savings bank ("Conversion"). The Conversion was completed on July 10, 2012. On August 25, 2014, the Bank converted from a federal savings bank charter to a national bank charter and the Company is now a bank holding company. HomeTrust Bancshares, Inc. is regulated by the Federal Reserve Board ("FRB"). The Company has not engaged in any significant activity other than holding the stock of the Bank. Accordingly, the information set forth in this report, including financial statements and related data, relates primarily to the Bank and its subsidiary.

The Bank, founded in 1926, is a national bank headquartered in Asheville, North Carolina. The Bank is regulated by the OCC, its primary federal regulator, and the Federal Deposit Insurance Corporation ("FDIC"), the insurer of its deposits. The Bank's deposits are federally insured up to applicable limits by the FDIC.

Our principal business consists of attracting deposits from the general public and investing those funds, along with borrowed funds in loans secured primarily by first and second mortgages on one- to four-family residences, including home equity loans and construction and land/lot

loans, commercial real estate loans, commercial and industrial loans, and municipal leases. Municipal leases are secured primarily by a ground lease for a firehouse or an equipment lease for fire trucks and firefighting equipment to fire departments located throughout North and South Carolina. We also purchase investment securities consisting primarily of mortgage-backed securities issued by United States Government agencies and government-sponsored enterprises, as well as, certificates of deposit insured by the FDIC.

We offer a variety of deposit accounts for individuals, businesses and nonprofit organizations. Deposits are our primary source of funds for our lending and investing activities.

We are significantly affected by prevailing economic conditions, as well as, government policies and regulations concerning, among other things, monetary and fiscal affairs, housing and financial institutions. Deposit flows are influenced by a number of factors, including interest rates paid on competing time deposits, other investments, account maturities, and the overall level of personal income and savings. Lending activities are influenced by the demand for funds, the number and quality of lenders, and regional economic cycles.

Our primary source of pre-tax income is net interest income. Net interest income is the difference between interest income, which is the income that we earn on our loans and investments, and interest expense, which is the interest that we pay on our deposits and borrowings. Changes in levels of interest rates affect our net interest income. A secondary source of income is noninterest income, which includes revenue we receive from providing products and services, including service charges on deposit accounts, mortgage banking income and gains and losses from sales of securities. An offset to net interest income is the provision for loan losses which is required to establish the allowance for loan losses at a level that adequately provides for probable losses inherent in our loan portfolio. As a loan's risk rating improves, property values increase, or recoveries of amounts previously charged off are received, a recapture of previously recognized provision for loan losses may be added to net interest income.

Our noninterest expenses consist primarily of salaries and employee benefits, expenses for occupancy, marketing and computer services, and FDIC deposit insurance premiums. Salaries and benefits consist primarily of the salaries and wages paid to our employees, payroll taxes, expenses for retirement and other employee benefits. Occupancy expenses, which are the fixed and variable costs of buildings and equipment, consist primarily of lease payments, property taxes, depreciation charges, maintenance and costs of utilities.

We intend to expand through organic growth and through the acquisition of other community financial institutions and/or bank branches. Our goal is to continue to enhance our franchise value and earnings through strategic, planned growth in our banking operations, while maintaining the community-focused, relationship style of exceptional customer service that has differentiated our brand and characterized our success to date. As part of this strategy, on July 31, 2013, we completed our first acquisition as a public company, by acquiring BankGreenville Financial Corporation ("BankGreenville") with one office in Greenville, South Carolina. BankGreenville reported total assets of \$105.1 million, total deposits of \$90.0 million, and stockholders' equity of \$9.6 million at June 30, 2013. On May 31, 2014, we completed our acquisition of Jefferson Bancshares, Inc. ("Jefferson"), the holding company for Jefferson Federal Bank. Jefferson had 12 offices located across East Tennessee and reported total assets of \$506.8 million, total deposits of \$384.0 million, and stockholders' equity of \$54.4 million at March 31, 2014. On July 31, 2014, we completed our acquisition of Bank of Commerce with one office in midtown Charlotte, North Carolina. As of June 30, 2014, Bank of Commerce had total assets of \$123.0 million, total deposits of \$92.8 million, and stockholders' equity of \$12.5 million. On July 21, 2014, the Bank opened a commercial loan production office in downtown Roanoke, Virginia. Additionally, on November 12, 2014, the Bank opened a commercial loan production office in Raleigh, North Carolina. On November 14, 2014, we completed our acquisition of ten branch banking operations in Virginia and North Carolina from Bank of America Corporation (the "Branch Acquisition") with six of the branches located in Roanoke Valley, two in Danville, one in Martinsville, Virginia, and one in Eden, North Carolina. We purchased total loans of \$1.0 million, premises and equipment of \$9.0 million, and total deposits of \$329.4 million in the Branch Acquisition.

At March 31, 2015, we had 45 locations in North Carolina (including the Asheville metropolitan area, the "Piedmont" region, Charlotte, and a loan production office in Raleigh), Upstate South Carolina (Greenville), East Tennessee (including Kingsport/Johnson City, Knoxville, and Morristown) and Southwest Virginia (including the Roanoke Valley).

### Critical Accounting Policies and Estimates

Certain of our accounting policies are important to the portrayal of our financial condition, since they require management to make difficult, complex or subjective judgments, some of which may relate to matters that are inherently uncertain. Estimates associated with these policies are susceptible to material changes as a result of changes in facts and circumstances. Facts and circumstances which could affect these judgments include, but are not limited to, changes in interest rates, changes in the performance of the economy and changes in the financial condition of borrowers. 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 estimates are described in further detail in Part II, Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 1, Summary of Significant Accounting Policies with the 2014 Form 10-K. There have not been any material changes in the Company's critical accounting policies and estimates as compared to the disclosure contained in the Company's 2014 Form 10-K.

On April 5, 2012, the JOBS Act was signed into law. The JOBS Act contains provisions that, among other things, reduce certain reporting requirements for qualifying public companies. As an "emerging growth company" we may delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. We intend to take advantage of the benefits of this extended transition period, although we have not done so to date. Accordingly, our financial statements may not be comparable to companies that comply with such new or revised accounting standards or disclosures.



Recent Accounting Pronouncements. Refer to Note 2 of our consolidated financial statements for a description of recent accounting pronouncements including the respective dates of adoption and effects on results of operations and financial condition.

#### Non-GAAP Financial Measures

In addition to results presented in accordance with generally accepted accounting principles utilized in the United States ("GAAP"), this report contains certain non-GAAP financial measures, which include net interest income and net interest margin as adjusted to exclude additional Federal Home Loan Bank ("FHLB") borrowings and proceeds from such borrowings, net income excluding merger-related expenses and recovery of loan losses, and earnings per share excluding merger expenses and recovery of loan losses. Management elected to obtain additional FHLB borrowings beginning November 2014 as part of a plan to increase net interest income. The Company believes that showing the effects of the additional borrowings on net interest income and net interest margins is useful to both management and investors as these measures are commonly used to measure financial institutions performance and against peers.

Management has presented the non-GAAP financial measures in this discussion and analysis excluding merger-related expenses and recovery of loan losses because it believes excluding these items is more indicative of and provides useful and comparative information to assess trends in our core operations while facilitating comparison of the quality and composition of the Company's earnings over time and in comparison to its competitors. However, these non-GAAP financial measures are supplemental, are not audited and are not a substitute for operating results or any analysis determined in accordance with GAAP. Where applicable, we have also presented comparable earnings information using GAAP financial measures. Because not all companies use the same calculations, our presentation may not be comparable to other similarly titled measures as calculated by other companies. See "Comparison of Results of Operations for the Three Months Ended March 31, 2015 and 2014" and "Comparison of Results of Operations for the Nine Months Ended March 31, 2015 and 2014" for more detailed information about our financial performance.

The following tables set forth reconciliations of non-GAAP financial measures discussed in this report:

Three Months Ended March 31, 2015

|                                                                                   | Average<br>Balance<br>Outstanding | Interest Earned /<br>Paid | Yield/ Rate |    |
|-----------------------------------------------------------------------------------|-----------------------------------|---------------------------|-------------|----|
| Interest-earning assets                                                           | \$2,369,957                       | \$22,232                  | 3.75        | %  |
| Less: Interest-earning assets funded by additional FHLB borrowings <sup>(1)</sup> | 250,000                           | 367                       | 0.59        | %  |
| Interest-earning assets - adjusted                                                | \$2,119,957                       | \$21,865                  | 4.13        | %  |
| Interest-bearing liabilities                                                      | 1,981,930                         | 1,348                     | 0.27        | %  |
| Additional FHLB borrowings <sup>(2)</sup>                                         | 250,000                           | 128                       | 0.20        | %  |
| Interest-bearing liabilities - adjusted                                           | \$1,731,930                       | \$1,220                   | 0.28        | %  |
| Net interest income and net interest margin                                       |                                   | 20,884                    | 3.52        | %  |
| Net interest income and net interest margin - adjusted                            |                                   | 20,645                    | 3.90        | %  |
| Difference                                                                        |                                   | \$239                     | (0.38)      | )% |

Nine Months Ended March 31, 2015

|                                                                                   | Average<br>Balance<br>Outstanding | Interest Earned /<br>Paid | Yield/ Rate |    |
|-----------------------------------------------------------------------------------|-----------------------------------|---------------------------|-------------|----|
| Interest-earning assets                                                           | \$2,178,954                       | \$65,011                  | 3.98        | %  |
| Less: Interest-earning assets funded by additional FHLB borrowings <sup>(1)</sup> | 137,005                           | 494                       | 1.44        | %  |
| Interest-earning assets - adjusted                                                | \$2,041,949                       | \$64,517                  | 4.21        | %  |
| Interest-bearing liabilities                                                      | 1,793,972                         | 3,981                     | 0.30        | %  |
| Additional FHLB borrowings <sup>(2)</sup>                                         | 137,005                           | 216                       | 0.21        | %  |
| Interest-bearing liabilities - adjusted                                           | \$1,656,967                       | \$3,765                   | 0.30        | %  |
| Net interest income and net interest margin                                       |                                   | 61,030                    | 3.73        | %  |
| Net interest income and net interest margin - adjusted                            |                                   | 60,752                    | 3.97        | %  |
| Difference                                                                        |                                   | \$278                     | (0.24)      | )% |

<sup>(1)</sup> Proceeds from the additional borrowings were invested in various interest-earning assets including: deposits with the Federal Reserve Bank, FHLB stock, and commercial paper.

<sup>(2)</sup> Additional borrowings were obtained in November 2014.

Set forth below is a reconciliation to GAAP net income and earnings per share (EPS) as adjusted to exclude merger-related expenses and the recovery of loan losses:

| (Dollars in thousands, except per share data) | Three Months Ended |            | Nine Months Ended |            |
|-----------------------------------------------|--------------------|------------|-------------------|------------|
|                                               | March 31,<br>2015  | 2014       | March 31,<br>2015 | 2014       |
| Merger-related expenses                       | \$ 1,686           | \$ 449     | \$ 5,417          | \$ 711     |
| Recovery of loan losses                       | —                  | (1,800 )   | (250 )            | (4,800 )   |
| Total adjustments                             | 1,686              | (1,351 )   | 5,167             | (4,089 )   |
| Tax effect <sup>(1)</sup>                     | (624 )             | 500        | (1,897 )          | 1,650      |
| Total adjustments, net of tax                 | 1,062              | (851 )     | 3,270             | (2,439 )   |
| Net income (GAAP)                             | 1,162              | 2,606      | 5,467             | 8,809      |
| Net income (non-GAAP)                         | \$ 2,224           | \$ 1,755   | \$ 8,737          | \$ 6,370   |
| Per Share Data                                |                    |            |                   |            |
| Average shares outstanding - basic            | 19,113,387         | 18,302,672 | 19,146,025        | 18,724,242 |
| Average shares outstanding - diluted          | 19,192,702         | 18,378,159 | 19,232,791        | 18,815,416 |
| Basic EPS                                     |                    |            |                   |            |
| EPS (GAAP)                                    | \$ 0.06            | \$ 0.14    | \$ 0.28           | \$ 0.46    |
| Non-GAAP adjustment                           | 0.06               | (0.04 )    | 0.18              | (0.12 )    |
| EPS (non-GAAP)                                | \$ 0.12            | \$ 0.10    | \$ 0.46           | \$ 0.34    |
| Diluted EPS                                   |                    |            |                   |            |
| EPS (GAAP)                                    | \$ 0.06            | \$ 0.14    | \$ 0.28           | \$ 0.46    |
| Non-GAAP adjustment                           | 0.06               | (0.04 )    | 0.17              | (0.12 )    |
| EPS (non-GAAP)                                | \$ 0.12            | \$ 0.10    | \$ 0.45           | \$ 0.34    |

(1) Tax amounts have been adjusted for certain nondeductible merger-related expenses.

#### Comparison of Financial Condition at March 31, 2015 and June 30, 2014

**Assets.** Total assets increased \$534.2 million, or 25.8%, to \$2.6 billion at March 31, 2015 from \$2.1 billion at June 30, 2014. This increase was largely due to the Branch Acquisition, the Bank of Commerce acquisition, and proceeds from additional FHLB borrowings this fiscal year. The Company recorded \$4.0 million of goodwill and \$640,000 of core deposit intangibles in connection with the Bank of Commerce acquisition and \$8.1 million of core deposit intangibles in connection with the Branch Acquisition. The increase in FHLB borrowings was part of management's strategic plan to leverage low cost borrowings to generate additional interest income from investments as well as dividend income from the required purchase of additional FHLB stock.

**Cash and cash equivalents.** Total cash and cash equivalents increased \$248.8 million, or 542.9%, to \$294.7 million at March 31, 2015 from \$45.8 million at June 30, 2014. The increase was primarily due to funds received from the Branch Acquisition. At March 31, 2015, certificates of deposits in other banks totaled \$204.6 million compared to \$163.8 million at June 30, 2014. All of the certificates of deposit in other banks are fully insured under the FDIC.

**Investments.** The increase in securities available for sale of \$61.8 million, or 36.6%, to \$230.5 million at March 31, 2015 from \$168.7 million at June 30, 2014 primarily as a result of the acquisition of Bank of Commerce and investing proceeds from the Branch Acquisition. During the nine months ended March 31, 2015, \$88.0 million of securities available for sale were purchased, \$21.9 million matured, \$10.4 million in proceeds from sales were received, and \$20.0 million of principal payments were made. The securities purchased and acquired during the period were

primarily short- to intermediate-term U.S. government agency notes and mortgage-backed securities and, to a lesser extent, intermediate-term taxable municipal securities. Other investments increased \$15.4 million primarily due to the purchase of \$6.2 million of Federal Reserve Bank stock in conjunction with the Bank's conversion to a national bank and \$8.5 million in additional FHLB stock. We evaluate individual investment securities quarterly for other-than-temporary declines in market value. We do not believe that there are any other-than-temporary impairments at March 31, 2015; therefore, no impairment losses have been recorded during the first nine months of fiscal 2015.

Loans. Net loans receivable increased \$145.3 million, or 9.9%, at March 31, 2015 to \$1.6 billion from \$1.5 billion at June 30, 2014 primarily due to \$86.2 million in loans acquired from Bank of Commerce, \$40.9 million in home equity lines of credit purchased in December 2014, and \$315.2 million portfolio loan originations, that were partially offset by unusually high payoffs occurring during the period relating to the assimilation and transition of loans recently acquired.

Since June 30, 2014, retail consumer and commercial loans have increased \$51.9 million, or 5.9% to \$934.9 million; and \$91.7 million, or 14.9%, to \$706.6 million, respectively. The composition of the Company's loan portfolio at March 31, 2015 was 39.7% in one-to-four family, 12.1%

in home equity lines of credit, 2.9% in retail construction and land, 2.0% in indirect auto finance, 0.3% in consumer loans, 27.5% in commercial real estate, 3.6% in commercial construction and development, 5.4% in commercial and industrial, and 6.5% in municipal leases. The composition of the Company's loan portfolio at June 30, 2014 was 44.1% in one-to-four family, 9.9% in home equity lines of credit, 4.0% in retail construction and land, 0.6% in indirect auto finance, 0.4% in consumer loans, 25.1% in commercial real estate, 3.8% in commercial construction and development, 5.0% in commercial and industrial, and 7.1% in municipal leases.

**Asset Quality.** Nonperforming assets decreased 26.5% to \$39.5 million, or 1.51% of total assets, at March 31, 2015, compared to \$53.6 million, or 2.59% of total assets, at June 30, 2014. Nonperforming assets included \$30.9 million in nonaccruing loans and \$8.6 million in REO at March 31, 2015, compared to \$37.9 million and \$15.7 million, in nonaccruing loans and REO respectively, at June 30, 2014. Included in nonperforming loans are \$10.4 million of loans restructured from their original terms of which \$6.2 million were current with respect to their modified payment terms. The decrease in nonaccruing loans was primarily due to loans returning to performing status as payment history and the borrower's financial status improved. At March 31, 2015, \$14.9 million, or 48.1%, of nonaccruing loans were current on their required loan payments. Purchased impaired loans aggregating \$10.4 million acquired from BankGreenville, Jefferson, and Bank of Commerce are excluded from nonaccruing loans due to the accretion of discounts established in accordance with the acquisition method of accounting for business combinations.

The ratio of classified assets to total assets decreased to 3.51% at March 31, 2015 from 4.56% at June 30, 2014. Classified assets decreased 3.2% to \$91.7 million at March 31, 2015 compared to \$94.7 million at June 30, 2014. Delinquent loans (loans delinquent 30 days or more) increased to \$34.3 million at March 31, 2015, from \$27.9 million at June 30, 2014.

As of March 31, 2015, we had identified \$65.0 million of impaired loans. Our impaired loans are comprised of loans on non-accrual status and all TDRs, whether performing or on non-accrual status under their restructured terms. Impaired loans may be evaluated for reserve purposes using either a specific impairment analysis or on a collective basis as part of homogeneous pools. For more information on these impaired loans, see Note 5 of the Notes to Consolidated Financial Statements under Item 1 of this report.

**Allowance for loan losses.** We establish an allowance for loan losses by charging amounts to the loan provision at a level required to reflect estimated credit losses in the loan portfolio. In evaluating the level of the allowance for loan losses, management considers, among other factors, historical loss experience, the types of loans and the amount of loans in the loan portfolio, adverse situations that may affect borrowers' ability to repay, estimated value of any underlying collateral, prevailing economic conditions and current risk factors specifically related to each loan type. The allowance for loan losses was \$22.7 million, or 1.38% of total loans, at March 31, 2015 compared to \$23.4 million, or 1.56% of total loans, at June 30, 2014. The allowance for loan losses was 1.72% of total loans at March 31, 2015, excluding loans acquired from BankGreenville, Jefferson, and Bank of Commerce as the loans acquired from these acquisitions are excluded from the allowance for loan losses in accordance with the acquisition method of accounting for business combinations. The Company recorded these loans at fair value, which includes a credit discount, therefore, no allowance for loan losses is established for these acquired loans unless the credit quality deteriorates further subsequent to the acquisition.

The recovery for loan losses was \$250,000 for the nine months ended March 31, 2015 compared to a \$4.8 million recovery for loan losses for the same period in 2014. Net loan charge-offs decreased to \$498,000 for the nine months ended March 31, 2015 from a \$2.0 million for the same period during the prior fiscal year. Net charge-offs as a percentage of average loans decreased to 0.04% for the nine months ended March 31, 2015 from 0.22% for the same period last fiscal year.

The allowance as a percentage of nonaccruing loans increased from 61.79% at June 30, 2014 to 73.42% at March 31, 2015.

We believe that the allowance for loan losses as of March 31, 2015 was adequate to absorb the known and inherent risks of loss in the loan portfolio at that date. While we believe the estimates and assumptions used in our determination of the adequacy of the allowance are reasonable, there can be no assurance that such estimates and assumptions will not be proven incorrect in the future, or that the actual amount of future provisions will not exceed the amount of past provisions or that any increased provisions that may be required will not adversely impact our

financial condition and results of operations. In addition, the determination of the amount of the allowance for loan losses is subject to review by bank regulators as part of the routine examination process, which may result in the establishment of additional reserves based upon their judgment of information available to them at the time of their examination.

Real estate owned. REO decreased \$7.2 million, to \$8.6 million at March 31, 2015 primarily due to the sale of \$8.6 million in REO during the period partially offset by \$210,000 in REO acquired in the Bank of Commerce acquisition and \$2.2 million in other foreclosures. The total balance of REO at March 31, 2015 included \$4.7 million in land, construction and development projects (both residential and commercial), \$1.2 million in commercial real estate and \$2.7 million in single-family homes.

Deposits. Deposits increased \$330.7 million, or 20.9%, from \$1.6 billion at June 30, 2014 to \$1.9 billion at March 31, 2015. This increase was primarily due to the Branch Acquisition and Bank of Commerce acquisition which increased total deposits in the aggregate by \$422.8 million partially offset by a \$92.1 million decrease in deposits due to a managed reduction in certificates of deposits and expected runoff from the acquisitions.

Borrowings. Other borrowings increased to \$250.0 million at March 31, 2015 from \$50.0 million at June 30, 2014 as a result of a \$200.0 million increase in FHLB advances as part of management's short-term leveraging strategy. All FHLB advances have maturities of less than 90 days with a weighted average interest rate of 0.21% at March 31, 2015.

Equity. Stockholders' equity at March 31, 2015 increased to \$381.9 million from \$377.2 million at June 30, 2014. The increase in stockholders' equity primarily reflected a \$5.5 million increase in retained earnings as a result of the net income from the nine months ended March 31, 2015 partially offset by the repurchase of 302,195 shares of common stock at an average cost of \$15.64 per share, or approximately \$4.7 million in total.

#### Average Balances, Interest and Average Yields/Cost

The following table sets forth for the periods indicated, information regarding average balances of assets and liabilities as well as the total dollar amounts of interest income from average interest earning assets and interest expense on average interest bearing liabilities, resultant yields, interest rate spread, net interest margin (otherwise known as net yield on interest earning assets), and the ratio of average interest earning assets to average interest-bearing liabilities. All average balances are daily average balances. Nonaccruing loans have been included in the table as loans carrying a zero yield.

|                                                                         | For the Three Months Ended March 31,<br>2015                |                                            |                               | 2014                              |                                            |                               |      |   |
|-------------------------------------------------------------------------|-------------------------------------------------------------|--------------------------------------------|-------------------------------|-----------------------------------|--------------------------------------------|-------------------------------|------|---|
|                                                                         | Average<br>Balance<br>Outstanding<br>(Dollars in thousands) | Interest<br>Earned/<br>Paid <sup>(2)</sup> | Yield/<br>Rate <sup>(2)</sup> | Average<br>Balance<br>Outstanding | Interest<br>Earned/<br>Paid <sup>(2)</sup> | Yield/<br>Rate <sup>(2)</sup> |      |   |
| <b>Interest-earning assets:</b>                                         |                                                             |                                            |                               |                                   |                                            |                               |      |   |
| Loans receivable <sup>(1)</sup>                                         | \$ 1,645,993                                                | \$ 20,271                                  | 4.93                          | % \$ 1,173,290                    | \$ 14,356                                  | 4.89                          | %    |   |
| <b>Deposits in other financial institutions</b>                         |                                                             |                                            |                               |                                   |                                            |                               |      |   |
| Investment securities                                                   | 387,264                                                     | 661                                        | 0.68                          | % 223,476                         | 437                                        | 0.78                          | %    |   |
| Other                                                                   | 205,447                                                     | 919                                        | 1.79                          | % 74,463                          | 262                                        | 1.41                          | %    |   |
| Total interest-earning assets                                           | 131,254                                                     | 381                                        | 1.16                          | % 16,404                          | 136                                        | 3.32                          | %    |   |
| <b>Interest-bearing liabilities:</b>                                    |                                                             |                                            |                               |                                   |                                            |                               |      |   |
| Interest-bearing checking accounts                                      | 2,369,958                                                   | 22,232                                     | 3.75                          | % 1,487,633                       | 15,191                                     | 4.08                          | %    |   |
| Money market accounts                                                   | 386,652                                                     | 136                                        | 0.14                          | % 215,292                         | 55                                         | 0.10                          | %    |   |
| Savings accounts                                                        | 491,221                                                     | 260                                        | 0.21                          | % 306,083                         | 187                                        | 0.24                          | %    |   |
| Certificate accounts                                                    | 222,697                                                     | 75                                         | 0.13                          | % 86,036                          | 33                                         | 0.15                          | %    |   |
| Borrowings                                                              | 631,361                                                     | 749                                        | 0.47                          | % 529,923                         | 972                                        | 0.73                          | %    |   |
| Total interest-bearing liabilities                                      | 250,000                                                     | 128                                        | 0.20                          | % 2,214                           | 1                                          | 0.18                          | %    |   |
| Net earning assets                                                      | 1,981,931                                                   | 1,348                                      | 0.27                          | % 1,139,548                       | 1,248                                      | 0.43                          | %    |   |
| Average interest-earning assets to average interest-bearing liabilities | \$ 388,027                                                  |                                            |                               | \$ 348,085                        |                                            |                               |      |   |
| Tax-equivalent:                                                         |                                                             |                                            |                               |                                   |                                            |                               |      |   |
| Net interest income                                                     |                                                             | \$ 20,884                                  |                               |                                   | \$ 13,943                                  |                               |      |   |
| Interest rate spread                                                    |                                                             |                                            | 3.48                          | %                                 |                                            |                               | 3.65 | % |
| Net interest margin <sup>(3)</sup>                                      |                                                             |                                            | 3.52                          | %                                 |                                            |                               | 3.75 | % |
| <b>Non-tax-equivalent:</b>                                              |                                                             |                                            |                               |                                   |                                            |                               |      |   |
| Net interest income                                                     |                                                             | \$ 20,188                                  |                               |                                   | \$ 13,144                                  |                               |      |   |
| Interest rate spread                                                    |                                                             |                                            | 3.36                          | %                                 |                                            |                               | 3.43 | % |
| Net interest margin <sup>(3)</sup>                                      |                                                             |                                            | 3.41                          | %                                 |                                            |                               | 3.53 | % |

- 
- (1) The average loans receivable, net balances include loans held for sale and nonaccruing loans.
  - (2) Interest income used in the average interest/earned and yield calculation includes the tax equivalent adjustment of \$696,000 and \$799,000 for the three months ended March 31, 2015 and 2014, respectively, calculated based on a federal tax rate of 34%.
  - (3) Net interest income divided by average interest-earning assets.



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|                                                                                  | For the Nine Months Ended March 31,<br>2015                 |                                            |                               | 2014     |                                   |                                            |                               |
|----------------------------------------------------------------------------------|-------------------------------------------------------------|--------------------------------------------|-------------------------------|----------|-----------------------------------|--------------------------------------------|-------------------------------|
|                                                                                  | Average<br>Balance<br>Outstanding<br>(Dollars in thousands) | Interest<br>Earned/<br>Paid <sup>(2)</sup> | Yield/<br>Rate <sup>(2)</sup> |          | Average<br>Balance<br>Outstanding | Interest<br>Earned/<br>Paid <sup>(2)</sup> | Yield/<br>Rate <sup>(2)</sup> |
| <b>Interest-earning assets:</b>                                                  |                                                             |                                            |                               |          |                                   |                                            |                               |
| Loans receivable <sup>(1)</sup>                                                  | \$ 1,609,285                                                | \$ 60,006                                  | 4.97                          | %        | \$ 1,187,679                      | \$ 44,353                                  | 4.98 %                        |
| Deposits in other<br>financial<br>institutions                                   | 320,574                                                     | 1,690                                      | 0.70                          | %        | 215,383                           | 1,306                                      | 0.81 %                        |
| Investment securities                                                            | 185,844                                                     | 2,608                                      | 1.87                          | %        | 68,254                            | 768                                        | 1.50 %                        |
| Other                                                                            | 63,251                                                      | 707                                        | 1.49                          | %        | 28,416                            | 416                                        | 1.95 %                        |
| <b>Total interest-earning<br/>assets</b>                                         | <b>2,178,954</b>                                            | <b>65,011</b>                              | <b>3.98</b>                   | <b>%</b> | <b>1,499,732</b>                  | <b>46,843</b>                              | <b>4.16 %</b>                 |
| <b>Interest-bearing<br/>liabilities:</b>                                         |                                                             |                                            |                               |          |                                   |                                            |                               |
| Interest-bearing checking<br>accounts                                            | 339,138                                                     | 323                                        | 0.13                          | %        | 213,265                           | 218                                        | 0.14 %                        |
| Money market accounts                                                            | 442,514                                                     | 785                                        | 0.24                          | %        | 302,156                           | 593                                        | 0.26 %                        |
| Savings accounts                                                                 | 205,579                                                     | 230                                        | 0.15                          | %        | 84,251                            | 106                                        | 0.17 %                        |
| Certificate accounts                                                             | 632,016                                                     | 2,372                                      | 0.50                          | %        | 546,253                           | 3,255                                      | 0.79 %                        |
| Borrowings                                                                       | 174,724                                                     | 271                                        | 0.21                          | %        | 2,269                             | 5                                          | 0.29 %                        |
| <b>Total interest-bearing<br/>liabilities</b>                                    | <b>1,793,971</b>                                            | <b>3,981</b>                               | <b>0.30</b>                   | <b>%</b> | <b>1,148,194</b>                  | <b>4,177</b>                               | <b>0.48 %</b>                 |
| Net earning assets                                                               | \$ 384,983                                                  |                                            |                               |          | \$ 351,538                        |                                            |                               |
| Average interest-earning<br>assets to<br>average interest-bearing<br>liabilities | 121.46                                                      | %                                          |                               |          | 130.62                            | %                                          |                               |
| <b>Tax-equivalent:</b>                                                           |                                                             |                                            |                               |          |                                   |                                            |                               |
| Net interest income                                                              |                                                             | \$ 61,030                                  |                               |          |                                   | \$ 42,666                                  |                               |
| Interest rate spread                                                             |                                                             |                                            | 3.68                          | %        |                                   |                                            | 3.68 %                        |
| Net interest margin <sup>(3)</sup>                                               |                                                             |                                            | 3.73                          | %        |                                   |                                            | 3.79 %                        |
| <b>Non-tax-equivalent:</b>                                                       |                                                             |                                            |                               |          |                                   |                                            |                               |
| Net interest income                                                              |                                                             | \$ 58,977                                  |                               |          |                                   | \$ 40,323                                  |                               |
| Interest rate spread                                                             |                                                             |                                            | 3.56                          | %        |                                   |                                            | 3.47 %                        |
| Net interest margin <sup>(3)</sup>                                               |                                                             |                                            | 3.61                          | %        |                                   |                                            | 3.58 %                        |

(1) The average loans receivable, net balances include loans held for sale and nonaccruing loans.

(2) Interest income used in the average interest/earned and yield calculation includes the tax equivalent adjustment of \$2.1 million and \$2.3 million for the nine months ended March 31, 2015 and 2014, respectively, calculated based on a federal tax rate of 34%.

(3) Net interest income divided by average interest-earning assets.

## Rate/Volume Analysis

The following table presents the dollar amount of changes in interest income and interest expense for major components of interest-earning assets and interest-bearing liabilities. It distinguishes between the changes related to outstanding balances and that due to the changes in interest rates. For each category of interest-earning assets and interest-bearing liabilities, information is provided on changes attributable to (i) changes in volume (i.e., changes in volume multiplied by old rate) and (ii) changes in rate (i.e., changes in rate multiplied by old volume). For purposes of this table, changes attributable to both rate and volume, which cannot be segregated, have been allocated proportionately to the change due to volume and the change due to rate.

|                                                | Three Months Ended March 31, 2015<br>Compared to<br>Three Months Ended March 31, 2014 |          |                              |
|------------------------------------------------|---------------------------------------------------------------------------------------|----------|------------------------------|
|                                                | Increase/<br>(decrease)<br>due to                                                     |          | Total<br>increase/(decrease) |
| (Dollars in thousands)                         | Volume                                                                                | Rate     |                              |
| <b>Interest-earning assets:</b>                |                                                                                       |          |                              |
| Loans receivable                               | \$5,783                                                                               | \$132    | \$ 5,915                     |
| Deposits in other financial institutions       | 320                                                                                   | (96      | ) 224                        |
| Investment securities                          | 461                                                                                   | 196      | 657                          |
| Other                                          | 952                                                                                   | (707     | ) 245                        |
| Total interest-earning assets                  | \$7,516                                                                               | \$(475   | ) \$ 7,041                   |
| <b>Interest-bearing liabilities:</b>           |                                                                                       |          |                              |
| Interest-bearing checking accounts             | \$44                                                                                  | \$37     | \$ 81                        |
| Money market accounts                          | 113                                                                                   | (40      | ) 73                         |
| Savings accounts                               | 52                                                                                    | (10      | ) 42                         |
| Certificate accounts                           | 186                                                                                   | (409     | ) (223                       |
| Borrowings                                     | 112                                                                                   | 15       | 127                          |
| Total interest-bearing liabilities             | \$507                                                                                 | \$(407   | ) \$ 100                     |
| Net increase in tax equivalent interest income | \$7,009                                                                               | \$(68    | ) \$ 6,941                   |
|                                                | Nine Months Ended March 31, 2015<br>Compared to<br>Nine Months Ended March 31, 2014   |          |                              |
|                                                | Increase/<br>(decrease)<br>due to                                                     |          | Total<br>increase/(decrease) |
| (Dollars in thousands)                         | Volume                                                                                | Rate     |                              |
| <b>Interest-earning assets:</b>                |                                                                                       |          |                              |
| Loans receivable                               | \$15,744                                                                              | \$(91    | ) \$ 15,653                  |
| Deposits in other financial institutions       | 637                                                                                   | (253     | ) 384                        |
| Investment securities                          | 1,323                                                                                 | 517      | 1,840                        |
| Other                                          | 510                                                                                   | (219     | ) 291                        |
| Total interest-earning assets                  | \$18,214                                                                              | \$(46    | ) \$ 18,168                  |
| <b>Interest-bearing liabilities:</b>           |                                                                                       |          |                              |
| Interest-bearing checking accounts             | \$129                                                                                 | \$(24    | ) \$ 105                     |
| Money market accounts                          | 275                                                                                   | (83      | ) 192                        |
| Savings accounts                               | 153                                                                                   | (29      | ) 124                        |
| Certificate accounts                           | 511                                                                                   | (1,394   | ) (883                       |
| Borrowings                                     | 380                                                                                   | (114     | ) 266                        |
| Total interest-bearing liabilities             | \$1,448                                                                               | \$(1,644 | ) \$ (196                    |

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|                                                |          |         |           |
|------------------------------------------------|----------|---------|-----------|
| Net increase in tax equivalent interest income | \$16,766 | \$1,598 | \$ 18,364 |
|------------------------------------------------|----------|---------|-----------|

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## Comparison of Results of Operation for the Three Months Ended March 31, 2015 and 2014

General. During the three months ended March 31, 2015, we had net income of \$1.2 million compared to \$2.6 million for the three months ended March 31, 2014. The decrease in net income for the third quarter of fiscal 2015 was driven by an increase in merger-related expenses of \$1.2 million related to recent acquisitions and the recovery of loan losses for \$1.8 million that occurred in the same period last year as compared to no recovery in the current quarter. On a basic and diluted per share basis, the Company earned \$0.06 per share in the third quarter of fiscal 2015, compared to \$0.14 per share in the third quarter of fiscal 2014. Excluding merger-related expenses and recovery of loan losses, the Company's net income was \$2.2 million in the current quarter compared to \$1.8 million in the comparative quarter in 2014. Using the same exclusions, the Company's earnings per share increased 20.0% to \$0.12 from \$0.10 per share for the three months ended March 31, 2015 from the comparative period in 2014.

Net Interest Income. Net interest income was \$20.2 million for the three months ended March 31, 2015 compared to \$13.1 million for the three months ended March 31, 2014. The \$7.1 million, or 53.6%, increase was primarily driven by a \$7.1 million increase in interest income as average interest-earning assets increased \$882.3 million mainly through recent acquisitions to \$2.4 billion for the quarter ended March 31, 2015 compared to the same quarter in the prior year.

Net interest margin (on a fully taxable-equivalent basis) for the three months ended March 31, 2015 contracted 23 basis points over the same period last year to 3.52% as a result of increasing average short-term FHLB borrowings by \$247.8 million. Management made a strategic decision to leverage FHLB borrowings beginning in November 2014 to generate additional net interest income with the proceeds, as well as dividend income from the required purchase of additional FHLB stock. The borrowings with an average cost of 0.21% were invested in various short-term assets (including the additional FHLB stock) with an average yield of 0.59%, which generated approximately \$239,000 in net interest income during the quarter. Excluding the effect of these additional borrowings, net interest margin was 3.90%.

Average loans increased \$472.7 million, or 40.3% to \$1.6 billion, which increased gross tax equivalent interest income by \$5.9 million or 41.2% from the comparative quarter in 2014. The corresponding yield increased marginally by four basis points to 4.93% as the \$1.4 million in accretion of loan discounts on purchased loans more than offset new loans originated at lower rates and payoffs of higher yielding loans. Net interest margin is enhanced by the amortization of purchase accounting discounts on purchased loans and certificates of deposit received in the acquisitions of Jefferson, Bank of Commerce and BankGreenville, which is accreted into net interest income. This additional income stems from the discount established at the time these loan portfolios were acquired and the related impact of prepayments on purchased loans. Each quarter, the Company analyzes the cash flow assumptions on loan pools purchased and, at least semi-annually, the Company updates loss estimates, prepayment speeds and other variables when analyzing cash flows. In addition to this accretion income, which is recognized over the estimated life of the loans pools, if a loan is removed from a pool due to payoff or foreclosure, the unaccreted discount in excess of losses is recognized as an accretion gain in interest income. As a result, income from loan pools can be volatile from quarter to quarter. The amortization of purchase accounting discounts on loans and certificates of deposit of \$1.7 million increased the net interest margin (on a fully taxable-equivalent basis) 28 basis points for the quarter ended March 31, 2015.

Due to a significant number of adjustable-rate loans in the loan portfolio with interest rate floors below which the loans' contractual interest rate may not adjust, net interest income will be negatively impacted in a rising interest rate environment until such time as the current rate exceeds these interest rate floors. As of March 31, 2015, our loans with interest rate floors totaled approximately \$574.1 million and had a weighted average floor rate of 4.36% of which \$271.3 million, or 47.3%, had yields that would begin floating again once prime rates increase at least 200 basis points.

The combined average balance of investment securities, deposits in other financial institutions, and other interest-earning assets increased by \$409.6 million, or 130.3%, to \$724.0 million for the three months ended March 31, 2015, while the interest and dividend income from those investments increased by \$1.1 million compared to the prior fiscal year. The increase in average balances was primarily due to the acquisition of investment securities from the Jefferson and Bank of Commerce acquisitions, invested funds acquired from the Branch Acquisition, and

proceeds from the additional FHLB borrowings.

Interest expense increased slightly by \$100,000, or 8.0% to \$1.3 million for the three months ended March 31, 2015 in comparison to 2014. The average cost of interest-bearing liabilities decreased 16 basis points to 0.27% for the three months ended March 31, 2015, from 0.43% for the same period one year earlier while average interest-bearing liabilities increased \$842.4 million over the same time period as a result of our recent acquisitions and additional FHLB borrowings.

Deposit interest expense remained flat at \$1.2 million for the three months ended March 31, 2015 compared to \$1.3 million for the same period in 2014 primarily as a result of average cost of certificates of deposit decreasing by 26 basis points to 0.47% primarily the result of our strategy to utilize our excess liquidity, mainly cash, to reduce higher-cost deposits by competing less aggressively on certain deposit interest rates.

**Provision for Loan Losses.** We establish an allowance for loan losses by charging amounts to the loan provision at a level required to reflect estimated credit losses in the loan portfolio. In evaluating the level of the allowance for loan losses, management considers, among other factors, historical loss experience, the types of loans and the amount of loans in the loan portfolio, adverse situations that may affect borrowers' ability to repay, estimated value of any underlying collateral, prevailing economic conditions and current risk factors specifically related to each loan type.

During the three months ended March 31, 2015, there was no provision for loan losses compared to a recovery of \$1.8 million for the three months ended March 31, 2014. The provision for loan losses reflects the amount required to maintain the allowance for losses at an appropriate level based upon management's evaluation of the adequacy of general and specific loss reserves, trends in delinquencies and net charge-offs and

current economic conditions. Net loan charge-offs increased to \$675,000 for the three months ended March 31, 2015 compared to \$56,000 for the same period last year, however, our overall credit quality continues to improve. Net charge-offs as a percentage of average loans increased to 0.16% for the quarter ended March 31, 2015 from 0.11% for the same period last fiscal year.

See Comparison of Financial Condition - Asset Quality for additional details.

**Noninterest Income.** Noninterest income increased \$1.3 million, or 63.6%, to \$3.3 million for the third quarter of fiscal 2015 from \$2.0 million for the third quarter of fiscal 2014, primarily due to a \$1.1 million, or 179.4%, increase in service charges on deposit accounts related to the increase in the number of deposit accounts as a result of our recent acquisitions.

**Noninterest Expense.** Noninterest expense for the quarter ended March 31, 2015 increased \$8.6 million, or 64.4%, to \$22.0 million compared to \$13.4 million for the quarter ended March 31, 2014. This increase was primarily related to a \$3.1 million increase in salaries and employee benefits, a \$1.2 million increase in merger-related expenses, a \$1.1 million increase in net occupancy expense, \$935,000 increase in computer services, and an \$811,000 increase in amortization of core deposit intangibles, all of which were primarily related to our recent acquisitions. These increases in noninterest expense were partially offset by a \$443,000 decrease in REO related expenses for the quarter ended March 31, 2015 compared to the same period last year reflecting the reduction in the number of REO properties held by us and improvement in the real estate markets.

**Income Taxes.** The Company's income tax expense was \$314,000 for the three months ended March 31, 2015, a decrease of \$653,000 compared to \$967,000 income tax expense for the three months ended March 31, 2014. The decrease was primarily due to lower taxable income. The Company's effective income tax rate for the quarter ended March 31, 2015 was 21.3%.

**Comparison of Results of Operation for the Nine Months Ended March 31, 2015 and 2014**

**General.** During the nine months ended March 31, 2015, we had net income of \$5.5 million compared to \$8.8 million for the nine months ended March 31, 2014. The decrease in net income for the first nine months of fiscal 2015 was driven by an increase in merger expenses of \$4.7 million to \$5.4 million related to recent acquisitions and the additional \$4.6 million recovery of loan losses that occurred in the same period last year. On a basic and diluted per share basis, the Company earned \$0.28 per share for the first nine months fiscal year 2015, compared to \$0.46 per share in 2014. Excluding merger-related expenses and recovery of loan losses, the Company's net income was \$8.7 million for the nine months ended March 31, 2015 compared to \$6.4 million in the comparative period in 2014. Based on the same exclusions, the Company's diluted earnings per share increased 32.4% to \$0.45 from \$0.34 per share for the nine months ended March 31, 2015 from the comparative period in 2014.

**Net Interest Income.** Net interest income was \$59.0 million for the nine months ended March 31, 2015 compared to \$40.3 million for the nine months ended March 31, 2014. The \$18.7 million, or 46.3%, increase was primarily driven by an \$18.5 million increase in interest income as average interest-earning assets increased \$679.2 million mainly through recent acquisitions to \$2.2 billion for the nine months ended March 31, 2015 compared to the same period last year. Net interest margin (on a fully taxable-equivalent basis) for the nine months ended March 31, 2015 decreased six basis points over the same period last year to 3.73%. Excluding the effect of the additional \$172.5 million in average FHLB borrowings, which generated \$278,000 in net interest income, net interest margin was 3.97%. The amortization of purchase accounting discounts on loans and certificates of deposit of \$4.4 million increased the net interest margin (on a fully taxable-equivalent basis) 27 basis points for the nine months ended March 31, 2015.

Average loans increased \$421.6 million, or 35.5% to \$1.6 billion, which increased gross tax equivalent interest income by \$15.7 million or 35.3% from the comparative period in 2014. The corresponding yield decreased by one basis point to 4.97% as new loans originated at lower market rates, payoffs of higher yielding loans, and downward repricing of adjustable rate loans contracted the yield, but was partially offset by \$3.7 million in accretion of loan discounts on purchased loans.

The combined average balance of investment securities, deposits in other financial institutions, and other interest-earning assets increased by \$257.6 million, or 82.6%, to \$570.0 million for the nine months ended March 31, 2015, while the interest and dividend income from those investments increased by \$2.5 million compared to the prior fiscal year. The increase in average balance was primarily due to the acquisition of investment securities from the

Jefferson and Bank of Commerce mergers, invested funds acquired from the Branch Acquisition, and proceeds from the additional FHLB borrowings.

Interest expense decreased by \$196,000, or 4.7% to \$4.0 million for the nine months ended March 31, 2015 in comparison to 2014. The average cost of interest-bearing liabilities decreased 18 basis points to 0.30% for the nine months ended March 31, 2015, from 0.48% for the same period one year earlier while average interest-bearing liabilities increased \$645.8 million over the same time period as a result of our recent acquisitions and additional FHLB borrowings.

Deposit interest expense decreased \$462,000, or 11.1% to \$3.7 million for the nine months ended March 31, 2015 compared to \$4.2 million for the same period in 2014 primarily as a result of average cost of certificates of deposit decreasing by 29 basis points to 0.50%.

Provision for Loan Losses. During the nine months ended March 31, 2015 and 2014, there was a recovery of loan losses of \$250,000 and \$4.8 million, respectively. Net charge offs for the nine months ended March 31, 2015 decreased to \$498,000 from \$2.0 million for the comparable period in 2014. Net charge-offs as a percentage of average loans decreased to 0.04% for the nine months ended March 31, 2015 from 0.22% for the same period last fiscal year.

See Comparison of Financial Condition - Asset Quality for additional details.

**Noninterest Income.** Noninterest income increased \$2.4 million, or 36.1%, to \$8.9 million for the nine months ended March 31, 2015 from \$6.5 million for the nine months ended March 31, 2014, primarily due to a \$2.2 million, or 110.4%, increase in service charges on deposit accounts related to the increase in the number of deposit accounts as a result of our recent acquisitions.

**Noninterest Expense.** Noninterest expense for the nine months ended March 31, 2015 increased \$22.0 million, or 57.1%, to \$60.7 million compared to \$38.6 million for the nine months ended March 31, 2014. This increase was primarily related to a \$8.3 million increase in salaries and employee benefits, a \$4.7 million increase in merger-related expenses, a \$2.5 million increase in net occupancy expense, a \$1.7 million increase in computer services, and a \$1.6 million increase in amortization of core deposit intangibles, all of which were primarily related to our recent acquisitions. These increases in other expenses were partially offset by a \$917,000 decrease in REO related expenses for the nine months ended March 31, 2015 compared to the same period last year.

**Income Taxes.** For the nine months ended March 31, 2015, the Company's income tax expense was \$2.0 million, compared to an expense of \$4.2 million for the nine months ended March 31, 2014. This decrease was due to lower income before taxes, as well as a nonrecurring \$962,000 charge incurred in the first quarter of fiscal 2014 related to the decline in value of our deferred tax assets based on decreases in North Carolina's state corporate tax rates.

Beginning January 1, 2014, North Carolina's corporate tax rate was reduced from 6.9% to 6.0% and to 5.0% in 2015 with additional reductions to 3.0% in 2017 possible in the event certain state revenue triggers are achieved. The Company's effective income tax rate for the nine months ended March 31, 2015 was 26.8%.

#### Liquidity

Management maintains a liquidity position that it believes will adequately provide funding for loan demand and deposit run-off that may occur in the normal course of business. We rely on a number of different sources in order to meet our potential liquidity demands. The primary sources are increases in deposit accounts and cash flows from loan payments and the securities portfolio.

In addition to these primary sources of funds, management has several secondary sources available to meet potential funding requirements. As of March 31, 2015, the Bank had an additional borrowing capacity of \$152.7 million with the FHLB of Atlanta, a \$114.4 million line of credit with the Federal Reserve Bank and a \$20.0 million line of credit with another unaffiliated bank. At March 31, 2015, we had \$250.0 million in FHLB advances outstanding and nothing outstanding under our other lines of credit. Additionally, the Company classifies its securities portfolio as available for sale, providing an additional source of liquidity. Management believes that our security portfolio is of high quality and the securities would therefore be marketable. In addition, we have historically sold longer term fixed-rate mortgage loans in the secondary market to reduce interest rate risk and to create still another source of liquidity. From time to time we also utilize brokered time deposits to supplement our other sources of funds. Brokered time deposits are obtained by utilizing an outside broker that is paid a fee. This funding requires advance notification to structure the type of deposit desired by us. Brokered deposits can vary in term from one month to several years and have the benefit of being a source of longer-term funding. We also utilize brokered deposits to help manage interest rate risk by extending the term to repricing of our liabilities, enhance our liquidity and fund asset growth. Brokered deposits are typically from outside our primary market areas, and our brokered deposit levels may vary from time to time depending on competitive interest rate conditions and other factors. At March 31, 2015 brokered deposits totaled \$14.5 million, or 0.8% of total deposits.

Liquidity management is both a daily and long-term function of business management. Excess liquidity is generally invested in short-term investments, such as overnight deposits and federal funds. On a longer term basis, we maintain a strategy of investing in various lending products and investment securities, including mortgage-backed securities. HomeTrust Bancshares on a stand-alone level is a separate legal entity from the Bank and must provide for its own liquidity and pay its own operating expenses. The Company's primary source of funds consists of the net proceeds retained from the Conversion. The Company also has the ability to receive dividends or capital distributions from the Bank, although there are regulatory restrictions on the ability of the Bank to pay dividends. At March 31, 2015, the Company (on an unconsolidated basis) had liquid assets of \$39.1 million.



We use our sources of funds primarily to meet our ongoing commitments, pay maturing deposits and fund withdrawals, and to fund loan commitments. At March 31, 2015, the total approved loan commitments and unused lines of credit outstanding amounted to \$74.2 million and \$223.2 million, respectively, as compared to \$55.4 million and \$167.6 million, respectively, as of June 30, 2014. Certificates of deposit scheduled to mature in one year or less at March 31, 2015, totaled \$438.3 million. It is management's policy to manage deposit rates that are competitive with other local financial institutions. Based on this management strategy, we believe that a majority of maturing deposits will remain with us.

During the first nine months of fiscal 2015, cash and cash equivalents increased \$248.8 million, or 542.9%, from \$45.8 million as of June 30, 2014 to \$294.7 million as of March 31, 2015. The increase was primarily attributable to the \$310.9 million in cash provided by the Branch Acquisition, net of deposit premium that occurred in the second quarter of fiscal 2015. Cash provided by operating, investing and financing activities was \$535,000, \$160.5 million and \$87.8 million, respectively. Primary sources of cash for the nine months ended March 31, 2015 included \$310.9 million from the Branch Acquisition, an increase in other borrowings of \$184.8 million and proceeds from the sale and maturities of securities available for sale of \$32.2 million. Primary uses of cash during the period included a \$92.1 million decrease in deposits (excluding the \$422.6 million in deposits acquired from Bank of Commerce and the Branch Acquisition), an increase in loans of \$54.8 million, the purchase of certificates of deposit in other banks, net of maturities, of \$40.8 million and the purchases of \$88.0 million of securities available for sale.

### Off-Balance Sheet Activities

In the normal course of operations, we engage in a variety of financial transactions that are not recorded in our financial statements. These transactions involve varying degrees of off-balance sheet credit, interest rate and liquidity risks. These transactions are used primarily to manage customers' requests for funding and take the form of loan commitments and lines of credit. For the three or nine months ended March 31, 2015, we engaged in no off-balance sheet transactions likely to have a material effect on our financial condition, results of operations or cash flows.

A summary of our off-balance sheet commitments to extend credit at March 31, 2015, is as follows (in thousands):

|                           |           |
|---------------------------|-----------|
| Commitments to make loans | \$74,200  |
| Unused lines of credit    | 223,200   |
| Total loan commitments    | \$297,400 |

### Capital Resources

At March 31, 2015, stockholder's equity totaled \$381.9 million. HomeTrust Bancshares, Inc. is a bank holding company registered with the FRB. Bank holding companies are subject to capital adequacy requirements of the FRB under the Bank Holding Company Act of 1956, as amended and the regulations of the FRB. The Bank, as a national bank is subject to the capital requirements established by the OCC.

The capital adequacy requirements are quantitative measures established by regulation that require HomeTrust Bancshares, Inc. and the Bank to maintain minimum amounts and ratios of capital. The FRB requires HomeTrust Bancshares, Inc. to maintain capital adequacy that generally parallels the OCC requirements. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by bank regulators that, if undertaken, could have a direct material effect on the Company's financial statements.

**New Capital Rules.** Effective January 1, 2015 (with some changes transitioned into full effectiveness over two to four years), HomeTrust Bank is now subject to new capital requirements adopted by the OCC, which create a new required ratio for common equity Tier 1 ("CET1") capital, increases the leverage and Tier 1 capital ratios, changes the risk-weightings of certain assets for purposes of the risk-based capital ratios, creates an additional capital conservation buffer over the required capital ratios and changes what qualifies as capital for purposes of meeting these various capital requirements. HomeTrust Bancshares, Inc. and the Bank are required to maintain additional levels of Tier 1 common equity over the minimum risk-based capital levels before they may pay dividends, repurchase shares or pay discretionary bonuses.

The new minimum requirements are a ratio of common equity Tier 1 capital (CET1 capital) to total risk-weighted assets the ("CET1 risk-based ratio") of 4.5%, a Tier 1 capital ratio of 6.0%, a total capital ratio of 8.0%, and a leverage ratio of 4.0%.

In addition to the capital requirements, there are a number of changes in what constitutes regulatory capital, subject to a certain transition period. These changes include the phasing-out of certain instruments as qualifying capital. HomeTrust Bancshares, Inc. and the Bank do not have any of these instruments. Mortgage servicing and deferred tax assets over designated percentages of CET1 are deducted from capital, subject to a transition period ending December 31, 2017. CET1 consists of Tier 1 capital less all capital components that are not considered common equity. In addition, Tier 1 capital includes accumulated other comprehensive income, which includes all unrealized gains and losses on available for sale debt and equity securities, subject to a transition period ending December 31, 2017. Because of our asset size, we are not considered an advanced approaches banking organization and have elected to permanently opt-out of the inclusion of unrealized gains and losses on available for sale debt and equity securities in our capital calculations.

The new requirements also include changes in the risk-weighting of assets to better reflect credit risk and other risk exposure. These include a 150% risk weight (up from 100%) for certain high volatility commercial real estate acquisition, development and construction loans and for non-residential mortgage loans that are 90 days past due or otherwise in nonaccrual status; a 20% (up from 0%) credit conversion factor for the unused portion of a commitment with an original maturity of one year or less that is not unconditionally cancellable; and a 250% risk weight (up from

100%) for mortgage servicing and deferred tax assets that are not deducted from capital.

In addition to the minimum CET1, Tier 1 and total capital ratios, HomeTrust Bancshares, Inc. and the Bank will have to maintain a capital conservation buffer consisting of additional CET1 capital equal to 2.5% of risk-weighted assets above the required minimum levels in order to avoid limitations on paying dividends, engaging in share repurchases, and paying discretionary bonuses based on percentages of eligible retained income that could be utilized for such actions. This new capital conservation buffer requirement is to be phased in beginning in January 2016 at 0.625% of risk-weighted assets and increasing each year until fully implemented in January 2019.

Under the new standards, in order to be considered well-capitalized, HomeTrust Bank must maintain a CET1 risk-based ratio of 6.5% (new), a Tier 1 risk-based ratio of 8% (increased from 6%), a total risk-based capital ratio of 10% (unchanged) and a leverage ratio of 5% (unchanged).

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Capital Ratios. At March 31, 2015, HomeTrust Bancshares, Inc. and the Bank each exceeded all regulatory capital requirements. The Bank was categorized as "well-capitalized" at March 31, 2015 under the regulations of the OCC. HomeTrust Bancshares, Inc. and the Bank's actual and required minimum capital amounts and ratios are as follows (dollars in thousands):

|                                                                   | Actual    |       | Regulatory Requirements               |       |                                |         |
|-------------------------------------------------------------------|-----------|-------|---------------------------------------|-------|--------------------------------|---------|
|                                                                   | Amount    | Ratio | Minimum for Capital Adequacy Purposes |       | Minimum to Be Well Capitalized |         |
|                                                                   | Amount    | Ratio | Amount                                | Ratio | Amount                         | Ratio   |
| HomeTrust Bancshares, Inc.                                        |           |       |                                       |       |                                |         |
| As of March 31, 2015                                              |           |       |                                       |       |                                |         |
| Common Equity Tier I Capital <sup>(1)</sup>                       | \$337,817 | 18.12 | % \$83,911                            | 4.50  | % \$121,205                    | 6.50 %  |
| Tier I Capital (to Total Adjusted Assets)                         | \$337,817 | 13.08 | % \$103,269                           | 4.00  | % \$129,086                    | 5.00 %  |
| Tier I Capital (to Risk-weighted Assets)                          | \$337,817 | 18.12 | % \$111,882                           | 6.00  | % \$149,176                    | 8.00 %  |
| Total Risk-based Capital (to Risk-weighted Assets)                | \$360,498 | 19.33 | % \$149,176                           | 8.00  | % \$186,470                    | 10.00 % |
| As of June 30, 2014                                               |           |       |                                       |       |                                |         |
| Tier I Capital (to Total Adjusted Assets) <sup>(2)</sup>          | \$303,631 | 18.03 | % \$67,378                            | 4.00  | % n/a                          | n/a     |
| Tier I Capital (to Risk-weighted Assets) <sup>(2)</sup>           | \$303,631 | 20.87 | % \$58,208                            | 4.00  | % n/a                          | n/a     |
| Total Risk-based Capital (to Risk-weighted Assets) <sup>(2)</sup> | \$321,886 | 22.12 | % \$116,415                           | 8.00  | % n/a                          | n/a     |
| HomeTrust Bank:                                                   |           |       |                                       |       |                                |         |
| As of March 31, 2015                                              |           |       |                                       |       |                                |         |
| Common Equity Tier I Capital <sup>(1)</sup>                       | \$268,394 | 14.56 | % \$82,950                            | 4.50  | % \$119,817                    | 6.50 %  |
| Tier I Capital (to Total Adjusted Assets)                         | \$268,394 | 10.52 | % \$102,021                           | 4.00  | % \$127,527                    | 5.00 %  |
| Tier I Capital (to Risk-weighted Assets)                          | \$268,394 | 14.56 | % \$110,600                           | 6.00  | % \$147,467                    | 8.00 %  |
| Total Risk-based Capital (to Risk-weighted Assets)                | \$290,983 | 15.79 | % \$147,467                           | 8.00  | % \$184,334                    | 10.00 % |
| As of June 30, 2014                                               |           |       |                                       |       |                                |         |
| Tier I Capital (to Total Adjusted Assets)                         | \$264,041 | 13.37 | % \$78,985                            | 4.00  | % \$98,719                     | 5.00 %  |
| Tier I Capital (to Risk-weighted Assets)                          | \$264,041 | 18.29 | % \$57,750                            | 4.00  | % \$86,625                     | 6.00 %  |
| Total Risk-based Capital (to Risk-weighted Assets)                | \$282,160 | 19.54 | % \$115,501                           | 8.00  | % \$144,376                    | 10.00 % |

(1) New capital ratio effective January 1, 2015, not applicable for earlier periods.

(2) Certain ratios were not applicable as of June 30, 2014 as the conversion to a national bank charter did not occur until August 25, 2014.

#### Impact of Inflation

The effects of price changes and inflation can vary substantially for most financial institutions. While management believes that inflation affects the growth of total assets, it believes that it is difficult to assess the overall impact. Management believes this to be the case due to the fact that generally neither the timing nor the magnitude of the inflationary changes in the consumer price index ("CPI") coincides with changes in interest rates. The price of one or more of the components of the CPI may fluctuate considerably and thereby influence the overall CPI without having a corresponding effect on interest rates or upon the cost of those goods and services normally purchased by the Company. In years of high inflation and high interest rates, intermediate and long-term interest rates tend to increase, thereby adversely impacting the market values of investment securities, mortgage loans and other long-term fixed rate loans. In addition, higher short-term interest rates caused by inflation tend to increase the cost of funds. In other years, the opposite may occur.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

There has not been any material change in the market risk disclosures contained in our 2014 Form 10-K.

Item 4. Controls and Procedures

An evaluation of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934 (the "Act") as of March 31, 2015, was carried out under the supervision and with the participation of the Company's Chief Executive Officer, Chief Financial Officer and several other members of the Company's senior management. The Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures in effect as of March 31, 2015, were effective in ensuring that the information required to be disclosed by the Company in the reports it files or submits under the Act is: (i) accumulated and communicated to the Company's management (including the Chief Executive Officer and Chief Financial Officer) in a timely manner and (ii) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. In addition, there have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Act) that occurred during the quarter ended March 31, 2015, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

The Company does not expect that its disclosure controls and procedures and internal control over financial reporting will prevent all error and all fraud. A control procedure, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control procedure are met. Because of the inherent limitations in all control procedures, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls may be circumvented by the individual acts of some persons, by collusion of two or more people, or by override of the control. The design of any control procedure also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control procedure, misstatements due to error or fraud may occur and not be detected.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The "Litigation" section of Note 8 to the Consolidated Financial Statements included in Part I, Item 1 is incorporated herein by reference.

Item 1A. Risk Factors

There have been no material changes in the Risk Factors previously disclosed in Item 1A of the Company's 2014 Form 10-K.

Item 2. Unregistered Sales of Equity Securities and use of Proceeds

(a) Not applicable

(b) Not applicable

(c) The table below sets forth information regarding HomeTrust Bancshares' common stock repurchases during the three months ended March 31, 2015.

| Period                         | Total Number<br>Of Shares<br>Purchased | Average<br>Price Paid per<br>Share | Total Number<br>Of Shares<br>Purchased as<br>Part of<br>Publicly<br>Announced<br>Plans | Maximum<br>Number of<br>Shares that<br>May<br>Yet Be<br>Purchased<br>Under the<br>Plans |
|--------------------------------|----------------------------------------|------------------------------------|----------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|
| January 1 – January 31, 2015   | 53,184                                 | \$15.72                            | 53,184                                                                                 | 956,263                                                                                 |
| February 1 – February 28, 2015 | 30,628                                 | 15.87                              | 30,628                                                                                 | 925,635                                                                                 |

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|                          |         |         |         |         |
|--------------------------|---------|---------|---------|---------|
| March 1 – March 31, 2015 | 19,880  | 15.99   | 19,880  | 905,755 |
| Total                    | 103,692 | \$15.82 | 103,692 | 905,755 |

On November 19, 2014 the Company announced that its Board of Directors had authorized the repurchase of up to 1,023,266 shares of the Company's common stock, representing 5% of the Company's outstanding shares. The shares may be purchased in the open market or in privately negotiated transactions, from time to time depending upon market conditions and other factors. As of March 31, 2015, 117,511 shares were purchased.

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Item 3. Defaults Upon Senior Securities

Nothing to report.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Nothing to report.

Item 6. Exhibits

See Exhibit Index.



SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HomeTrust Bancshares, Inc.

Date: May 8, 2015

By: /s/ Dana L. Stonestreet  
Dana L. Stonestreet  
Chairman, President and CEO  
(Duly Authorized Officer)

Date: May 8, 2015

By: /s/ Tony J. VunCannon  
Tony J. VunCannon  
Executive Vice President, CFO, and Treasurer  
(Principal Financial and Accounting Officer)

EXHIBIT INDEX

| Regulation<br>S-K Exhibit<br>Number | Document                                                                                                                                               | Reference to Prior<br>Filing or Exhibit<br>Number Attached<br>Hereto |
|-------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------|
| 2.1                                 | Purchase and Assumption Agreement, dated as of June 9, 2014, between Bank of America, National Association and HomeTrust Bank                          | (a)                                                                  |
| 2.2                                 | Agreement and Plan of Merger, dated as of January 22, 2014, by and between HomeTrust Bancshares, Inc. and Jefferson Bancshares, Inc.                   | (b)                                                                  |
| 3.1                                 | Charter of HomeTrust Bancshares, Inc.                                                                                                                  | (c)                                                                  |
| 3.2                                 | Articles Supplementary to the Charter of HomeTrust Bancshares, Inc. for HomeTrust Bancshares, Inc.'s Junior Participating Preferred Stock, Series A    | (d)                                                                  |
| 3.3                                 | Bylaws of HomeTrust Bancshares, Inc.                                                                                                                   | (e)                                                                  |
| 4.1                                 | Tax Benefits Preservation Plan, dated as of September 25, 2012, between HomeTrust Bancshares, Inc. and Registrar and Transfer Company, as Rights Agent | (d)                                                                  |
| 10.1                                | Employment Agreement entered into between HomeTrust Bancshares, Inc. and F. Edward Broadwell, Jr.                                                      | (c)                                                                  |
| 10.2                                | Amended and Restated Employment Agreement entered into between HomeTrust Bancshares, Inc. and Dana L. Stonestreet                                      | (f)                                                                  |
| 10.3                                | Employment Agreement entered into between HomeTrust Bancshares, Inc. and each of Tony J. VunCannon and Howard L. Sellinger                             | (c)                                                                  |
| 10.4                                | Employment Agreement entered into between HomeTrust Bancshares, Inc. and C. Hunter Westbrook                                                           | (g)                                                                  |
| 10.5                                | Employment Agreement between HomeTrust Bank and Sidney A. Biesecker                                                                                    | (c)                                                                  |
| 10.6                                | Employment Agreement between HomeTrust Bank and Stan Allen                                                                                             | (c)                                                                  |
| 10.7                                | HomeTrust Bank Executive Supplemental Retirement Income Master Agreement ("SERP")                                                                      | (c)                                                                  |
| 10.7A                               | SERP Joinder Agreement for F. Edward Broadwell, Jr.                                                                                                    | (c)                                                                  |
| 10.7B                               | SERP Joinder Agreement for Dana L. Stonestreet                                                                                                         | (c)                                                                  |
| 10.7C                               | SERP Joinder Agreement for Tony J. VunCannon                                                                                                           | (c)                                                                  |
| 10.7D                               | SERP Joinder Agreement for Howard L. Sellinger                                                                                                         | (c)                                                                  |
| 10.7E                               | SERP Joinder Agreement for Stan Allen                                                                                                                  | (c)                                                                  |
| 10.7F                               | SERP Joinder Agreement for Sidney A. Biesecker                                                                                                         | (c)                                                                  |
| 10.7G                               | SERP Joinder Agreement for Peggy C. Melville                                                                                                           | (c)                                                                  |
| 10.7H                               | SERP Joinder Agreement for William T. Flynt                                                                                                            | (c)                                                                  |
| 10.7I                               | Amended and Restated Supplemental Income Agreement between HomeTrust Bank, as successor to Industrial Federal Savings Bank, and Sidney Biesecker       | (h)                                                                  |
| 10.8                                | HomeTrust Bank Director Emeritus Plan ("Director Emeritus Plan")                                                                                       | (c)                                                                  |
| 10.8A                               | Director Emeritus Plan Joinder Agreement for William T. Flynt                                                                                          | (c)                                                                  |
| 10.8B                               | Director Emeritus Plan Joinder Agreement for J. Steven Goforth                                                                                         | (c)                                                                  |
| 10.8C                               | Director Emeritus Plan Joinder Agreement for Craig C. Koontz                                                                                           | (c)                                                                  |
| 10.8D                               | Director Emeritus Plan Joinder Agreement for Larry S. McDevitt                                                                                         | (c)                                                                  |
| 10.8E                               | Director Emeritus Plan Joinder Agreement for F.K. McFarland, III                                                                                       | (c)                                                                  |
| 10.8F                               | Director Emeritus Plan Joinder Agreement for Peggy C. Melville                                                                                         | (c)                                                                  |
| 10.8G                               | Director Emeritus Plan Joinder Agreement for Robert E. Shepherd, Sr.                                                                                   | (c)                                                                  |
| 10.9                                | HomeTrust Bank Defined Contribution Executive Medical Care Plan                                                                                        | (c)                                                                  |
| 10.10                               | HomeTrust Bank 2005 Deferred Compensation Plan                                                                                                         | (c)                                                                  |

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|       |                                                                                   |     |
|-------|-----------------------------------------------------------------------------------|-----|
| 10.11 | HomeTrust Bank Pre-2005 Deferred Compensation Plan                                | (c) |
| 10.12 | HomeTrust Bancshares, Inc. Strategic Operating Committee Incentive Plan           | (n) |
| 10.13 | HomeTrust Bancshares, Inc. 2013 Omnibus Incentive Plan ("Omnibus Incentive Plan") | (i) |
| 10.14 | Form of Incentive Stock Option Award Agreement under Omnibus Incentive Plan       | (j) |
| 10.15 | Form of Non-Qualified Stock Option Award Agreement under Omnibus Incentive Plan   | (j) |

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|       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |      |
|-------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|
| 10.16 | Form of Stock Appreciation Right Award Agreement under Omnibus Incentive Plan                                                                                                                                                                                                                                                                                                                                                                                                  | (j)  |
| 10.17 | Form of Restricted Stock Award Agreement under Omnibus Incentive Plan                                                                                                                                                                                                                                                                                                                                                                                                          | (j)  |
| 10.18 | Form of Restricted Stock Unit Award Agreement under Omnibus Incentive Plan                                                                                                                                                                                                                                                                                                                                                                                                     | (j)  |
| 10.19 | Fully Restated Employment Agreement between HomeTrust Bank and Anderson L. Smith                                                                                                                                                                                                                                                                                                                                                                                               | (k)  |
| 10.20 | Amended and Restated Jefferson Federal Bank Supplemental Executive Retirement Plan                                                                                                                                                                                                                                                                                                                                                                                             | (l)  |
| 10.21 | Money Purchase Deferred Compensation Agreement, dated as of September 1, 1987, between HomeTrust Bank and F. Edward Broadwell, Jr.                                                                                                                                                                                                                                                                                                                                             | (m)  |
| 10.22 | Retirement Payment Agreement, dated as of September 1, 1987, between HomeTrust Bank and F. Edward Broadwell, Jr., as amended                                                                                                                                                                                                                                                                                                                                                   | (m)  |
| 10.23 | Retirement Payment Agreement, dated as of September 1, 1987, between HomeTrust Bank and Larry S. McDevitt, as amended                                                                                                                                                                                                                                                                                                                                                          | (m)  |
| 10.24 | Retirement Payment Agreement, dated as of September 1, 1987, between HomeTrust Bank and Peggy C. Melville, as amended                                                                                                                                                                                                                                                                                                                                                          | (m)  |
| 10.25 | Retirement Payment Agreement, dated as of August 1, 1988, between HomeTrust Bank and Robert E. Shepherd, Sr., as amended                                                                                                                                                                                                                                                                                                                                                       | (m)  |
| 10.26 | Retirement Payment Agreement, dated as of May 1, 1991, between HomeTrust Bank and William T. Flynt, as amended                                                                                                                                                                                                                                                                                                                                                                 | (m)  |
| 31.1  | Certification of Chief Executive Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002                                                                                                                                                                                                                                                                                                | 31.1 |
| 31.2  | Certification of Chief Financial Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002                                                                                                                                                                                                                                                                                                | 31.2 |
| 32    | Certificate of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002                                                                                                                                                                                                                                                                                                                                                   | 32.0 |
| 101*  | The following materials from HomeTrust Bancshares' Quarterly Report on Form 10-Q for the quarter ended March 31, 2015, formatted in Extensible Business Reporting Language (XBRL): (a) Consolidated Balance Sheets; (b) Consolidated Statements of Income; (c) Consolidated Statements of Comprehensive Income; (d) Consolidated Statements of Changes in Stockholders' Equity; (e) Consolidated Statements of Cash Flows; and (f) Notes to Consolidated Financial Statements. | 101  |

Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

- (a) Filed as an exhibit to HomeTrust Bancshares's Current Report on Form 8-K filed on June 10, 2014 (File No. 001-35593).
- (b) Attached as Appendix A to the joint proxy statement/prospectus filed by HomeTrust Bancshares on April 28, 2014 pursuant to Rule 424(b) of the Securities Act of 1933.
- (c) Filed as an exhibit to HomeTrust Bancshares's Registration Statement on Form S-1 (File No. 333-178817) filed on December 29, 2011.
- (d) Filed as an exhibit to HomeTrust Bancshares's Current Report on Form 8-K filed on September 25, 2012 (File No. 001-35593).
- (e) Filed as an exhibit to HomeTrust Bancshares's Current Report on Form 8-K filed on January 29, 2014 (File No. 001-35593).
- (f)

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- Filed as an exhibit to HomeTrust Bancshares's Current Report on Form 8-K filed on November 27, 2013 (File No. 001-35593).
- (g) Filed as an exhibit to HomeTrust Bancshares's Annual Report on Form 10-K for the fiscal year ended June 30, 2012 (File No. 001-35593).
  - (h) Filed as an exhibit to Amendment No. One to HomeTrust Bancshares's Registration Statement on Form S-1 (File No. 333-178817) filed on March 9, 2012.
  - (i) Attached as Appendix A to HomeTrust Bancshares's definitive proxy statement filed on December 5, 2012 (File No. 001-35593).
  - (j) Filed as an exhibit to HomeTrust Bancshares's Registration Statement on Form S-8 (File No. 333-186666) filed on February 13, 2013.
  - (k) Filed as an exhibit to HomeTrust Bancshares's Current Report on Form 8-K filed on June 3, 2014 (File No. 001-35593).
  - (l) Filed as an exhibit to Jefferson Bancshares, Inc.'s Quarterly Report on Form 10-Q for the quarter ended December 31, 2008 (File No. 000-50347).
  - (m) Filed as an exhibit to HomeTrust Bancshares's Annual Report on Form 10-K for the fiscal year ended June 30, 2014 (File No. 001-35593).
  - (n) Filed as an exhibit to HomeTrust Bancshares's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014 (File No. 001-35593).