

HomeTrust Bancshares, Inc.  
Form 10-Q  
November 10, 2014

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2014

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

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

Commission file number: 001-35593

HOMETRUST BANCSHARES, INC.  
(Exact name of registrant as specified in its charter)

Maryland  
(State or other jurisdiction of incorporation of organization)

45-5055422  
(IRS Employer Identification No.)

10 Woodfin Street, Asheville, North Carolina 28801  
(Address of principal executive offices; Zip Code)

(828) 259-3939  
(Registrant's telephone number, including area code)

None  
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 and 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

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

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

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Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

APPLICABLE ONLY TO CORPORATE ISSUERS

There were 20,502,248 shares of common stock, par value of \$.01 per share, issued and outstanding as of November 6, 2014.

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

## Item 1. Financial Statements

## HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

## Consolidated Balance Sheets

(Dollar amounts in thousands except per share data)

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

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

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

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

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

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

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



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

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

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

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

|                                      | Common<br>Stock | Additional<br>Paid In<br>Capital | Retained<br>Earnings | Unearned<br>ESOP<br>Shares | Accumulated<br>Other<br>Comprehensive<br>Income<br>(Loss) | Total<br>Stockholders'<br>Equity |
|--------------------------------------|-----------------|----------------------------------|----------------------|----------------------------|---|----------------------------------|
| Balance at June 30, 2013             | \$208           | \$227,397                        | \$149,990            | \$(10,051 )                | \$ (29 )  | \$ 367,515                       |
| Net income                           | -               | -                                | 3,327                | -                          | -   | 3,327                            |
| Stock repurchased                    | (2 )            | (3,592 )                         | -                    | -                          | -   | (3,594 )                         |
| Stock option expense                 | -               | 325                              | -                    | -                          | -   | 325                              |
| Restricted stock expense             | -               | 343                              | -                    | -                          | -   | 343                              |
| ESOP shares allocated                | -               | 85                               | -                    | 132                        | -   | 217                              |
| Other comprehensive loss             | -               | -                                | -                    | -                          | (67 )   | (67 )                            |
| <br>Balance at September 30,<br>2013 | <br>\$206       | <br>\$224,558                    | <br>\$153,317        | <br>\$(9,919 )             | <br>\$ (96 )  | <br>\$ 368,066                   |
| <br>Balance at June 30, 2014         | <br>\$207       | <br>\$225,889                    | <br>\$160,332        | <br>\$(9,522 )             | <br>\$245   | <br>\$377,151                    |
| Net income                           | -               | -                                | 2,256                | -                          | -   | 2,256                            |
| Stock repurchased                    | (2 )            | (2,536 )                         | -                    | -                          | -   | (2,538 )                         |
| Exercised stock options              | -               | 259                              | -                    | -                          | -   | 259                              |
| Stock option expense                 | -               | 365                              | -                    | -                          | -   | 365                              |
| Restricted stock expense             | -               | 388                              | -                    | -                          | -   | 388                              |
| ESOP shares allocated                | -               | 69                               | -                    | 132                        | -   | 201                              |
| Other comprehensive loss             | -               | -                                | -                    | -                          | (34 )   | (34 )                            |
| <br>Balance at September 30,<br>2014 | <br>\$205       | <br>\$224,434                    | <br>\$162,588        | <br>\$(9,390 )             | <br>\$211   | <br>\$378,048                    |

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

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

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

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|   |          |        |          |
|---|----------|--------|----------|
| Net cash provided by (used in) financing activities | 26,955   | (6,475 | )        |
| Net Decrease in Cash and Cash Equivalents           | (13,607  | )      | (32,795  |
| Cash and Cash Equivalents at Beginning of Period    | 45,830   |        | 125,713  |
| Cash and Cash Equivalents at End of Period          | \$32,223 |        | \$92,918 |

Supplemental Disclosures:

Cash paid during the period for:

|              |       |         |
|--------------|-------|---------|
| Interest     | \$809 | \$1,375 |
| Income taxes | 120   | 13      |

Noncash transactions:

|  |     |   |       |   |
|--|-----|---|-------|---|
| Unrealized loss in value of securities available for sale, net of income taxes | (34 | ) | (67   | ) |
| Transfers of loans to REO  | 309 |   | 1,615 |   |
| Loans originated to finance the sale of REO                                    | -   |   | 94    |   |

Business Combinations:

|                     |         |         |
|---------------------|---------|---------|
| Assets acquired     | 124,956 | 103,905 |
| Liabilities assumed | 114,956 | 94,352  |
| Net assets acquired | 10,000  | 9,553   |

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

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

1. Summary of Significant Accounting Policies

The consolidated financial statements presented in this report include the accounts of HomeTrust Bancshares, Inc., a Maryland corporation (“HomeTrust”), and its wholly-owned subsidiary, HomeTrust Bank, National Association (the “Bank”). As used throughout this report, the term the “Company” refers to HomeTrust and the Bank, its consolidated subsidiary, unless the context otherwise requires.

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

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

2. Recent Accounting Pronouncements

In July 2013, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2013-11 “Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists”. This ASU provides guidance on financial

statement presentation of an unrecognized tax benefit when a net operating loss (“NOL”) carryforward, a similar tax loss, or a tax credit carryforward exists. This ASU applies to all entities with unrecognized tax benefits that also have tax loss or tax credit carryforwards in the same tax jurisdiction as of the reporting date. The new guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013 with early adoption permitted. Since the Company does not have any unrecognized tax benefits, the adoption of the ASU did not have a material impact on the Company’s Consolidated Financial Statements.

In January 2014, the FASB issued ASU No. 2014-04, "Receivables—Troubled Debt Restructurings by Creditors (Subtopic 310-40): Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure". The objective of this guidance is to clarify when an in substance repossession or foreclosure occurs, that is, when a creditor should be considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan such that the loan receivable should be derecognized and the real estate property recognized. ASU No. 2014-04 states that an in substance repossession or foreclosure occurs, and a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, upon either (1) the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure or (2) the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. Additionally, ASU No. 2014-04 requires interim and annual disclosure of both (1) the amount of foreclosed residential real estate property held by the creditor and (2) the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure according to local requirements of the applicable jurisdiction. ASU No. 2014-04 is effective for interim and annual reporting periods beginning after December 15, 2014. The adoption of ASU No. 2014-04 is not expected to have a material impact on the Company's Consolidated Financial Statements.

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

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

3. Business Combinations

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

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

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

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

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



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

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

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

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

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

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

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

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

|                        | Purchased<br>Performing | PCI | Total<br>Loans |
|------------------------|-------------------------|-----|----------------|
| Retail Consumer Loans: |                         |     |                |

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

On July 31, 2013, the Company completed its acquisition of BankGreenville Financial Corporation (“BankGreenville”) in accordance with the terms of the Agreement and Plan of Merger dated May 3, 2013. Under the terms of the agreement, BankGreenville shareholders received \$6.63 per share in cash consideration. This represents approximately \$7.8 million of aggregate deal consideration. Additional contingent cash consideration of up to \$0.75 per share (or approximately \$883,000) may be realized at the expiration of 24 months based on the performance of a select pool of loans totaling approximately \$8.0 million.

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

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

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

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

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

|                               | Purchased<br>Performing | PCI             | Total<br>Loans   |
|-------------------------------|-------------------------|-----------------|------------------|
| <b>Retail Consumer Loans:</b> |                         |                 |                  |
| One-to-four family            | \$ 8,274                | \$ 1,392        | \$ 9,666         |
| Home equity lines of credit   | 3,987                   | 134             | 4,121            |
| Consumer                      | 522                     | -               | 522              |
| <b>Commercial:</b>            |                         |                 |                  |
| Commercial real estate        | 23,073                  | 4,552           | 27,625           |
| Construction and development  | 2,367                   | 3,529           | 5,896            |
| <b>Total</b>                  | <b>\$ 38,223</b>        | <b>\$ 9,607</b> | <b>\$ 47,830</b> |

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

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

\* Net interest income plus other income

4. Securities Available for Sale

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

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

  

|  | June 30, 2014     |                              |                               | Estimated<br>Fair<br>Value |
|--|-------------------|------------------------------|-------------------------------|----------------------------|
|  | Amortized<br>Cost | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Losses |                            |

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

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

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

HOMETRUST BANCSHARES, INC. AND SUBSIDIARY  
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The Company had no sales of securities during the three months ended September 30, 2014 and 2013.

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

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

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

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



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

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

HOMETRUST BANCSHARES, INC. AND SUBSIDIARY  
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5. Loans

Loans consist of the following at the dates indicated:

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

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

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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, 2014           |              |                    |             |          |       |              |
| Retail consumer loans:       |              |                    |             |          |       |              |
| One-to-four family           | \$ 597,955   | \$ 15,069          | \$ 30,133   | \$ 3,156 | \$ 9  | \$ 646,322   |
| Home equity lines of credit  | 151,492      | 1,053              | 4,696       | 553      | 2     | 157,796      |
| Construction and land/lots   | 57,466       | 1,041              | 1,943       | 433      | -     | 60,883       |
| Indirect auto finance        | 15,400       | 49                 | -           | -        | -     | 15,449       |
| Consumer                     | 5,280        | 81                 | 101         | 77       | 2     | 5,541        |
| Commercial loans:            |              |                    |             |          |       |              |
| Commercial real estate       | 371,721      | 14,688             | 16,448      | 1,936    | -     | 404,793      |
| Construction and development | 40,297       | 2,001              | 6,126       | 569      | -     | 48,993       |
| Commercial and industrial    | 80,706       | 819                | 1,464       | -        | 1     | 82,990       |
| Municipal leases             | 106,976      | 1,800              | 303         | -        | -     | 109,079      |
| Total loans                  | \$ 1,427,293 | \$ 36,601          | \$ 61,214   | \$ 6,724 | \$ 14 | \$ 1,531,846 |

|                              | Pass         | Special<br>Mention | Substandard | Doubtful | Loss  | Total        |
|------------------------------|--------------|--------------------|-------------|----------|-------|--------------|
| June 30, 2014                |              |                    |             |          |       |              |
| Retail consumer loans:       |              |                    |             |          |       |              |
| One-to-four family           | \$ 602,409   | \$ 17,639          | \$ 28,974   | \$ 2,907 | \$ 10 | \$ 651,939   |
| Home equity lines of credit  | 141,008      | 1,605              | 4,967       | 420      | 2     | 148,002      |
| Construction and land/lots   | 55,374       | 1,878              | 807         | 113      | -     | 58,172       |
| Indirect auto finance        | 8,801        | 32                 | -           | -        | -     | 8,833        |
| Consumer                     | 6,115        | 62                 | 97          | 13       | 3     | 6,290        |
| Commercial loans:            |              |                    |             |          |       |              |
| Commercial real estate       | 313,437      | 16,931             | 19,746      | 1,944    | -     | 352,058      |
| Construction and development | 41,336       | 2,927              | 5,972       | 570      | -     | 50,805       |
| Commercial and industrial    | 66,481       | 873                | 1,723       | -        | 3     | 69,080       |
| Municipal leases             | 104,404      | 1,811              | -           | -        | -     | 106,215      |
| Total loans                  | \$ 1,339,365 | \$ 43,758          | \$ 62,286   | \$ 5,967 | \$ 18 | \$ 1,451,394 |



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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, 2014           |           |                    |             |          |      |           |
| Retail consumer loans:       |           |                    |             |          |      |           |
| One-to-four family           | \$ 4,947  | \$ 939             | \$ 3,860    | \$ -     | \$ - | \$ 9,746  |
| Home equity lines of credit  | 57        | -                  | 367         | -        | -    | 424       |
| Construction and land/lots   | 457       | -                  | 441         | -        | -    | 898       |
| Indirect auto finance        | -         | -                  | -           | -        | -    | -         |
| Consumer                     | 15        | -                  | -           | -        | -    | 15        |
| Commercial loans:            |           |                    |             |          |      |           |
| Commercial real estate       | 32,823    | 6,817              | 10,786      | -        | -    | 50,426    |
| Construction and development | 1,914     | 1,778              | 3,752       | -        | -    | 7,444     |
| Commercial and industrial    | 6,504     | 456                | 1,176       | -        | -    | 8,136     |
| Municipal leases             | -         | -                  | -           | -        | -    | -         |
| Total loans                  | \$ 46,717 | \$ 9,990           | \$ 20,382   | \$ -     | \$ - | \$ 77,089 |
| June 30, 2014                |           |                    |             |          |      |           |
| Retail consumer loans:       |           |                    |             |          |      |           |
| One-to-four family           | \$ 4,904  | \$ -               | \$ 3,357    | \$ -     | \$ - | \$ 8,261  |
| Home equity lines of credit  | 7         | -                  | 370         | -        | -    | 377       |
| Construction and land/lots   | 791       | -                  | 286         | -        | -    | 1,077     |
| Indirect auto finance        | -         | -                  | -           | -        | -    | -         |
| Consumer                     | 41        | -                  | -           | -        | -    | 41        |
| Commercial loans:            |           |                    |             |          |      |           |
| Commercial real estate       | 20,853    | -                  | 4,858       | -        | -    | 25,711    |
| Construction and development | 2,443     | 2,169              | 1,040       | -        | -    | 5,652     |
| Commercial and industrial    | 4,647     | -                  | 708         | -        | -    | 5,355     |
| Municipal leases             | -         | -                  | -           | -        | -    | -         |
| Total loans                  | \$ 33,686 | \$ 2,169           | \$ 10,619   | \$ -     | \$ - | \$ 46,474 |



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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 Days+  |           |              |                |
| September 30, 2014           |               |           |           |              |                |
| Retail consumer loans:       |               |           |           |              |                |
| One-to-four family           | \$ 2,916      | \$ 8,277  | \$ 11,193 | \$ 644,875   | \$ 656,068     |
| Home equity lines of credit  | 375           | 1,010     | 1,385     | 156,835      | 158,220        |
| Construction and land/lots   | 176           | 732       | 908       | 60,873       | 61,781         |
| Indirect auto finance        | 63            | -         | 63        | 15,386       | 15,449         |
| Consumer                     | 31            | 20        | 51        | 5,505        | 5,556          |
| Commercial loans:            |               |           |           |              |                |
| Commercial real estate       | 3,731         | 8,064     | 11,795    | 443,424      | 455,219        |
| Construction and development | 111           | 3,728     | 3,839     | 52,598       | 56,437         |
| Commercial and industrial    | 207           | 623       | 830       | 90,296       | 91,126         |
| Municipal leases             | 555           | 303       | 858       | 108,221      | 109,079        |
| Total loans                  | \$ 8,165      | \$ 22,757 | \$ 30,922 | \$ 1,578,013 | \$ 1,608,935   |

The table above includes PCI loans of \$2,461 30-89 days past due, \$4,096 90 days or more past due as of September 30, 2014.

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

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

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

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|                               | September 30, 2014 |                                  | June 30, 2014    |                                  |
|-------------------------------|--------------------|----------------------------------|------------------|----------------------------------|
|                               | Nonaccruing        | 90 Days + &<br>still<br>accruing | Nonaccruing      | 90 Days + &<br>still<br>accruing |
| <b>Retail consumer loans:</b> |                    |                                  |                  |                                  |
| One-to-four family            | \$ 15,864          | \$ -                             | \$ 17,968        | \$ -                             |
| Home equity lines of credit   | 2,765              | -                                | 3,114            | -                                |
| Construction and land/lots    | 782                | -                                | 688              | -                                |
| Indirect auto finance         | -                  | -                                | -                | -                                |
| Consumer                      | 35                 | -                                | 27               | -                                |
| <b>Commercial loans:</b>      |                    |                                  |                  |                                  |
| Commercial real estate        | 16,910             | -                                | 16,941           | -                                |
| Construction and development  | 6,771              | -                                | 6,270            | -                                |
| Commercial and industrial     | 2,043              | -                                | 2,003            | -                                |
| Municipal leases              | 303                | -                                | -                | -                                |
| <b>Total loans</b>            | <b>\$ 45,473</b>   | <b>\$ -</b>                      | <b>\$ 47,011</b> | <b>\$ -</b>                      |

The table above includes PCI loans of \$8,464 and \$9,220 as of September 30, 2014 and June 30, 2014, respectively.

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.



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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,<br>2014 | June 30,<br>2014 |
|--|-----------------------|------------------|
| Performing TDRs included in impaired loans | \$ 18,737             | \$ 22,179        |

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

|                                | Three Months Ended September 30, 2014 |            |           | Three Months Ended September 30, 2013 |            |           |
|--------------------------------|---------------------------------------|------------|-----------|---------------------------------------|------------|-----------|
|                                | Retail<br>Consumer                    | Commercial | Total     | Retail<br>Consumer                    | Commercial | Total     |
| Balance at beginning of period | \$ 15,731                             | \$ 7,698   | \$ 23,429 | \$ 21,952                             | \$ 10,121  | \$ 32,073 |
| Provision for (recovery of)    |                                       |            |           |                                       |            |           |
| loan losses                    | (674 )                                | 424        | (250 )    | (1,639 )                              | (661 )     | (2,300 )  |
| Charge-offs                    | (479 )                                | (197 )     | (676 )    | (714 )                                | (214 )     | (928 )    |
| Recoveries                     | 367                                   | 210        | 577       | 132                                   | 223        | 355       |
| Balance at end of period       | \$ 14,945                             | \$ 8,135   | \$ 23,080 | \$ 19,731                             | \$ 9,469   | \$ 29,200 |

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<br>individually<br>evaluated |                   | Loans<br>Collectively<br>Evaluated | Total                  | PCI       | Loans<br>individually<br>evaluated |            | Loans<br>Collectively<br>Evaluated | Total |
| for<br>impairment             |                           | for<br>impairment                  | for<br>impairment |                                    |                        |           | for<br>impairment                  |            |                                    |       |
| September 30,<br>2014         |                           |                                    |                   |                                    |                        |           |                                    |            |                                    |       |
| Retail consumer<br>loans:     |                           |                                    |                   |                                    |                        |           |                                    |            |                                    |       |
| One-to-four<br>family         | \$ -                      | \$ 432                             | \$ 9,082          | \$ 9,514                           | \$ 9,746               | \$ 23,328 | \$ 622,994                         | \$ 656,068 |                                    |       |
| Home equity                   | -                         | 154                                | 2,225             | 2,379                              | 424                    | 2,653     | 155,143                            | 158,220    |                                    |       |
| Construction<br>and land/lots | -                         | 655                                | 2,097             | 2,752                              | 898                    | 2,272     | 58,611                             | 61,781     |                                    |       |
| Indirect auto<br>finance      | -                         | -                                  | 198               | 198                                | -                      | -         | 15,449                             | 15,449     |                                    |       |

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|                                    |      |          |           |           |           |           |              |              |
|------------------------------------|------|----------|-----------|-----------|-----------|-----------|--------------|--------------|
| Consumer<br>Commercial<br>loans:   | -    | 3        | 100       | 103       | 15        | 9         | 5,532        | 5,556        |
| Commercial<br>real estate          | -    | 20       | 5,609     | 5,629     | 50,426    | 15,608    | 389,185      | 455,219      |
| Construction<br>and<br>development | -    | 67       | 1,265     | 1,332     | 7,444     | 5,509     | 43,484       | 56,437       |
| Commercial<br>and industrial       | -    | 1        | 444       | 445       | 8,136     | 2,243     | 80,747       | 91,126       |
| Municipal<br>leases                | -    | -        | 728       | 728       | -         | -         | 109,079      | 109,079      |
| Total                              | \$ - | \$ 1,332 | \$ 21,748 | \$ 23,080 | \$ 77,089 | \$ 51,622 | \$ 1,480,224 | \$ 1,608,935 |

June 30, 2014

Retail consumer  
loans:

|                                    |      |          |           |           |           |           |              |              |
|------------------------------------|------|----------|-----------|-----------|-----------|-----------|--------------|--------------|
| One-to-four<br>family              | \$ - | \$ 493   | \$ 10,034 | \$ 10,527 | \$ 8,261  | \$ 23,929 | \$ 628,010   | \$ 660,200   |
| Home equity                        | -    | 134      | 2,353     | 2,487     | 377       | 3,014     | 144,988      | 148,379      |
| Construction<br>and land/lots      | -    | 379      | 2,041     | 2,420     | 1,077     | 1,735     | 56,437       | 59,249       |
| Indirect auto<br>finance           | -    | -        | 113       | 113       | -         | -         | 8,833        | 8,833        |
| Consumer<br>Commercial<br>loans:   | -    | 3        | 181       | 184       | 41        | 10        | 6,280        | 6,331        |
| Commercial<br>real estate          | -    | 26       | 5,413     | 5,439     | 25,711    | 13,784    | 338,274      | 377,769      |
| Construction<br>and<br>development | -    | 26       | 1,215     | 1,241     | 5,652     | 5,571     | 45,234       | 56,457       |
| Commercial<br>and industrial       | -    | 3        | 246       | 249       | 5,355     | 2,378     | 66,702       | 74,435       |
| Municipal<br>leases                | -    | -        | 769       | 769       | -         | -         | 106,215      | 106,215      |
| Total                              | \$ - | \$ 1,064 | \$ 22,365 | \$ 23,429 | \$ 46,474 | \$ 50,421 | \$ 1,400,973 | \$ 1,497,868 |

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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 |
|------------------------------|---------------------------------|----------------------------------|-----------|----------------------------------|
|                              | With a<br>Recorded<br>Allowance | With No<br>Recorded<br>Allowance | Total     |                                  |
| September 30, 2014           |                                 |                                  |           |                                  |
| Retail consumer loans:       |                                 |                                  |           |                                  |
| One-to-four family           | \$ 13,980                       | \$ 17,710                        | \$ 31,690 | \$ 540                           |
| Home equity lines of credit  | 3,178                           | 1,491                            | 4,669     | 188                              |
| Construction and land/lots   | 1,723                           | 627                              | 2,350     | 656                              |
| Indirect auto finance        | -                               | -                                | -         | -                                |
| Consumer                     | 26                              | 9                                | 35        | 3                                |
| Commercial loans:            |                                 |                                  |           |                                  |
| Commercial real estate       | 3,167                           | 15,297                           | 18,464    | 48                               |
| Construction and development | 2,182                           | 3,892                            | 6,074     | 83                               |
| Commercial and industrial    | 1,820                           | 2,243                            | 3,063     | 4                                |
| Municipal leases             | 303                             | -                                | 303       | 2                                |
| Total impaired loans         | \$ 25,379                       | \$ 41,269                        | \$ 66,648 | \$ 1,524                         |
| June 30, 2014                |                                 |                                  |           |                                  |
| Retail consumer loans:       |                                 |                                  |           |                                  |
| One-to-four family           | \$ 17,379                       | \$ 14,614                        | \$ 31,993 | \$ 678                           |
| Home equity lines of credit  | 2,445                           | 2,305                            | 4,750     | 166                              |
| Construction and land/lots   | 1,737                           | 109                              | 1,846     | 411                              |
| Indirect auto finance        | -                               | -                                | -         | -                                |
| Consumer                     | 16                              | 11                               | 27        | 3                                |
| Commercial loans:            |                                 |                                  |           |                                  |
| Commercial real estate       | 6,228                           | 9,114                            | 15,342    | 166                              |
| Construction and development | 1,043                           | 5,088                            | 6,131     | 54                               |
| Commercial and industrial    | 835                             | 1,903                            | 2,738     | 13                               |
| Municipal leases             | -                               | -                                | -         | -                                |
| Total impaired loans         | \$ 29,683                       | \$ 33,144                        | \$ 62,827 | \$ 1,491                         |

The table above includes \$15,026 and \$12,406, of impaired loans that were not individually evaluated at September 30, 2014 and June 30, 2014, respectively, because these loans did not meet the Company's threshold for individual impairment evaluation. The recorded allowance above includes \$192 and \$427 related to these loans that were not individually evaluated at September 30, 2014 and June 30, 2014, respectively.

The Company's average recorded investment in loans individually evaluated for impairment and interest income recognized on impaired loans for the three months ended September 30, 2014 and 2013 was as follows:

|         | Three Months Ended |          |         |                    |          |  |
|---------|--------------------|----------|---------|--------------------|----------|--|
|         | September 30, 2014 |          |         | September 30, 2013 |          |  |
| Average | Unpaid             | Interest | Average | Unpaid             | Interest |  |
|         |                    |          |         |                    |          |  |

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|                                 | Recorded<br>Investment | Principal<br>Balance | Income<br>Recognized | Recorded<br>Investment | Principal<br>Balance | Income<br>Recognized |
|---------------------------------|------------------------|----------------------|----------------------|------------------------|----------------------|----------------------|
| Retail consumer<br>loans:       |                        |                      |                      |                        |                      |                      |
| One-to-four family              | \$ 31,842              | \$ 35,147            | \$ 451               | \$ 44,682              | \$ 48,252            | \$ 364               |
| Home equity lines<br>of credit  | 4,710                  | 6,348                | 75                   | 5,938                  | 8,970                | 70                   |
| Construction and<br>land/lots   | 2,098                  | 3,675                | 36                   | 2,556                  | 5,023                | 42                   |
| Indirect auto finance           | -                      | -                    | -                    | -                      | -                    | -                    |
| Consumer                        | 31                     | 1,147                | 3                    | 59                     | 181                  | 1                    |
| Commercial loans:               |                        |                      |                      |                        |                      |                      |
| Commercial real<br>estate       | 16,903                 | 26,291               | 210                  | 26,535                 | 30,055               | 143                  |
| Construction and<br>development | 6,103                  | 9,541                | 32                   | 10,978                 | 15,368               | 33                   |
| Commercial and<br>industrial    | 2,901                  | 5,042                | 76                   | 2,860                  | 3,471                | 38                   |
| Municipal leases                | 152                    | 303                  | -                    | -                      | -                    | -                    |
| Total loans                     | \$ 64,740              | \$ 87,494            | \$ 883               | \$ 93,608              | \$ 111,320           | \$ 691               |

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A summary of changes in the accretable yield for PCI loans for the three months ended September 30, 2014 and 2013 was as follows:

|  | Three Months Ended    |                       |
|--|-----------------------|-----------------------|
|  | September 30,<br>2014 | September 30,<br>2013 |
| Accretable yield, beginning of period          | \$ 6,151              | \$ -                  |
| Addition from the Bank of Commerce acquisition | 7,315                 | 1,835                 |
| Interest income                                | (931 )                | (100 )                |
| Accretable yield, end of period                | \$ 12,535             | \$ 1,735              |

The following table presents the purchased performing loans receivable for Bank of Commerce at September 30, 2014 and July 31, 2014 (the combination date):

|  | September 30,<br>2014 | July 31,<br>2014 |
|--|-----------------------|------------------|
| Contractually required principal payments receivable | \$ 46,812             | \$ 47,291        |
| Adjustment for credit, interest rate, and liquidity  | 1,150                 | 1,159            |
| Balance of purchased loans receivable                | \$ 45,662             | \$ 46,132        |

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

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



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For the three months ended September 30, 2014 and 2013, the following table presents a breakdown of the types of concessions made on TDRs by loan class:

|                             | Three Months Ended<br>September 30, 2014 |  |   | Three Months Ended<br>September 30, 2013 |  |   |
|-----------------------------|--|--|---|--|--|---|
|                             | Number<br>of Loans                       | Pre<br>Modification<br>Outstanding<br>Recorded<br>Investment | Post<br>Modification<br>Outstanding<br>Recorded<br>Investment | Number<br>of Loans                       | Pre<br>Modification<br>Outstanding<br>Recorded<br>Investment | Post<br>Modification<br>Outstanding<br>Recorded<br>Investment |
| Below market interest rate: |  |  |   |  |  |   |
| Retail consumer:            |  |  |   |  |  |   |
| One-to-four family          | -  | \$ -   | \$ -  | 1  | \$ 18  | \$ 17   |
| Total                       | -  | \$ -   | \$ -  | 1  | \$ 18  | \$ 17   |