

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

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 September 30, 2016

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-35593

HOMETRUST BANCSHARES, INC.

(Exact name of registrant as specified in its charter)

Maryland

45-5055422

(State or other jurisdiction of incorporation of organization) (IRS Employer Identification No.)

10 Woodfin Street, Asheville, North Carolina 28801

(Address of principal executive offices; Zip Code)

(828) 259-3939

(Registrant's telephone number, including area code)

None

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 and 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  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

(Do not check if a smaller reporting company)

Edgar Filing: HomeTrust Bancshares, Inc. - Form 10-Q

Non-accelerated filer

Smaller reporting company

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

**APPLICABLE ONLY TO CORPORATE ISSUERS**

There were 18,000,750 shares of common stock, par value of \$.01 per share, issued and outstanding as of November 4, 2016.

---

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

|  | Page<br>Number |
|--|----------------|
| <u>PART I FINANCIAL INFORMATION</u>  |                |
| Item 1. <u>Financial Statements</u>  |                |
| <u>Consolidated Balance Sheets at September 30, 2016 (Unaudited) and June 30, 2016</u>                                   | <u>2</u>       |
| <u>Consolidated Statements of Income for the Three Months Ended September 30, 2016 and 2015</u>                          | <u>3</u>       |
| <u>Consolidated Statements of Comprehensive Income for the Three Months Ended September 30, 2016 and 2015</u>            | <u>4</u>       |
| <u>Consolidated Statements of Changes in Stockholders' Equity for the Three Months Ended September 30, 2016 and 2015</u> | <u>5</u>       |
| <u>Consolidated Statements of Cash Flows for the Three Months Ended September 30, 2016 and 2015</u>                      | <u>6</u>       |
| <u>Notes to Consolidated Financial Statements</u>  | <u>8</u>       |
| Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>                     | <u>26</u>      |
| Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>  | <u>40</u>      |
| Item 4. <u>Controls and Procedures</u>   | <u>40</u>      |
| <u>PART II OTHER INFORMATION</u>   |                |
| Item 1. <u>Legal Proceedings</u>   | <u>40</u>      |
| Item 1A. <u>Risk Factors</u>   | <u>40</u>      |
| Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>   | <u>40</u>      |
| Item 3. <u>Defaults Upon Senior Securities</u>   | <u>41</u>      |
| Item 4. <u>Mine Safety Disclosures</u>   | <u>41</u>      |
| Item 5. <u>Other Information</u>   | <u>41</u>      |
| Item 6. <u>Exhibits</u>  | <u>41</u>      |
| <u>SIGNATURES</u>  | <u>42</u>      |
| <u>EXHIBIT INDEX</u>   | <u>43</u>      |



## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

## HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

## Consolidated Balance Sheets

(Dollars in thousands, except per share data)

(Unaudited)

|   | September 30, 2016 | June 30,<br>2016 |
|---|--------------------|------------------|
| Assets  |                    |                  |
| Cash  | \$ 32,081          | \$ 29,947        |
| Interest-bearing deposits   | 28,482             | 22,649           |
| Cash and cash equivalents   | 60,563             | 52,596           |
| Commercial paper  | 220,682            | 229,859          |
| Certificates of deposit in other banks  | 153,431            | 161,512          |
| Securities available for sale, at fair value  | 193,701            | 200,652          |
| Other investments, at cost  | 31,509             | 29,486           |
| Loans held for sale   | 8,832              | 5,783            |
| Total loans, net of deferred loan costs and discount  | 1,881,481          | 1,832,831        |
| Allowance for loan losses   | (20,951 )          | (21,292 )        |
| Net loans   | 1,860,530          | 1,811,539        |
| Premises and equipment, net   | 53,981             | 54,231           |
| Accrued interest receivable   | 7,729              | 7,405            |
| Real estate owned ("REO")   | 5,715              | 5,956            |
| Deferred income taxes   | 52,087             | 54,153           |
| Bank owned life insurance   | 80,444             | 79,858           |
| Goodwill  | 12,673             | 12,673           |
| Core deposit intangibles  | 6,486              | 7,136            |
| Other assets  | 5,746              | 4,838            |
| Total Assets  | \$ 2,754,109       | \$ 2,717,677     |
| Liabilities and Stockholders' Equity  |                    |                  |
| Liabilities   |                    |                  |
| Deposits  | \$ 1,793,528       | \$ 1,802,696     |
| Borrowings  | 536,500            | 491,000          |
| Capital lease obligations   | 1,953              | 1,958            |
| Other liabilities   | 57,727             | 62,047           |
| Total liabilities   | 2,389,708          | 2,357,701        |
| Stockholders' Equity  |                    |                  |
| Preferred stock, \$0.01 par value, 10,000,000 shares authorized, none issued or outstanding | —                  | —                |
| Common stock, \$0.01 par value, 60,000,000 shares authorized,                               | 180                | 180              |

17,999,150 shares

issued and outstanding

at September 30, 2016;

17,998,750 at June 30,

2016

|  |         |           |         |           |
|--|---------|-----------|---------|-----------|
| Additional paid in capital                         | 186,960 |           | 186,104 |           |
| Retained earnings                                  | 183,637 |           | 179,813 |           |
| Unearned Employee Stock<br>Ownership Plan ("ESOP") | (8,332  | )         | (8,464  | )         |
| shares   |         |           |         |           |
| Accumulated other<br>comprehensive income          | 1,956   |           | 2,343   |           |
| Total stockholders' equity                         | 364,401 |           | 359,976 |           |
| Total Liabilities and<br>Stockholders' Equity      | \$      | 2,754,109 | \$      | 2,717,677 |

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)

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

Diluted

17,451,298,291,029

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

3

---

HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

Consolidated Statements of Comprehensive Income

(Dollars in thousands)

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

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

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

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

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

## HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

## Consolidated Statements of Cash Flows

(Dollars in thousands)

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



HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows (continued)

(Dollars in thousands)

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

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

## HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

### Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)

#### 1. Summary of Significant Accounting Policies

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

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

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements. Various elements of the Company's accounting policies, by their nature, are inherently subject to estimation techniques, valuation assumptions and other subjective assessments. In particular, management has identified several accounting policies that, due to the judgments, estimates and assumptions inherent in those policies, are critical to an understanding of the Company's financial statements. These policies relate to (i) the determination of the provision and the allowance for loan losses, (ii) business combinations and acquired loans, (iii) the valuation of REO, (iv) the valuation of goodwill and other intangible assets, and (v) the valuation of or recognition of deferred tax assets and liabilities. These policies and judgments, estimates and assumptions are described in greater detail in subsequent notes to the Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations (Critical Accounting Policies) in our 2016 Form 10-K. Management believes that the judgments, estimates and assumptions used in the preparation of the financial statements are appropriate based on the factual circumstances at the time. However, given the sensitivity of the financial statements to these critical accounting policies, the use of other judgments, estimates and assumptions could result in material differences in the Company's results of operations or financial condition. Further, subsequent changes in economic or market conditions could have a material impact on these estimates and the Company's financial condition and operating results in future periods.

#### 2. Recent Accounting Pronouncements

In August 2015, the Financial Accounting Standards Board ("FASB") issued ASU No. 2015-14, "Revenue from Contracts with Customers (Topic 606)", which defers the effective date of Accounting Standard Update ("ASU") No. 2014-09 one year. ASU No. 2014-09 created Topic 606 and supersedes Topic 605, Revenue Recognition. The core principle of Topic 606 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In general, the new guidance requires companies to use more judgment and make more estimates than under current guidance, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. In May 2016, the FASB issued ASU No. 2016-12, Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients, which provides clarifying guidance in certain narrow areas and adds some practical expedients, but does not change the core revenue recognition principle in Topic 606. ASU No. 2015-14 is effective for interim and annual periods beginning after December 15, 2017; early adoption

is permitted for interim and annual periods beginning after December 15, 2016. For financial reporting purposes, the standard allows for either full retrospective adoption, meaning the standard is applied to all of the periods presented, or modified retrospective adoption, meaning the standard is applied only to the most current period presented in the financial statements with the cumulative effect of initially applying the standard recognized at the date of initial application. We are currently evaluating the impact of this guidance on our financial statements and the timing of adoption.

In January 2016, the FASB issued ASU 2016-01, "Financial Instruments (Subtopic 825-10) Recognition and Measurement of Financial Assets and Financial Liabilities." The ASU amends the guidance in GAAP on the classification and measurement of financial instruments. The ASU includes the following changes: i) equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income; (ii) requires the use of exit price notion when measuring the fair value of financial instruments for disclosure purposes; (iii) require separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (i.e. securities or loans and receivables) on the balance sheet or the accompanying notes to the financial statements; (iv) allows an equity investment that does not have readily determinable fair values, to be measured at cost minus impairment (if any), plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer; (v) eliminates the requirement to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet, and requires a reporting organization to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk (also referred to as "own credit") when the organization has elected to measure the liability at fair

HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)

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

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

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

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

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

### 3. Business Combinations

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

### 4. Securities Available for Sale

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

Edgar Filing: HomeTrust Bancshares, Inc. - Form 10-Q

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

9

---

HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)

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

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

|  | September 30, 2016 |                      |
|--|--------------------|----------------------|
|  | Amortized Cost     | Estimated Fair Value |
| Due within one year                    | \$905              | \$908                |
| Due after one year through five years  | 80,586             | 81,039               |
| Due after five years through ten years | 17,766             | 18,621               |
| Due after ten years                    | 2,488              | 2,684                |
| Mortgage-backed securities             | 88,929             | 90,386               |
| Total                                  | \$190,674          | \$193,638            |

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

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

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

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

  

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

Edgar Filing: HomeTrust Bancshares, Inc. - Form 10-Q

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

The total number of securities with unrealized losses at September 30, 2016, and June 30, 2016 were 53 and 44, respectively. Unrealized losses on securities have not been recognized in income because management has the intent and ability to hold the securities for the foreseeable future,

## HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)

and has determined that it is not more likely than not that the Company will be required to sell the securities prior to a recovery in value. The decline in fair value was largely due to increases in market interest rates. The Company had no other than temporary impairment losses during the three months ended September 30, 2016 or the year ended June 30, 2016.

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

## 5. Loans

Loans consist of the following at the dates indicated:

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

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

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

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

Edgar Filing: HomeTrust Bancshares, Inc. - Form 10-Q

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

11

---

## HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)

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

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

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

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

## HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)

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

|                              | Past Due      |             | Total    | Current     | Total<br>Loans |
|------------------------------|---------------|-------------|----------|-------------|----------------|
|                              | 30-89<br>Days | 90<br>Days+ |          |             |                |
| September 30, 2016           |               |             |          |             |                |
| Retail consumer loans:       |               |             |          |             |                |
| One-to-four family           | \$3,002       | \$5,160     | \$8,162  | \$605,406   | \$613,568      |
| HELOCs - originated          | 726           | 374         | 1,100    | 160,579     | 161,679        |
| HELOCs - purchased           | —             | —           | —        | 169,007     | 169,007        |
| Construction and land/lots   | 51            | 61          | 112      | 39,988      | 40,100         |
| Indirect auto finance        | 71            | 52          | 123      | 121,992     | 122,115        |
| Consumer                     | 9             | 8           | 17       | 5,331       | 5,348          |
| Commercial loans:            |               |             |          |             |                |
| Commercial real estate       | 1,226         | 3,841       | 5,067    | 482,930     | 487,997        |
| Construction and development | 223           | 1,514       | 1,737    | 107,770     | 109,507        |
| Commercial and industrial    | 70            | 1,732       | 1,802    | 68,591      | 70,393         |
| Municipal leases             | —             | —           | —        | 101,400     | 101,400        |
| Total loans                  | \$5,378       | \$12,742    | \$18,120 | \$1,862,994 | \$1,881,114    |

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

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

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

## HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)

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

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

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

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

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

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

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

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

## HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)

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

|                              | Allowance for Loan Losses |   |                              |          | Total Loans Receivable |   |                              |             |
|------------------------------|---------------------------|---|------------------------------|----------|------------------------|---|------------------------------|-------------|
|                              | PCI                       | Loans individually evaluated for impairment | Loans collectively evaluated | Total    | PCI                    | Loans individually evaluated for impairment | Loans collectively evaluated | Total       |
| September 30, 2016           |                           |   |                              |          |                        |   |                              |             |
| Retail consumer loans:       |                           |   |                              |          |                        |   |                              |             |
| One-to-four family           | \$20                      | \$ 364                                      | \$ 5,526                     | \$5,910  | \$6,221                | \$ 11,209                                   | \$596,138                    | \$613,568   |
| HELOCs - originated          | —                         | 9   | 1,736                        | 1,745    | 281                    | 14  | 161,384                      | 161,679     |
| HELOCs - purchased           | —                         | —   | 676                          | 676      | —                      | —   | 169,007                      | 169,007     |
| Construction and land/lots   | —                         | —   | 1,038                        | 1,038    | 542                    | 388   | 39,170                       | 40,100      |
| Indirect auto finance        | —                         | 1   | 1,045                        | 1,046    | —                      | 1   | 122,114                      | 122,115     |
| Consumer                     | —                         | 9   | 42                           | 51       | 7                      | 9   | 5,332                        | 5,348       |
| Commercial loans:            |                           |   |                              |          |                        |   |                              |             |
| Commercial real estate       | 298                       | 150   | 6,282                        | 6,730    | 18,209                 | 5,206                                       | 464,582                      | 487,997     |
| Construction and development | 14                        | —   | 2,313                        | 2,327    | 2,922                  | 1,767                                       | 104,818                      | 109,507     |
| Commercial and industrial    | 24                        | 3   | 754                          | 781      | 3,238                  | 2,773                                       | 64,382                       | 70,393      |
| Municipal leases             | —                         | —   | 647                          | 647      | —                      | 294   | 101,106                      | 101,400     |
| Total                        | \$356                     | \$ 536                                      | \$ 20,059                    | \$20,951 | \$31,420               | \$ 21,661                                   | \$1,828,033                  | \$1,881,114 |
| June 30, 2016                |                           |   |                              |          |                        |   |                              |             |
| Retail consumer loans:       |                           |   |                              |          |                        |   |                              |             |
| One-to-four family           | \$23                      | \$ 187                                      | \$ 6,385                     | \$6,595  | \$7,038                | \$ 12,411                                   | \$604,252                    | \$623,701   |
| HELOCs - originated          | —                         | 288   | 1,709                        | 1,997    | 278                    | 1,145                                       | 161,870                      | 163,293     |
| HELOCs - purchased           | —                         | —   | 558                          | 558      | —                      | —   | 144,377                      | 144,377     |
| Construction and land/lots   | —                         | 198   | 1,146                        | 1,344    | 574                    | 392   | 37,136                       | 38,102      |
| Indirect auto finance        | —                         | —   | 1,016                        | 1,016    | —                      | —   | 108,478                      | 108,478     |
| Consumer                     | —                         | 10  | 51                           | 61       | 9                      | —   | 4,626                        | 4,635       |
| Commercial loans:            |                           |   |                              |          |                        |   |                              |             |
| Commercial real estate       | 288                       | —   | 6,142                        | 6,430    | 21,323                 | 5,376                                       | 459,862                      | 486,561     |
| Construction and development | 17                        | —   | 1,891                        | 1,908    | 3,147                  | 1,789                                       | 81,904                       | 86,840      |
| Commercial and industrial    | 33                        | 3   | 685                          | 721      | 3,595                  | 2,927                                       | 66,767                       | 73,289      |
| Municipal leases             | —                         | —   | 662                          | 662      | —                      | 305   | 102,878                      | 103,183     |
| Total                        | \$361                     | \$ 686                                      | \$ 20,245                    | \$21,292 | \$35,964               | \$ 24,345                                   | \$1,772,150                  | \$1,832,459 |

Loans acquired from acquisitions are initially excluded from the allowance for loan losses in accordance with the acquisition method of accounting for business combinations. The Company records these loans at fair value, which includes a credit discount, therefore, no allowance for loan losses are 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           |   |  |          | Related<br>Recorded<br>Allowance |
|------------------------------|--------------------------------|---|--|----------|----------------------------------|
|                              | Unpaid<br>Principal<br>Balance | Recorded<br>Investment<br>With a<br>Recorded<br>Allowance | Recorded<br>Investment<br>With No<br>Recorded<br>Allowance | Total    |                                  |
| September 30, 2016           |                                |   |  |          |                                  |
| Retail consumer loans:       |                                |   |  |          |                                  |
| One-to-four family           | \$29,613                       | \$ 17,245   | \$ 9,015   | \$26,260 | \$ 846                           |
| HELOCs - originated          | 3,939                          | 2,262   | 378  | 2,640    | 53                               |
| Construction and land/lots   | 2,633                          | 852   | 494  | 1,346    | 27                               |
| Indirect auto finance        | 194                            | 38  | 53   | 91       | 1                                |
| Consumer                     | 576                            | 4   | 22   | 26       | 9                                |
| Commercial loans:            |                                |   |  |          |                                  |
| Commercial real estate       | 7,661                          | 4,305   | 2,723  | 7,028    | 180                              |
| Construction and development | 3,213                          | 726   | 1,487  | 2,213    | 4                                |
| Commercial and industrial    | 9,044                          | 839   | 2,772  | 3,611    | 19                               |
| Municipal leases             | 408                            | 114   | 294  | 408      | 1                                |
| Total impaired loans         | \$57,281                       | \$ 26,385   | \$ 17,238  | \$43,623 | \$ 1,140                         |
| June 30, 2016                |                                |   |  |          |                                  |
| Retail consumer loans:       |                                |   |  |          |                                  |
| One-to-four family           | \$29,053                       | \$ 12,348   | \$ 13,375  | \$25,723 | \$ 281                           |
| HELOCs - originated          | 4,486                          | 1,999   | 1,178  | 3,177    | 305                              |
| Construction and land/lots   | 2,890                          | 764   | 693  | 1,457    | 209                              |
| Indirect auto finance        | 45                             | 20  | —  | 20       | —                                |
| Consumer                     | 514                            | 9   | 13   | 22       | 10                               |
| Commercial loans:            |                                |   |  |          |                                  |
| Commercial real estate       | 7,433                          | 857   | 5,776  | 6,633    | 13                               |
| Construction and development | 3,556                          | 600   | 1,929  | 2,529    | 14                               |
| Commercial and industrial    | 9,710                          | 1,197   | 2,930  | 4,127    | 17                               |
| Municipal leases             | 419                            | 114   | 305  | 419      | 1                                |
| Total impaired loans         | \$58,106                       | \$ 17,908   | \$ 26,199  | \$44,107 | \$ 850                           |

Impaired loans above excludes \$0 at September 30, 2016 and \$2,541 at June 30, 2016 in PCI loans due to the accretion of discounts established in accordance with the acquisition method of accounting for business combinations. For the quarter ended September 30, 2016, impaired loans with a recorded allowance increased primarily due to the change in methodology of measuring impairment for \$5.2 million of loans from the collateral method to the present value of future cash flows method to better reflect the anticipated repayments of these loans.

The table above includes \$21,962 and \$19,762, of impaired loans that were not individually evaluated at September 30, 2016 and June 30, 2016, respectively, because these loans did not meet the Company's threshold for individual impairment evaluation. The recorded allowance above includes \$604 and \$164 related to these loans that were not individually evaluated at September 30, 2016 and June 30, 2016, 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 impaired loans and interest income recognized on impaired loans for the three months ended September 30, 2016 and 2015 was as follows:

|                              | Three Months Ended |            |                    |            |
|------------------------------|--------------------|------------|--------------------|------------|
|                              | September 30, 2016 |            | September 30, 2015 |            |
|                              | Average Interest   |            | Average Interest   |            |
|                              | Recorded Income    |            | Recorded Income    |            |
|                              | Investment         | Recognized | Investment         | Recognized |
| Retail consumer loans:       |                    |            |                    |            |
| One-to-four family           | \$25,992           | \$ 326     | \$28,907           | \$ 338     |
| HELOCs - originated          | 2,909              | 46         | 3,722              | 50         |
| Construction and land/lots   | 1,402              | 32         | 1,993              | 28         |
| Indirect auto finance        | 56                 | 1          | —                  | 1          |
| Consumer                     | 24                 | 5          | 91                 | 14         |
| Commercial loans:            |                    |            |                    |            |
| Commercial real estate       | 6,831              | 69         | 10,722             | 38         |
| Construction and development | 2,371              | 13         | 4,631              | 14         |
| Commercial and industrial    | 3,869              | 45         | 3,885              | 13         |
| Municipal leases             | 414                | 12         | 311                | 10         |
| Total loans                  | \$43,868           | \$ 549     | \$54,262           | \$ 506     |

A summary of changes in the accretable yield for PCI loans for the three months ended September 30, 2016 and 2015 was as follows:

|   | Three Months |           |
|---|--------------|-----------|
|   | Ended        |           |
|   | September    | September |
|   | 30,          | 30, 2015  |
|   | 2016         |           |
| Accretable yield, beginning of period           | \$9,532      | \$ 11,096 |
| Reclass from nonaccretable yield <sup>(1)</sup> | 887          | 366       |
| Other changes, net <sup>(2)</sup>               | (459 )       | (111 )    |
| Interest income                                 | (1,621 )     | (1,588 )  |
| Accretable yield, end of period                 | \$8,339      | \$ 9,763  |

(1) Represents changes attributable to expected losses assumptions.

(2) Represents changes in cash flows expected to be collected due to the impact of modifications, changes in prepayment assumptions, and changes in interest rates.

HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)

For the three months ended September 30, 2016 and 2015, the following table presents a breakdown of the types of concessions made on TDRs by loan class:

|                             | Three Months Ended<br>September 30, 2016                     |   | Three Months Ended<br>September 30, 2015                     |   |
|-----------------------------|--|---|--|---|
|                             | Pre<br>Modification<br>of Outstanding<br>Loans<br>Investment | Post<br>Modification<br>of Outstanding<br>Loans<br>Investment | Pre<br>Modification<br>of Outstanding<br>Loans<br>Investment | Post<br>Modification<br>of Outstanding<br>Loans<br>Investment |
| Below market interest rate: |  |   |  |   |
| Retail consumer:            |  |   |  |   |
| One-to-four family          | —\$ —  | \$ —  | 1 \$ 29  | \$ 29   |
| HELOCs - originated         | —  | —   | 1 18   | 14  |
| Total                       | —\$ —  | \$ —  | 2 \$ 47  | \$ 43   |
| Extended term:              |  |   |  |   |
| Retail consumer:            |  |   |  |   |
| One-to-four family          | 2 \$ 119   | \$ 119  | —\$ —  | \$ —  |
| Total                       | 2 \$ 119   | \$ 119  | —\$ —  | \$ —  |
| Other TDRs:                 |  |   |  |   |
| Retail consumer:            |  |   |  |   |
| One-to-four family          | 3 \$ 105   | \$ 105  | 6 \$ 523   | \$ 528  |
| HELOCs - originated         | 1 3  | 3   | —  | —   |
| Total                       | 4 \$ 108   | \$ 108  | 6 \$ 523   | \$ 528  |
| Total                       | 6 \$ 227   | \$ 227  | 8 \$ 570   | \$ 571  |

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 months ended September 30, 2016 and 2015:

|                             | Three<br>Months<br>Ended<br>September<br>30, 2016 | Three Months<br>Ended<br>September<br>30, 2015  |
|-----------------------------|---|---|
|                             | Number<br>Recorded<br>of<br>Investment<br>Loans   | Number<br>Recorded<br>of<br>Investment<br>Loans |
| Below market interest rate: |   |   |
| Retail consumer:            |   |   |
| One-to-four family          | —\$ —   | 1 \$ 6  |
| Total                       | —\$ —   | 1 \$ 6  |
| Extended payment terms:     |   |   |
| Retail consumer:            |   |   |
| One-to-four family          | 1 \$ 39   | — \$ —  |
| Total                       | 1 \$ 39   | — \$ —  |
| Other TDRs:                 |   |   |
| Retail consumer:            |   |   |
| One-to-four family          | 3 \$ 57   | 1 \$ 182  |

|                              |   |          |   |        |
|------------------------------|---|----------|---|--------|
| HELOCs - originated          | — | —        | 1 | —      |
| Commercial:                  |   |          |   |        |
| Construction and development | 2 | 371      | — | —      |
| Commercial and industrial    | 3 | 970      | — | —      |
| Total                        | 8 | \$ 1,398 | 2 | \$ 182 |
| Total                        | 9 | \$ 1,437 | 3 | \$ 188 |

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.

## HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)

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 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. Real Estate Owned

The activity within REO for the periods shown is as follows:

|                                | Three Months<br>Ended<br>September 30,<br>2016 2015 |         |
|--------------------------------|---|---------|
| Balance at beginning of period | \$5,956   | \$7,024 |
| Transfers from loans           | 305   | 228     |
| Sales, net of loss             | (546 )  | (612 )  |
| Writedowns                     | —   | (6 )    |
| Balance at end of period       | \$5,715   | \$6,634 |

At September 30, 2016 and June 30, 2016, the Bank had \$961 and \$824 respectively, of foreclosed residential real estate property in REO. The recorded investment in consumer mortgage loans collateralized by residential real estate in the process of foreclosure totaled \$2,112 and \$1,681 for September 30, 2016 and June 30, 2016, respectively.

## 7. 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 share 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<br>Ended September<br>30,<br>2016 2015 |            |
|--|---|------------|
| Numerator:   |   |            |
| Net income available to common stockholders          | \$3,824   | \$ 2,564   |
| Denominator:   |   |            |
| Weighted-average common shares outstanding - basic   | 17,208,682  | 17,077,987 |
| Effect of dilutive shares                            | 242,613   | 213,042    |
| Weighted-average common shares outstanding - diluted | 17,451,295  | 17,291,029 |
| Net income per share - basic                         | \$0.22  | \$ 0.14    |
| Net income per share - diluted                       | \$0.22  | \$ 0.14    |

There were 46,500 and 40,000 outstanding stock options that were anti-dilutive for the three months ended September 30, 2016 and 2015.

## 8. Equity Incentive Plan

The Company provides stock-based awards through 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.

## HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)

Share based compensation expense related to stock options and restricted stock recognized for the three months ended September 30, 2016 and 2015 was \$739 and \$788, respectively, before the tax related benefit of \$274 and \$292, respectively.

The table below presents stock option activity for the three months ended September 30, 2016 and 2015:

|   | Options   | Weighted-<br>average<br>exercise<br>price | Remaining<br>contractual<br>life<br>(years) | Aggregate<br>Intrinsic<br>Value |
|---|-----------|---|---|---------------------------------|
| Options outstanding at June 30, 2015      | 1,498,000 | \$ 14.41                                  | 7.7   | \$ 3,519                        |
| Granted                                   | —         | —   | —   | —                               |
| Exercised                                 | 400       | 14.37                                     | —   | —                               |
| Forfeited                                 | 1,200     | 14.37                                     | —   | —                               |
| Expired                                   | —         | —   | —   | —                               |
| Options outstanding at September 30, 2015 | 1,496,400 | \$ 14.41                                  | 7.4   | \$ 6,194                        |
| Exercisable at September 30, 2015         | 548,150   | \$ 14.39                                  |   |                                 |
| Options outstanding at June 30, 2016      | 1,529,300 | \$ 14.50                                  | 6.8   | \$ 6,117                        |
| Granted                                   | —         | —   | —   | —                               |
| Exercised                                 | —         | —   | —   | —                               |
| Forfeited                                 | —         | —   | —   | —                               |
| Expired                                   | —         | —   | —   | —                               |
| Options outstanding at September 30, 2016 | 1,529,300 | \$ 14.50                                  | 6.5   | \$ 6,117                        |
| Exercisable at September 30, 2016         | 829,400   | \$ 14.40                                  |   |                                 |

The fair value of each option is estimated on the date of grant using the Black-Scholes-Merton option pricing model. There were no options granted during the three months ended September 30, 2016 and 2015. The weighted average fair value of options granted in 2015 was \$3.59. Assumptions used for grants were as follows:

|                             | Assumptions in<br>Estimating Option<br>Values |      |         |
|-----------------------------|---|------|---------|
|                             | 2017  | 2016 | 2015    |
| Weighted-average volatility | — %   | — %  | 18.90 % |
| Expected dividend yield     | — %   | — %  | — %     |
| Risk-free interest rate     | — %   | — %  | 1.56 %  |
| Expected life (years)       | 0.0   | 0.0  | 6.0     |

At September 30, 2016, the Company had \$2,073 of unrecognized compensation expense related to 1,529,300 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 1.1 years at September 30, 2016. At September 30, 2015, the Company had \$3,238 of unrecognized compensation expense related to 1,496,400 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 1.5 years at September 30, 2015.

## 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 three months ended September 30, 2016 and 2015:

|                                  | Restricted<br>stock<br>awards | Weighted-<br>average<br>grant<br>date fair<br>value | Aggregate<br>Intrinsic<br>Value |
|----------------------------------|-------------------------------|---|---------------------------------|
| Non-vested at June 30, 2015      | 310,470                       | \$ 14.40  | \$ 5,203                        |
| Granted                          | —                             | —   | —                               |
| Vested                           | —                             | —   | —                               |
| Forfeited                        | 450                           | 14.37   | —                               |
| Non-vested at September 30, 2015 | 310,020                       | \$ 14.40  | \$ 5,751                        |
| Non-vested at June 30, 2016      | 248,750                       | \$ 14.81  | \$ 4,602                        |
| Granted                          | 400                           | 19.02   | —                               |
| Vested                           | —                             | —   | —                               |
| Forfeited                        | —                             | —   | —                               |
| Non-vested at September 30, 2016 | 249,150                       | \$ 14.84  | \$ 4,609                        |

At September 30, 2016, unrecognized compensation expense was \$3,580 related to 249,150 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 1.2 years at September 30, 2016. At September 30, 2015, unrecognized compensation expense was \$3,462 related to 310,020 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 1.5 years at September 30, 2015.

## 9. 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 September 30, 2016 and June 30, 2016, respectively, loan commitments (excluding \$122,710 and \$125,157 of undisbursed portions of construction loans) totaled \$41,129 and \$39,609 of which \$9,144 and \$9,932 were variable rate commitments and \$31,985 and \$29,677 were fixed rate commitments. The fixed rate loans had interest rates ranging from 2.20% to 5.75% at September 30, 2016 and 2.02% to 7.99% at June 30, 2016, and terms ranging from three to 30 years. Pre-approved but unused lines of credit (principally second mortgage home equity loans and overdraft protection loans) totaled \$339,185 and \$340,397 at September 30, 2016 and June 30, 2016, 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 two types of commitments related to loans held for sale: rate lock commitments and forward loan commitments. Rate lock commitments are commitments to extend credit to a customer that has an interest rate lock and are considered derivative instruments. The rate lock commitments do not qualify for hedge accounting. In order to mitigate the risk from interest rate fluctuations, we enter into forward loan sale commitments on a "best efforts" basis, which do not meet the definition of a derivative instrument. The fair value of these commitments was not material at September 30, 2016 or June 30, 2016.

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 September 30, 2016 and June 30, 2016 was \$2,413, and \$2,346, respectively, which was satisfied by vault cash and balances held at the FRB.

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 September 30, 2016 and June 30, 2016 were \$2,139 and \$2,326, respectively. There was no liability recorded for these letters of credit at September 30, 2016 or June 30, 2016, respectively.

Litigation – The Company is involved in several litigation matters in the ordinary course of business. These proceedings and the associated legal claims are often contested and the outcome of individual matters is not always predictable. These claims and counter claims typically arise during the course of collection efforts on problem loans or with respect to actions to enforce liens on properties in which the Company holds a security interest. The Company is not a party to any pending legal proceedings that management believes would have a material adverse effect on the Company's financial condition or results of operations.

HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)

10. 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 2 securities include mortgage-backed securities and debentures issued by government sponsored enterprises, municipal bonds, and corporate debt securities. Level 3 securities include one community bank corporate bond that is thinly traded. The community bank corporate bond was acquired as part of a bank acquisition and is carried at book value, which approximates fair value. Because the bond is thinly traded we rely on public information to review the overall financial condition and capital level of the community bank.

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.

The fair value of impaired loans is estimated in one of two ways, which include collateral value and discounted cash flows. Loans are considered collateral dependent if repayment is expected solely from 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. For loans that are not collateral dependent, estimated fair value is based on the present value of expected future cash flows using the interest rate implicit in the original agreement. 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 such impaired loans as a nonrecurring Level 3 in the fair value

hierarchy.

**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 that has been charged off or received an allowance during the period as nonrecurring Level 3.

## HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)

## Financial Assets Recorded at Fair Value on a Recurring Basis

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

| Description   | September 30, 2016 |         |            |         |
|---|--------------------|---------|------------|---------|
|   | Total              | Level 1 | Level 2    | Level 3 |
| U.S Government Agencies   | \$78,362           | \$ —    | -\$78,362  | \$—     |
| Residential Mortgage-backed Securities of U.S. Government Agencies and Government Sponsored Enterprises | 90,386             | —       | 90,386     | —       |
| Municipal Bonds   | 16,982             | —       | 16,982     | —       |
| Corporate Bonds   | 7,908              | —       | 6,908      | 1,000   |
| Equity Securities   | 63                 | —       | 63         | —       |
| Total   | \$193,701          | \$ —    | -\$192,701 | \$1,000 |

  

| Description   | June 30, 2016 |         |            |         |
|---|---------------|---------|------------|---------|
|   | Total         | Level 1 | Level 2    | Level 3 |
| U.S Government Agencies   | \$77,980      | \$ —    | -\$77,980  | \$—     |
| Residential Mortgage-backed Securities of U.S. Government Agencies and Government Sponsored Enterprises | 97,408        | —       | 97,408     | —       |
| Municipal Bonds   | 17,234        | —       | 17,234     | —       |
| Corporate Bonds   | 7,967         | —       | 6,967      | 1,000   |
| Equity Securities   | 63            | —       | 63         | —       |
| Total   | \$200,652     | \$ —    | -\$199,652 | \$1,000 |

There were no transfers between levels during the three months ended September 30, 2016.

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

| Description    | September 30, 2016 |         |         |          |
|----------------|--------------------|---------|---------|----------|
|                | Total              | Level 1 | Level 2 | Level 3  |
| Impaired loans | \$7,028            | \$ —    | —       | -\$7,028 |
| REO            | 199                | —       | —       | 199      |
| Total          | \$7,227            | \$ —    | —       | -\$7,227 |

  

| Description    | June 30, 2016 |         |         |          |
|----------------|---------------|---------|---------|----------|
|                | Total         | Level 1 | Level 2 | Level 3  |
| Impaired loans | \$4,239       | \$ —    | —       | -\$4,239 |
| REO            | 1,117         | —       | —       | 1,117    |
| Total          | \$5,356       | \$ —    | —       | -\$5,356 |

Quantitative information about Level 3 fair value measurements during the period ended September 30, 2016 is shown in the table below:

|                            | Fair Value at September 30, 2016 | Valuation Techniques                            | Unobservable Input                       | Range     | Weighted Average |
|----------------------------|----------------------------------|---|--|-----------|------------------|
| Nonrecurring measurements: |                                  |   |  |           |                  |
| Impaired loans, net        | \$ 7,028                         | Discounted appraisals and discounted cash flows | Collateral discounts and discount spread | 1% - 26%  | 3%               |
| REO                        | \$ 199                           | Discounted appraisals                           | Collateral discounts                     | 10% - 15% | 11%              |



## 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 September 30, 2016 and June 30, 2016, are summarized below:

|  | September 30, 2016 |            |          |         |           |
|--|--------------------|------------|----------|---------|-----------|
|  | Carrying Value     | Fair Value | Level 1  | Level 2 | Level 3   |
| Cash and interest-bearing deposits     | \$60,563           | \$ 60,563  | \$60,563 | \$ —    | —         |
| Commercial paper                       | 220,682            | 220,682    | 220,682  | —       | —         |
| Certificates of deposit in other banks | 153,431            | 153,431    | —        | 153,431 | —         |
| Securities available for sale          | 193,701            | 193,701    | —        | 192,701 | 1,000     |
| Loans, net                             | 1,860,530          | 1,828,662  | —        | —       | 1,828,662 |
| Loans held for sale                    | 8,832              | 8,973      | —        | —       | 8,973     |
| FHLB stock                             | 25,323             | 25,323     | 25,323   | —       | —         |
| FRB stock                              | 6,186              | 6,186      | 6,186    | —       | —         |
| Accrued interest receivable            | 7,729              | 7,729      | —        | 1,176   | 6,553     |
| Noninterest-bearing and NOW deposits   | 650,832            | 650,832    | —        | 650,832 | —         |
| Money market accounts                  | 516,396            | 516,396    | —        | 516,396 | —         |
| Savings accounts                       | 208,992            | 208,992    | —        | 208,992 | —         |
| Certificates of deposit                | 417,308            | 417,067    | —        | 417,067 | —         |
| Borrowings                             | 536,500            | 536,500    | —        | 536,500 | —         |
| Accrued interest payable               | 230                | 230        | —        | 230     | —         |
|  | June 30, 2016      |            |          |         |           |
|  | Carrying Value     | Fair Value | Level 1  | Level 2 | Level 3   |
| Cash and interest-bearing deposits     | \$52,596           | \$ 52,596  | \$52,596 | \$ —    | —         |
| Commercial paper                       | 229,859            | 229,859    | 229,859  | —       | —         |
| Certificates of deposit in other banks | 161,512            | 161,512    | —        | 161,512 | —         |
| Securities available for sale          | 200,652            | 200,652    | —        | 199,652 | 1,000     |
| Loans, net                             | 1,811,539          | 1,761,926  | —        | —       | 1,761,926 |
| Loans held for sale                    | 5,783              | 5,876      | —        | —       | 5,876     |
| FHLB stock                             | 23,304             | 23,304     | 23,304   | —       | —         |
| FRB stock                              | 6,182              | 6,182      | 6,182    | —       | —         |
| Accrued interest receivable            | 7,405              | 7,405      | —        | 1,106   | 6,299     |
| Noninterest-bearing and NOW deposits   | 628,910            | 628,910    | —        | 628,910 | —         |
| Money market accounts                  | 520,320            | 520,320    | —        | 520,320 | —         |
| Savings accounts                       | 210,817            | 210,817    | —        | 210,817 | —         |
| Certificates of deposit                | 442,649            | 442,203    | —        | 442,203 | —         |
| Borrowings                             | 491,000            | 491,000    | —        | 491,000 | —         |
| Accrued interest payable               | 246                | 246        | —        | 246     | —         |

The Company had off-balance sheet financial commitments, which include approximately \$503,024 and \$505,163 of commitments to originate loans, undisbursed portions of interim construction loans, and unused lines of credit at September 30, 2016 and June 30, 2016, respectively (see Note 9). 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.

Commercial paper - The stated amounts approximate fair value due to the short-term nature of these investments.

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

Securities available for sale – 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. The Company has one \$1.0 million community bank corporate bond that is not actively traded and considered a level three asset.

HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)

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 and purchase discounts.

FHLB and FRB stock– No ready market exists for these stocks and they have no quoted market value. However, redemptions of these securities have 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 September 30, 2016 and June 30, 2016. 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.

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 pending acquisition of TriSummit Bancorp, Inc. ("TriSummit") by HomeTrust ("merger") 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 requisite approval of TriSummit's shareholders and regulatory approvals for the merger might not be obtained; 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 Board of Governors of the Federal Reserve System ("Federal Reserve"), the North Carolina Office of the Commissioner of Banks ("NCCOB"), 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 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 2016 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 (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 became a bank holding company. On December 31, 2015, the Bank converted from a national association to a North Carolina state bank. As a national bank, the Bank's primary regulator was the Office of the Comptroller of the Currency ("OCC"). As a North Carolina state-chartered bank, and member of the Federal Reserve System, the Bank's primary regulators are the NCCOB and the Federal Reserve. The Bank's deposits are federally insured up to applicable limits by the Federal Deposit Insurance Corporation ("FDIC").

HomeTrust Bancshares, Inc. is a bank holding company regulated by the Federal Reserve. In connection with the recent charter change, the Company elected to be treated as a financial holding company, which allows it flexibility to engage in some non-bank activities that are financial in nature. 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.

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, construction and development loans, commercial and industrial loans, indirect automobile 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 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.

In recent years, we have expanded our geographic footprint into five additional markets through strategic acquisitions as well as two de novo commercial loan offices. Looking forward, we believe opportunities currently exist within our market areas to grow our franchise. We anticipate organic growth as the local economy and loan demand strengthens, through our marketing efforts and as a result of the opportunities being created as a result of the consolidation of financial institutions occurring in our market areas. We may also seek to expand our franchise through the selective acquisition of individual branches, loan purchases and, to a lesser degree, whole bank transactions that meet our investment and market objectives. We will continue to be disciplined as it pertains to future expansion focusing primarily on organic growth in our current market areas.

On September 21, 2016, the Company announced that HomeTrust Bancshares, Inc. and TriSummit entered into an agreement under which the Company will acquire TriSummit with six locations in Kingsport, TN, Johnson City, TN, and Bristol, VA (the "Tri-Cities" region) and also in Morristown and Jefferson City, TN. The acquisition will add approximately \$246.0 million of loans and \$288.0 million of deposits. The Company expects the acquisition to close during the first calendar quarter of 2017, following satisfaction of customary closing conditions.

At September 30, 2016, we had 39 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 and acquired loans, (iii) the valuation of REO, (iv) the valuation of goodwill and other intangible assets, and (v) the valuation of or recognition of deferred tax assets and liabilities. These policies and 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 2016 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 2016 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 GAAP, this report contains certain non-GAAP financial measures, which include: tangible book value per share; tangible equity to tangible assets ratio; net interest income and net interest margin as adjusted to exclude additional FHLB borrowings and proceeds from such borrowings; net income, earnings per share ("EPS"), return on assets ("ROA"), and return on equity ("ROE") excluding merger-related expenses, certain state tax expense, and gain from the sale of premises and equipment; and the ratio of the allowance for loan losses to total loans excluding acquired loans. 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, certain state tax expense, and gain from the sale of premises 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 September 30, 2016 and 2015" for more detailed information about our financial performance.

Set forth below is a reconciliation to GAAP of tangible book value and tangible book value per share:

| (Dollars in thousands, except per share data)          | As of              |               |                    |
|--|--------------------|---------------|--------------------|
|  | September 30, 2016 | June 30, 2016 | September 30, 2015 |
| Total stockholders' equity                             | \$364,401          | \$359,976     | \$368,148          |
| Less: goodwill, core deposit intangibles, net of taxes | (16,759 )          | (17,169 )     | (18,512 )          |
| Tangible book value                                    | \$347,642          | \$342,807     | \$349,636          |
| Common shares outstanding                              | 17,999,150         | 17,998,750    | 19,074,037         |
| Tangible book value per share <sup>(1)</sup>           | \$19.31            | \$19.05       | \$18.33            |
| Book value per share                                   | \$20.25            | \$20.00       | \$19.30            |

(1) Tangible book value is equal to total stockholders' equity less goodwill and core deposit intangibles, net of related deferred tax liabilities.

Set forth below is a reconciliation to GAAP of tangible equity to tangible assets:

| (Dollars in thousands) | As of              |               |                    |
|------------------------|--------------------|---------------|--------------------|
|                        | September 30, 2016 | June 30, 2016 | September 30, 2015 |

Edgar Filing: HomeTrust Bancshares, Inc. - Form 10-Q

|  |             |             |             |
|--|-------------|-------------|-------------|
| Tangible book value <sup>(1)</sup>                     | \$347,642   | \$342,807   | \$349,636   |
| Total assets   | 2,754,109   | 2,717,677   | 2,726,000   |
| Less: goodwill, core deposit intangibles, net of taxes | (16,759 )   | (17,169 )   | (18,512 )   |
| Total tangible assets <sup>(2)</sup>                   | \$2,737,350 | \$2,700,508 | \$2,707,488 |
| Tangible equity to tangible assets                     | 12.70       | % 12.69     | % 12.91 %   |

(1) Tangible book value is equal to total stockholders' equity less goodwill and core deposit intangibles, net of related deferred tax liabilities.

(2) Total tangible assets is equal to total assets less goodwill and core deposit intangibles, net of related deferred tax liabilities.

Set forth below is a reconciliation to GAAP of net interest income and net interest margin as adjusted to exclude additional FHLB borrowings and proceeds from such borrowings:

|   | Three Months Ended September 30,  |                              |                |                                   |                              |                |
|---|-----------------------------------|------------------------------|----------------|-----------------------------------|------------------------------|----------------|
|   | 2016                              |                              |                | 2015                              |                              |                |
|   | Average<br>Balance<br>Outstanding | Interest<br>Earned /<br>Paid | Yield/<br>Rate | Average<br>Balance<br>Outstanding | Interest<br>Earned /<br>Paid | Yield/<br>Rate |
| Interest-earning assets <sup>(1)</sup>  | \$2,527,413                       | \$23,381                     | 3.70 %         | \$2,515,767                       | \$22,656                     | 3.60 %         |
| Less: Interest-earning assets funded by additional FHLB borrowings <sup>(2)</sup> | 395,000                           | 999                          | 1.01 %         | 446,000                           | 664                          | 0.60 %         |
| Interest-earning assets - adjusted  | \$2,132,413                       | \$22,382                     | 4.20 %         | \$2,069,767                       | \$21,992                     | 4.25 %         |
| Interest-bearing liabilities  | \$2,097,932                       | \$1,654                      | 0.31 %         | \$2,117,705                       | \$1,438                      | 0.27 %         |
| Additional FHLB borrowings  | 395,000                           | 410                          | 0.42 %         | 446,000                           | 231                          | 0.21 %         |
| Interest-bearing liabilities - adjusted   | \$1,702,932                       | \$1,244                      | 0.29 %         | \$1,671,705                       | \$1,207                      | 0.29 %         |
| Tax equivalent net interest income and net interest margin                        |                                   | \$21,727                     | 3.44 %         |                                   | \$21,218                     | 3.37 %         |
| Tax equivalent net interest income and net interest margin - adjusted             |                                   | 21,138                       | 3.97 %         |                                   | 20,785                       | 4.02 %         |
| Difference  |                                   | \$589                        | (0.53)%        |                                   | \$433                        | (0.65)%        |

Interest income used in the average interest/earned and yield calculation includes the tax equivalent adjustment of (1) \$590,000 and \$647,000 for the three months ended September 30, 2016 and 2015, respectively, calculated based on a federal tax rate of 34%.

(2) Proceeds from the additional borrowings were invested in various interest-earning assets including: deposits with the FRB, FHLB stock, certificates of deposit in other banks, and commercial paper.

Set forth below is a reconciliation to GAAP net income, EPS, ROA, and ROE as adjusted to exclude merger-related expenses, certain state tax expense, and gain from the sale of premises and equipment:

| (Dollars in thousands, except per share data) | Three months ended |             |   |
|---|--------------------|-------------|---|
|   | September 30,      |             |   |
|   | 2016               | 2015        |   |
| Merger-related expenses                       | \$307              | \$—         |   |
| State tax expense adjustment <sup>(1)</sup>   | 490                | 526         |   |
| Gain from sale of premises and equipment      | (385)              | —           |   |
| Total adjustments                             | 412                | 526         |   |
| Tax effect <sup>(2)</sup>                     | 58                 | —           |   |
| Total adjustments, net of tax                 | 470                | 526         |   |
| Net income (GAAP)                             | 3,824              | 2,564       |   |
| Net income (non-GAAP)                         | \$4,294            | \$3,090     |   |
| Per Share Data                                |                    |             |   |
| Average shares outstanding - basic            | 17,208,682         | 18,077,987  |   |
| Average shares outstanding - diluted          | 17,451,295         | 18,291,029  |   |
| Basic EPS                                     |                    |             |   |
| EPS (GAAP)                                    | \$0.22             | \$0.14      |   |
| Non-GAAP adjustment                           | 0.03               | 0.03        |   |
| EPS (non-GAAP)                                | \$0.25             | \$0.17      |   |
| Diluted EPS                                   |                    |             |   |
| EPS (GAAP)                                    | \$0.22             | \$0.14      |   |
| Non-GAAP adjustment                           | 0.03               | 0.03        |   |
| EPS (non-GAAP)                                | \$0.25             | \$0.17      |   |
| Average Balances                              |                    |             |   |
| Average assets                                | \$2,764,922        | \$2,763,943 |   |
| Average equity                                | 362,296            | 370,562     |   |
| ROA   |                    |             |   |
| ROA (GAAP)                                    | 0.55               | % 0.37      | % |
| Non-GAAP adjustment                           | 0.07               | % 0.08      | % |
| ROA (non-GAAP)                                | 0.62               | % 0.45      | % |
| ROE   |                    |             |   |
| ROE (GAAP)                                    | 4.22               | % 2.77      | % |
| Non-GAAP adjustment                           | 0.53               | % 0.57      | % |
| ROE (non-GAAP)                                | 4.75               | % 3.34      | % |

(1) State tax adjustment is a result a of a decrease in value of our deferred tax assets stemming from recent decreases in North Carolina's corporate tax rate.

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

Edgar Filing: HomeTrust Bancshares, Inc. - Form 10-Q

Set forth below is a reconciliation to GAAP of the allowance for loan losses to total loans and the allowance for loan losses as adjusted to exclude acquired loans:

| (Dollars in thousands)                                      | As of<br>September<br>30,<br>2016 | June 30,<br>2016 | September<br>30,<br>2015 |   |
|---|-----------------------------------|------------------|--------------------------|---|
| Total gross loans receivable (GAAP)                         | \$1,881,481                       | \$1,832,831      | \$1,742,114              |   |
| Less: acquired loans  | (192,745 )                        | (220,891 )       | (285,317 )               |   |
| Adjusted gross loans (non-GAAP)                             | \$1,688,736                       | \$1,611,940      | \$1,456,797              |   |
| Allowance for loan losses (GAAP)                            | \$20,951                          | \$21,292         | \$22,122                 |   |
| Allowance for loan losses / Adjusted gross loans (non-GAAP) | 1.24                              | % 1.32           | % 1.52                   | % |

30

---

### Comparison of Financial Condition at September 30, 2016 and June 30, 2016

**General.** Total assets at September 30, 2016 and June 30, 2016 were \$2.8 billion and \$2.7 billion, respectively. Total liabilities at both September 30, 2016 and June 30, 2016 were \$2.4 billion. The increase in borrowings of \$45.5 million, or 9.3% and the cumulative decrease of \$16.2 million, or 2.5%, in cash and cash equivalents, commercial paper, certificates of deposit in other banks, and securities available for sale for the quarter ended September 30, 2016 were redeployed to fund higher yielding loans and reduce higher cost certificates of deposit. We continue to utilize our leveraging strategy, where additional short-term FHLB borrowings are invested in various short-term liquid assets to generate additional net interest income, as well as increased dividend income from the required purchase of additional FHLB stock.

**Cash, cash equivalents, and commercial paper.** Total cash and cash equivalents increased \$8.0 million, or 15.1%, to \$60.6 million at September 30, 2016 from \$52.6 million at June 30, 2016. In conjunction with our leveraging strategy, we purchase commercial paper to take advantage of higher returns with relatively low risk while remaining highly liquid. The commercial paper balance at September 30, 2016 decreased \$9.2 million, or 4.0% to \$220.7 million from \$229.9 million at June 30, 2016.

**Investments.** Securities available for sale decreased \$7.0 million, or 3.5%, to \$193.7 million at September 30, 2016 from \$200.7 million at June 30, 2016. During the three months ended September 30, 2016, \$13.0 million of securities available for sale were purchased, \$12.6 million matured, and \$6.6 million of principal payments were received. The securities purchased during this period were primarily short- to intermediate-term U.S. government agency notes. At September 30, 2016, certificates of deposits in other banks totaled \$153.4 million compared to \$161.5 million at June 30, 2016. All certificates of deposit in other banks are fully insured by the FDIC. Other investments at cost include FRB and FHLB stock totaling \$6.2 million and \$25.3 million at September 30, 2016, respectively. In total, other investments increased \$2.0 million, or 6.9% from June 30, 2016 as a result of additional FHLB stock purchases as required for our additional FHLB borrowings.

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 September 30, 2016; therefore, no impairment losses have been recorded during the first three months of fiscal 2017.

**Loans held for sale.** Loans held for sale increased \$3.0 million, or 52.7% at September 30, 2016 to \$8.8 million from June 30, 2016. The increase was driven by volume increases as a result of expanding our mortgage operations into our newer market areas.

**Loans.** Net loans receivable increased \$49.0 million, or 2.7%, at September 30, 2016 to \$1.9 billion from June 30, 2016 primarily due to \$24.0 million in organic loan growth and \$24.6 million in purchased HELOCs, net of repayments.

For the three months ended September 30, 2016, retail loan portfolio originations increased \$7.5 million from \$67.1 million to \$74.6 million, or 11.2% compared to the same period in the previous year. For the three months ended September 30, 2016, commercial loan portfolio originations decreased \$20.6 million from \$97.5 million to \$77.0 million, or 7.3% compared to the same period in the previous year. The decrease in commercial loan originations was primarily a result of one loan origination occurring in the prior fiscal year's first quarter totaling \$17.9 million. For the three months ended September 30, 2016, organic net loan growth, which excludes purchases of HELOCs was \$24.0 million, or 5.7% annualized. Excluding the one-to-four family residential loan portfolio, our first quarter loan growth was \$32.3 million or 11.4% annualized. Our one-to-four family residential loan portfolio continues to decline as a result of increasing customer demand for 30-year fixed rate loans, which we sell to third parties as compared to our shorter term fixed and variable rate loans that we retain in our loan portfolio - a trend we expect to continue during this low rate environment.

Retail consumer and commercial loans consist of the following at the dates indicated:

|                              | September 30 |               | Change     |        | Percent of total   |               |
|------------------------------|--------------|---------------|------------|--------|--------------------|---------------|
|                              | 2016         | June 30, 2016 | \$         | %      | September 30, 2016 | June 30, 2016 |
| Retail consumer loans:       |              |               |            |        |                    |               |
| One-to-four family           | \$613,568    | \$623,701     | \$(10,133) | (1.6)% | 32.6%              | 34.0%         |
| HELOCs - originated          | 161,679      | 163,293       | (1,614)    | (1.0)  | 8.6                | 8.9           |
| HELOCs - purchased           | 169,007      | 144,377       | 24,630     | 17.1   | 9.0                | 8.0           |
| Construction and land/lots   | 40,100       | 38,102        | 1,998      | 5.2    | 2.1                | 2.1           |
| Indirect auto finance        | 122,115      | 108,478       | 13,637     | 12.6   | 6.5                | 5.9           |
| Consumer                     | 5,348        | 4,635         | 713        | 15.4   | 0.3                | 0.3           |
| Total retail consumer loans  | 1,111,817    | 1,082,586     | 29,231     | 2.7    | 59.1               | 59.2          |
| Commercial loans:            |              |               |            |        |                    |               |
| Commercial real estate       | 487,997      | 486,561       | 1,436      | 0.3    | 25.9               | 26.6          |
| Construction and development | 109,507      | 86,840        | 22,667     | 26.1   | 5.8                | 4.7           |
| Commercial and industrial    | 70,393       | 73,289        | (2,896)    | (4.0)  | 3.7                | 4.0           |
| Municipal leases             | 101,400      | 103,183       | (1,783)    | (1.7)  | 5.4                | 5.6           |
| Total commercial loans       | 769,297      | 749,873       | 19,424     | 2.6    | 40.9               | 40.8          |
| Total loans                  | \$1,881,114  | \$1,832,459   | \$48,655   | 2.7%   | 100.0%             | 100.0%        |

Asset Quality. Nonperforming assets decreased \$1.8 million to \$22.7 million, or 0.82% of total assets, at September 30, 2016, compared to \$24.5 million, or 0.90% of total assets, at June 30, 2016. Nonperforming assets included \$17.0 million in nonaccruing loans and \$5.7 million in REO at September 30, 2016, compared to \$18.5 million and \$6.0 million, in nonaccruing loans and REO respectively, at June 30, 2016. Included in nonperforming loans are \$6.3 million of loans restructured from their original terms of which \$3.7 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 September 30, 2016, \$7.3 million, or 42.7%, of nonaccruing loans were current on their required loan payments. Purchased credit impaired loans aggregating \$6.1 million were 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 2.07% at September 30, 2016 from 2.17% at June 30, 2016. Classified assets decreased 3.1% to \$57.1 million at September 30, 2016 compared to \$58.9 million at June 30, 2016. Delinquent loans (loans delinquent 30 days or more) decreased to \$18.1 million at September 30, 2016, from \$19.5 million at June 30, 2016.

As of September 30, 2016, we had identified \$43.6 million of impaired loans compared to \$44.1 million at June 30, 2016. 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. As of September 30, 2016, there were \$21.6 million loans individually evaluated for impairment and \$22.0 million were collectively evaluated. 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 \$21.0 million, or 1.11% of total loans, at September 30, 2016 compared to \$21.3 million, or 1.16% of total loans, at June 30, 2016. The allowance for loan losses was 1.24% of gross loans at September 30, 2016, excluding acquired loans as the loans acquired from 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. There was no provision for loan loss during the three months ended September 30, 2016 or 2015. Net loan charge-offs totaled \$341,000 for the three months ended September 30, 2016 compared to \$262,000 for the same period during the prior fiscal year. Net charge-offs as a percentage of average loans increased slightly to 0.07% for the three months ended September 30, 2016 from 0.06% for the same period last fiscal year.

The allowance as a percentage of nonaccruing loans increased to 123.2% at September 30, 2016 from 115.0% at June 30, 2016.

We believe that the allowance for loan losses as of September 30, 2016 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 \$241,000, to \$5.7 million at September 30, 2016. The total balance of REO at September 30, 2016 included \$3.7 million in land, construction and development projects (both residential and commercial), \$1.0 million in commercial real estate, and \$961,000 in single-family homes.

Deferred income taxes. Deferred income taxes decreased \$2.1 million, or 3.8%, to \$52.1 million at September 30, 2016 from \$54.2 million at June 30, 2016. The realization of net operating losses through increases in net income was the primary driver in the decrease, but deferred income taxes were also further reduced by the revaluation of deferred tax assets relating to a change in North Carolina's corporate tax rate, as discussed below.

Deposits. Deposits decreased \$9.2 million, or 0.5%, to \$1.8 billion at June 30, 2016. This decrease was primarily due to a managed run off of \$25.4 million in higher cost certificates of deposit and brokered deposits partially offset by a net increase of \$16.2 million in checking, savings, and money market accounts.

Borrowings. Borrowings increased to \$536.5 million at September 30, 2016 from \$491.0 million at June 30, 2016.

All FHLB advances have maturities of less than 90 days with a weighted average interest rate of 0.40% at September 30, 2016.

Other liabilities. Other liabilities decreased \$4.3 million, or 7.0% to \$57.7 million at September 30, 2016 from \$62.0 million at June 30, 2016, primarily due to a \$3.0 million decrease in official checks outstanding.

Equity. Stockholders' equity at September 30, 2016 increased to \$364.4 million from \$360.0 million at June 30, 2016. The increase was a primarily a result of \$3.8 million in net income for the first quarter of fiscal 2017. Tangible book value per share increased \$0.26, or 1.4% to \$19.31 as of September 30, 2016 compared to \$19.05 at June 30, 2016.

## 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 September 30,                    |  |                               |                                   |  |                               |
|---|---|--|-------------------------------|-----------------------------------|--|-------------------------------|
|   | 2016  |  |                               | 2015                              |  |                               |
|   | 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>   | \$1,848,086   | \$21,070                                   | 4.56 %                        | \$1,728,862                       | \$20,281                                   | 4.69 %                        |
| <b>Deposits in other financial institutions</b>                         |   |  |                               |                                   |  |                               |
| Investment securities   | 191,716   | 497  | 1.04 %                        | 248,969                           | 527  | 0.85 %                        |
| Other <sup>(3)</sup>  | 196,889   | 880  | 1.79 %                        | 259,271                           | 1,199                                      | 1.85 %                        |
| Total interest-earning assets   | 290,722   | 934  | 1.29 %                        | 278,665                           | 649  | 0.93 %                        |
| Total interest-earning assets   | 2,527,413   | 23,381                                     | 3.70 %                        | 2,515,767                         | 22,656                                     | 3.60 %                        |
| <b>Interest-bearing liabilities:</b>                                    |   |  |                               |                                   |  |                               |
| Interest-bearing checking accounts                                      | 403,823   | 173  | 0.17 %                        | 385,695                           | 142  | 0.15 %                        |
| Money market accounts   | 519,250   | 347  | 0.27 %                        | 482,201                           | 245  | 0.20 %                        |
| Savings accounts  | 210,179   | 70   | 0.13 %                        | 218,961                           | 74   | 0.14 %                        |
| Certificate accounts  | 430,791   | 509  | 0.47 %                        | 554,915                           | 730  | 0.53 %                        |
| Borrowings  | 533,889   | 555  | 0.42 %                        | 475,933                           | 247  | 0.21 %                        |
| Total interest-bearing liabilities                                      | 2,097,932   | 1,654                                      | 0.31 %                        | 2,117,705                         | 1,438                                      | 0.27 %                        |
| Net earning assets  | \$429,481   |  |                               | \$398,062                         |  |                               |
| Average interest-earning assets to average interest-bearing liabilities | 120.47  | %  |                               | 118.80                            | %  |                               |
| <b>Tax-equivalent:</b>  |   |  |                               |                                   |  |                               |
| Net interest income   |   | \$21,727                                   |                               |                                   | \$21,218                                   |                               |
| Interest rate spread  |   |  | 3.39 %                        |                                   |  | 3.33 %                        |
| Net interest margin <sup>(4)</sup>                                      |   |  | 3.44 %                        |                                   |  | 3.37 %                        |
| <b>Non-tax-equivalent:</b>  |   |  |                               |                                   |  |                               |
| Net interest income   |   | \$21,137                                   |                               |                                   | \$20,571                                   |                               |
| Interest rate spread  |   |  | 3.29 %                        |                                   |  | 3.23 %                        |
| Net interest margin <sup>(4)</sup>                                      |   |  | 3.35 %                        |                                   |  | 3.27 %                        |

(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 \$590,000 and \$647,000 for the three months ended September 30, 2016 and 2015, respectively, calculated based on a federal tax rate of 34%.

(3) The average other assets consists of FRB stock, FHLB stock, and commercial paper. See Comparison of Results of Operation for the Three Months Ended September 30, 2016 for discussion of our leveraging strategy.

(4) 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.

| (Dollars in thousands)                         | Three Months Ended September 30,<br>2016                |                              |        |
|--|---|------------------------------|--------|
|  | Compared to<br>Three Months Ended September 30,<br>2015 |                              |        |
|  | Increase/<br>(decrease)<br>due to                       | Total<br>increase/(decrease) |        |
|  | Volume  | Rate                         |        |
| Interest-earning assets:                       |   |                              |        |
| Loans receivable <sup>(1)</sup>                | \$1,398   | \$(609)                      | \$ 789 |
| Deposits in other financial institutions       | (121 )  | 91                           | (30 )  |
| Investment securities                          | (289 )  | (30 )                        | (319 ) |
| Other  | 28  | 257                          | 285    |
| Total interest-earning assets                  | 1,016   | (291 )                       | 725    |
| Interest-bearing liabilities:                  |   |                              |        |
| Interest-bearing checking accounts             | \$7   | \$24                         | \$ 31  |
| Money market accounts                          | 19  | 83                           | 102    |
| Savings accounts                               | (3 )  | (1 )                         | (4 )   |
| Certificate accounts                           | (163 )  | (58 )                        | (221 ) |
| Borrowings                                     | 31  | 277                          | 308    |
| Total interest-bearing liabilities             | (109 )  | 325                          | 216    |
| Net increase in tax equivalent interest income | \$1,125   | \$(616)                      | \$ 509 |

(1) Interest income used in the rate calculation includes the tax equivalent adjustment of \$590,000 and \$647,000 for the three months ended September 30, 2016 and 2015, respectively, calculated based on a federal tax rate of 34%.

## Comparison of Results of Operation for the Three Months Ended September 30, 2016 and 2015

General. During the three months ended September 30, 2016, we had net income of \$3.8 million, a \$1.2 million, or 49.1% increase as compared to net income of \$2.6 million for the three months ended September 30, 2015. On a basic and diluted per share basis, the Company earned \$0.22 per share for the first three months of fiscal year 2017, compared to \$0.14 per share in 2016. Earnings before merger-related expenses, certain state income tax expenses, and gain from the sale of premises and equipment were \$4.3 million, or \$0.25 per share for the first quarter of fiscal year 2017, compared to \$3.1 million, or \$0.17 per share for the same period in the previous year.

Net Interest Income. Net interest income increased \$566,000, or 2.8% to \$21.1 million for the three months September 30, 2016 compared to \$20.6 million for the three months ended September 30, 2015. The increase in net interest income of the quarter ended September 30, 2016 was driven by a \$782,000, or 3.6% increase in interest income and partially offset by a \$216,000, or 15.0% increase in interest expense.

Interest income increased \$782,000 for the three months ended September 30, 2016 as compared to the same period last year, driven by an \$845,000, or 4.3% increase in loan interest income and a \$214,000, or 25.8% increase in interest from certificates of deposit and other interest-bearing deposits. The additional loan interest income was due to

the increase in the average balance of loans receivable and a \$477,000, or 35.2% increase in the accretion of purchase discounts on acquired loans to \$1.8 million for the quarter ended September 30, 2016 from \$1.4 million for the same quarter in 2015.

The average balance of interest-earning assets for the quarter ended September 30, 2016 was \$2.5 billion and was consistent with the comparable quarter in 2015. Net interest margin (on a fully taxable-equivalent basis) for the three months ended September 30, 2016 increased seven basis points to 3.44% from 3.37% for the same period last year. Our leveraging strategy produced an additional \$999,000 in interest income during the three months ended September 30, 2016, at an average yield of 101 basis points, while the average cost of the borrowings was 42 basis points, resulting in approximately \$589,000 in net interest income during the period. During the same three-month period in the prior fiscal year, our leveraging strategy produced an additional \$664,000 in interest income, at an average yield of 60 basis points, while the average cost of borrowings was 21 basis points, resulting in approximately \$433,000 in net interest income. Excluding the effects of the leveraging strategy, the net interest margin would be 3.97% and 4.02% for the three months ended September 30, 2016 and 2015, respectively.

For the quarter ended September 30, 2016, the average balance of loans receivable increased \$119.2 million, or 6.9% from organic loan growth and the purchase of HELOCs, which partially led to the \$845,000, or 4.3% increase in loan interest income. In addition, the accretion of purchase discounts on acquired loans increased \$477,000, or 35.2% to \$1.8 million for the quarter ended September 30, 2016 from \$1.4 million for the same quarter in 2015. Accretable income on acquired loans 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 the PCI loan pools 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 loan 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 increased the net interest margin (on a fully taxable-equivalent basis) by 40 basis points for the quarter ended September 30, 2016 compared to a 20 basis points impact in the corresponding quarter in 2015. Overall, average loan yields decreased 13 basis points to 4.56% for the quarter ended September 30, 2016 from 4.69% in corresponding quarter in 2015. The decline compared to a year earlier primarily reflects lower average yields on loans recently originated and the refinancing of higher yielding loans as the relatively low interest rate environment continues.

Average interest-earning deposits with banks, investment securities, and other interest-earning assets, consisting of Federal Reserve Bank ("FRB") stock, FHLB stock, and commercial paper had a cumulative decrease of \$107.6 million, or 13.7% for the three months ended September 30, 2016 compared to the same period last year. This cumulative decrease partially offset the increase in interest income on loans by \$63,000, or 2.7%.

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 September 30, 2016, our loans with interest rate floors totaled approximately \$576.5 million and had a weighted average floor rate of 4.02% of which \$250.4 million, or 43.4%, had yields that would begin floating again once prime rates increase at least 200 basis points.

Interest expense increased by \$216,000, or 15.0% to \$1.7 million for the three months ended September 30, 2016 in comparison to 2015. This increase was primarily related to average borrowings, consisting of short-term FHLB advances, increasing by \$58.0 million to \$533.9 million due to our leveraging strategy, as well as a 21 basis point increase in the average cost of borrowings during the quarter as compared to the same quarter last year. This increase was partially offset by a \$77.7 million decrease in the average balance of interest-bearing deposits, primarily due to a \$124.1 million decrease in average certificates of deposit to \$430.8 million for the three months ended September 30, 2016, compared to the same period in 2015 as we continue to reduce higher rate certificates of deposit. The overall average cost of funds increased four basis points due primarily to the impact of the December 2015 increase in the federal funds rate on our borrowings.

Provision for Loan Losses. There was no provision for loan losses during the three months ended September 30, 2016 or 2015 as improved asset quality measures have been sufficient to offset the allowance needed for loan growth. Net charge-offs for the three months ended September 30, 2016 increased to \$341,000 from \$262,000 for the same period in 2015. Net charge-offs as a percentage of average loans increased slightly to 0.07% for the three months ended September 30, 2016 from 0.06% for the same period last fiscal year.

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

Noninterest Income. Noninterest income increased \$707,000, or 21.0%, to \$4.1 million for the three months ended September 30, 2016 from \$3.4 million for the three months ended September 30, 2015, primarily due to a \$248,000, or 34.1%, increase in mortgage banking income and fees. Reflecting our expansion into newer market areas and the continued low interest rate environment, originations of loans held for sale increased 72.5% to \$16.3 million for the three months ended September 30, 2016 as compared to the same quarter last year resulting in an increase in the volume of loans sold. In addition, we recognized a \$385,000 gain on the sale of premises and equipment as we sold a

previously closed branch office building during the current quarter.

**Noninterest Expense.** Noninterest expense for the three months ended September 30, 2016 decreased \$870,000, or 4.4%, to \$19.0 million compared to \$19.8 million for the three months ended September 30, 2015. The overall decrease was a result of management's focus on reducing operating expenses as shown in the cumulative decrease of \$628,000, or 12.2% in net occupancy expense; marketing and advertising; telephone, postage, and supplies; and computer services. The \$246,000, or 46.9% decrease in deposit insurance premiums was due to a decrease in the rates charged by the FDIC that occurred during the quarter. Partially offsetting these decreases were \$307,000 of merger-related expenses as a result of our pending acquisition of TriSummit.

**Income Taxes.** For the three months ended September 30, 2016, the Company's income tax expense was \$2.4 million, an increase of \$883,000, or 57.3% compared to \$1.5 million for the three months ended September 30, 2015. The increase was a result of pretax income for the quarter increasing \$2.1 million, or 52.2% over the comparative quarter in prior year. In addition, the Company had a \$490,000 and a \$526,000 charge during the three months ended September 30, 2016 and 2015, respectively, related to the decrease in value of our deferred tax assets based on recent decreases in North Carolina's corporate tax rate. The rate was reduced to 4.0% in August 2015 and to 3.0% in August 2016 once certain state revenue triggers were achieved. The Company's effective income tax rate for the three months ended September 30, 2016 was 38.8% compared to 37.5% for the three months ended September 30, 2015.

#### 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 September 30, 2016, the Bank had an additional borrowing capacity of \$15.5 million with the FHLB of Atlanta, a \$200.5 million line of credit with the FRB and two lines of credit with three unaffiliated banks totaling \$60.0 million. At September 30, 2016, we had \$536.5 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 September 30, 2016 brokered deposits totaled \$8.9 million, or 0.5% 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 and commercial paper. 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 September 30, 2016, the Company (on an unconsolidated basis) had liquid assets of \$17.1 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 September 30, 2016, the total approved loan commitments and unused lines of credit outstanding amounted to \$163.8 million and \$339.2 million, respectively, as compared to \$164.8 million and \$340.4 million, respectively, as of June 30, 2016. Certificates of deposit scheduled to mature in one year or less at September 30, 2016, totaled \$306.4 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 three months of fiscal 2017, cash and cash equivalents increased \$8.0 million, or 15.1%, from \$52.6 million as of June 30, 2016 to \$60.6 million as of September 30, 2016. Cash provided by financing activities was \$36.3 million, while cash used in operating and investing activities was \$3.0 million and \$25.3 million, respectively. Primary sources of cash for the three months ended September 30, 2016 included \$12.6 million in proceeds from the maturities of securities available for sale, a net increase in commercial paper of \$9.7 million, \$8.1 million in maturities of certificates of deposits in other banks, net of purchases, \$6.6 million in principal repayments from mortgage-backed securities, and a \$45.5 million increase in borrowings. Primary uses of cash during the period included a \$9.2 million decrease in deposits, an increase in loans of \$47.5 million, and \$13.0 million in purchases of available for sale securities. All sources and uses of cash reflect our cash management strategy to increase our number of higher yielding investments and loans by increasing lower costing borrowings and reducing our holdings in lower yielding investments.

#### 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 months ended September 30, 2016, 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 September 30, 2016, is as follows (in thousands):

|                           |           |
|---------------------------|-----------|
| Commitments to make loans | \$163,839 |
| Unused lines of credit    | 339,185   |
| Total loan commitments    | \$503,024 |

Capital Resources

At September 30, 2016, stockholder's equity totaled \$364.4 million. HomeTrust Bancshares, Inc. is a bank holding company and a financial holding company subject to regulation by the Federal Reserve. As a bank holding company, we are subject to capital adequacy requirements of the Federal Reserve under the Bank Holding Company Act of 1956, as amended and the regulations of the Federal Reserve. Our subsidiary, the Bank, an FDIC-insured, North Carolina state-chartered bank and a member of the Federal Reserve System, is supervised and regulated by the Federal Reserve and the NCCOB and is subject to minimum capital requirements applicable to state member banks established by the Federal Reserve that are calculated in a manner similar to those applicable to bank holding companies.

Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

At September 30, 2016, HomeTrust Bancshares, Inc. and the Bank each exceeded all regulatory capital requirements as of that date. Consistent with our goals to operate a sound and profitable organization, our policy is for the Bank to maintain a "well-capitalized" status under the regulatory capital categories of the Federal Reserve. The Bank was categorized as "well-capitalized" at September 30, 2016 under applicable regulatory requirements.

HomeTrust Bancshares, Inc. and the Bank's actual and required minimum capital amounts and ratios are as follows (dollars in thousands):

|  | Actual    |        | Regulatory Requirements               |       |                                |        |
|--|-----------|--------|---------------------------------------|-------|--------------------------------|--------|
|  |           |        | Minimum for Capital Adequacy Purposes |       | Minimum to Be Well Capitalized |        |
|  | Amount    | Ratio  | Amount                                | Ratio | Amount                         | Ratio  |
| HomeTrust Bancshares, Inc.                           |           |        |                                       |       |                                |        |
| As of September 30, 2016                             |           |        |                                       |       |                                |        |
| Common Equity Tier I Capital to Risk-Weighted Assets | \$325,230 | 15.01% | \$97,517                              | 4.50% | \$140,858                      | 6.50%  |
| Tier I Capital (to Total Adjusted Assets)            | \$325,230 | 11.94% | \$108,975                             | 4.00% | \$136,219                      | 5.00%  |
| Tier I Capital (to Risk-weighted Assets)             | \$325,230 | 15.01% | \$130,023                             | 6.00% | \$173,364                      | 8.00%  |
| Total Risk-based Capital (to Risk-weighted Assets)   | \$346,636 | 16.00% | \$173,364                             | 8.00% | \$216,705                      | 10.00% |
| As of June 30, 2016                                  |           |        |                                       |       |                                |        |
| Common Equity Tier I Capital to Risk-Weighted Assets | \$317,258 | 14.39% | \$99,197                              | 4.50% | \$143,285                      | 6.50%  |
| Tier I Capital (to Total Adjusted Assets)            | \$317,258 | 11.78% | \$107,687                             | 4.00% | \$134,609                      | 5.00%  |
| Tier I Capital (to Risk-weighted Assets)             | \$317,258 | 14.39% | \$132,263                             | 6.00% | \$176,350                      | 8.00%  |
| Total Risk-based Capital (to Risk-weighted Assets)   | \$339,005 | 15.38% | \$176,350                             | 8.00% | \$220,438                      | 10.00% |
| HomeTrust Bank:                                      |           |        |                                       |       |                                |        |
| As of September 30, 2016                             |           |        |                                       |       |                                |        |
| Common Equity Tier I Capital to Risk-Weighted Assets | \$287,840 | 13.35% | \$97,007                              | 4.50% | \$140,121                      | 6.50%  |
| Tier I Capital (to Total Adjusted Assets)            | \$287,840 | 10.64% | \$108,201                             | 4.00% | \$135,252                      | 5.00%  |
| Tier I Capital (to Risk-weighted Assets)             | \$287,840 | 13.35% | \$129,342                             | 6.00% | \$172,456                      | 8.00%  |
| Total Risk-based Capital (to Risk-weighted Assets)   | \$309,060 | 14.34% | \$172,456                             | 8.00% | \$215,570                      | 10.00% |
| As of June 30, 2016                                  |           |        |                                       |       |                                |        |
| Common Equity Tier I Capital to Risk-Weighted Assets | \$280,598 | 12.80% | \$98,634                              | 4.50% | \$142,471                      | 6.50%  |
| Tier I Capital (to Total Adjusted Assets)            | \$280,598 | 10.50% | \$106,852                             | 4.00% | \$133,565                      | 5.00%  |
| Tier I Capital (to Risk-weighted Assets)             | \$280,598 | 12.80% | \$131,512                             | 6.00% | \$175,349                      | 8.00%  |
| Total Risk-based Capital (to Risk-weighted Assets)   | \$302,271 | 13.79% | \$175,349                             | 8.00% | \$219,187                      | 10.00% |

In addition to the minimum common equity Tier 1 ("CET1"), Tier 1 and total risk-based capital ratios, HomeTrust Bancshares, Inc. and the Bank now has to maintain a capital conservation buffer consisting of additional CET1 capital 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 began to be phased in beginning in January 2016 at 0.625%

of risk-weighted assets and will increase each year until fully implemented to an amount equal to 2.5% of risk-weighted assets in January 2019.

**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 2016 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 September 30, 2016, 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 September 30, 2016, 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 September 30, 2016, 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 9 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 2016 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 September 30, 2016.

| Period                 | Total<br>Number<br>Of Shares<br>Purchased | Average<br>Price<br>Paid per<br>Share | Total<br>Number Of<br>Shares<br>Purchased<br>as 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 |
|------------------------|---|---------------------------------------|---|---|
| July 1 - July 31, 2016 | —   | \$                                    | —   | 443,155   |

Edgar Filing: HomeTrust Bancshares, Inc. - Form 10-Q

|                                  |   |    |   |         |
|----------------------------------|---|----|---|---------|
| August 1 - August 31, 2016       | — | —  | — | 443,155 |
| September 1 - September 30, 2016 | — | —  | — | 443,155 |
| Total                            | — | \$ | — | 443,155 |

On December 15, 2015 the Company announced that its Board of Directors had authorized the repurchase of up to 922,855 shares of the Company's common stock, representing 5% of the Company's outstanding shares at the time of the announcement. 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 September 30, 2016, 479,700 of the shares approved on December 15, 2015 were purchased at an average price of \$18.00.

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: November 9, 2016 By: /s/ Dana L. Stonestreet  
Dana L. Stonestreet  
Chairman, President and CEO  
(Duly Authorized Officer)

Date: November 9, 2016 By: /s/ Tony J. VunCannon  
Tony J. VunCannon  
Executive Vice President, CFO, and Treasurer  
(Principal Financial and Accounting Officer)

## EXHIBIT INDEX

| Regulation S-K<br>Exhibit Number | Document  | Reference to Prior<br>Filing or Exhibit<br>Number Attached<br>Hereto |
|----------------------------------|---|--|
| 2.1                              | Agreement and Plan of Merger, dated as of September 20, 2016, by and between HomeTrust Bancshares, Inc. and TriSummit Bancorp, Inc.   | (a)  |
| 3.1                              | Charter of HomeTrust Bancshares, Inc.   | (b)  |
| 3.2                              | Articles Supplementary to the Charter of HomeTrust Bancshares, Inc. for HomeTrust Bancshares, Inc.'s Junior Participating Preferred Stock, Series A   | (c)  |
| 3.3                              | Bylaws of HomeTrust Bancshares, Inc.  | (d)  |
| 4.1                              | Tax Benefits Preservation Plan, dated as of September 25, 2012, between HomeTrust Bancshares, Inc. and Registrar and Transfer Company, as Rights Agent  | (e)  |
| 4.2                              | Amendment No. 1, dated as of August 31, 2015, to Tax Benefit Preservation Plan, dated as of September 25, 2012, between HomeTrust Bancshares, Inc. and Computershare Trust Company, N.A., as successor rights agent to Registrar and Transfer Company | (m)  |
| 10.1                             | Employment Agreement entered into between HomeTrust Bancshares, Inc. and F. Edward Broadwell, Jr.   | (b)  |
| 10.2                             | Amended and Restated Employment Agreement entered into between HomeTrust Bancshares, Inc. and Dana L. Stonestreet   | (e)  |
| 10.3                             | Employment Agreement entered into between HomeTrust Bancshares, Inc. and each of Tony J. VunCannon and Howard L. Sellinger  | (b)  |
| 10.4                             | Employment Agreement entered into between HomeTrust Bancshares, Inc. and C. Hunter Westbrook  | (f)  |
| 10.5                             | Employment Agreement between HomeTrust Bank and Sidney A. Biesecker   | (b)  |
| 10.6                             | Employment Agreement between HomeTrust Bank and Stan Allen  | (b)  |
| 10.7                             | HomeTrust Bank Executive Supplemental Retirement Income Master Agreement ("SERP")   | (b)  |
| 10.7A                            | SERP Joinder Agreement for F. Edward Broadwell, Jr.   | (b)  |
| 10.7B                            | SERP Joinder Agreement for Dana L. Stonestreet  | (b)  |
| 10.7C                            | SERP Joinder Agreement for Tony J. VunCannon  | (b)  |
| 10.7D                            | SERP Joinder Agreement for Howard L. Sellinger  | (b)  |
| 10.7E                            | SERP Joinder Agreement for Stan Allen   | (b)  |
| 10.7F                            | SERP Joinder Agreement for Sidney A. Biesecker  | (b)  |
| 10.7G                            | SERP Joinder Agreement for Peggy C. Melville  | (b)  |
| 10.7H                            | SERP Joinder Agreement for William T. Flynt   | (b)  |
| 10.7I                            | Amended and Restated Supplemental Income Agreement between HomeTrust Bank, as successor to Industrial Federal Savings Bank, and Sidney Biesecker  | (g)  |
| 10.8                             | HomeTrust Bank Director Emeritus Plan ("Director Emeritus Plan")  | (b)  |
| 10.8A                            | Director Emeritus Plan Joinder Agreement for William T. Flynt   | (b)  |
| 10.8B                            | Director Emeritus Plan Joinder Agreement for J. Steven Goforth  | (b)  |
| 10.8C                            | Director Emeritus Plan Joinder Agreement for Craig C. Koontz  | (b)  |
| 10.8D                            | Director Emeritus Plan Joinder Agreement for Larry S. McDevitt  | (b)  |
| 10.8E                            | Director Emeritus Plan Joinder Agreement for F.K. McFarland, III  | (b)  |
| 10.8F                            | Director Emeritus Plan Joinder Agreement for Peggy C. Melville  | (b)  |

Edgar Filing: HomeTrust Bancshares, Inc. - Form 10-Q

|       |   |     |
|-------|---|-----|
| 10.8G | Director Emeritus Plan Joinder Agreement for Robert E. Shepherd, Sr.              | (b) |
| 10.9  | HomeTrust Bank Defined Contribution Executive Medical Care Plan                   | (b) |
| 10.10 | HomeTrust Bank 2005 Deferred Compensation Plan                                    | (b) |
| 10.11 | HomeTrust Bank Pre-2005 Deferred Compensation Plan                                | (b) |
| 10.12 | HomeTrust Bancshares, Inc. Strategic Operating Committee Incentive Plan           | (n) |
| 10.13 | HomeTrust Bancshares, Inc. 2013 Omnibus Incentive Plan ("Omnibus Incentive Plan") | (h) |
| 10.14 | Form of Incentive Stock Option Award Agreement under Omnibus Incentive Plan       | (i) |

|       |  |      |
|-------|--|------|
| 10.15 | Form of Non-Qualified Stock Option Award Agreement under Omnibus Incentive Plan  | (i)  |
| 10.16 | Form of Stock Appreciation Right Award Agreement under Omnibus Incentive Plan  | (i)  |
| 10.17 | Form of Restricted Stock Award Agreement under Omnibus Incentive Plan  | (i)  |
| 10.18 | Form of Restricted Stock Unit Award Agreement under Omnibus Incentive Plan   | (i)  |
| 10.19 | Fully Restated Employment Agreement between HomeTrust Bank and Anderson L. Smith   | (j)  |
| 10.20 | Amended and Restated Jefferson Federal Bank Supplemental Executive Retirement Plan   | (k)  |
| 10.21 | Money Purchase Deferred Compensation Agreement, dated as of September 1, 1987, between HomeTrust Bank and F. Edward Broadwell, Jr.   | (l)  |
| 10.22 | Retirement Payment Agreement, dated as of September 1, 1987, between HomeTrust Bank and F. Edward Broadwell, Jr., as amended   | (l)  |
| 10.23 | Retirement Payment Agreement, dated as of September 1, 1987, between HomeTrust Bank and Larry S. McDevitt, as amended  | (l)  |
| 10.24 | Retirement Payment Agreement, dated as of September 1, 1987, between HomeTrust Bank and Peggy C. Melville, as amended  | (l)  |
| 10.25 | Retirement Payment Agreement, dated as of August 1, 1988, between HomeTrust Bank and Robert E. Shepherd, Sr., as amended   | (l)  |
| 10.26 | Retirement Payment Agreement, dated as of May 1, 1991, between HomeTrust Bank and William T. Flynt, as amended   | (l)  |
| 10.27 | Offer Letter between HomeTrust Bank and Keith J. Houghton  | (n)  |
| 10.28 | Form of Relocation Repayment Agreement between HomeTrust Bank and Keith J. Houghton  | (n)  |
| 10.29 | Form of Change in Control Severance Agreement between HomeTrust Bancshares, Inc. and each of Keith J. Houghton, R. Parrish Little, and Teresa White  | (o)  |
| 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 September 30, 2016, 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  |
| (a)   | Attached as Appendix A to the proxy statement/prospectus filed by HomeTrust Bancshares on November 2, 2016 pursuant to Rule 424(b) of the Securities Act of 1933.  |      |
| (b)   | Filed as an exhibit to HomeTrust Bancshares's Registration Statement on Form S-1 (File No. 333-178817) filed on December 29, 2011.   |      |
| (c)   | Filed as an exhibit to HomeTrust Bancshares's Current Report on Form 8-K filed on September 25, 2012 (File No. 001-35593).   |      |
| (d)   | Filed as an exhibit to HomeTrust Bancshares's Current Report on Form 8-K filed on January 29, 2014 (File No. 001-35593).   |      |
| (e)   | Filed as an exhibit to HomeTrust Bancshares's Current Report on Form 8-K filed on November 27, 2013 (File No. 001-35593).  |      |
| (f)   | 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).   |      |
| (g)   | 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.  |      |
| (h)   | Attached as Appendix A to HomeTrust Bancshares's definitive proxy statement filed on December 5, 2012 (File No. 001-35593).  |      |

Edgar Filing: HomeTrust Bancshares, Inc. - Form 10-Q

- (i) Filed as an exhibit to HomeTrust Bancshares's Registration Statement on Form S-8 (File No. 333-186666) filed on February 13, 2013.
- (j) Filed as an exhibit to HomeTrust Bancshares's Current Report on Form 8-K filed on June 3, 2014 (File No. 001-35593).
- (k) 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).
- (l) 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).
- (m) Filed as an exhibit to HomeTrust Bancshares's Current Report on Form 8-K filed on August 31, 2015 (File No. 001-35593)
- (n) Filed as an exhibit to HomeTrust Bancshares's Annual Report on Form 10-K for the fiscal year ended June 30, 2015 (File No. 001-35593).
- (o) Filed as an exhibit to HomeTrust Bancshares's Current Report on Form 8-K filed on January 29, 2016 (File No. 001-35593)