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

# FORM 10-Q

(Mark One)

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

For the quarterly period ended **December 31, 2014**

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

For the transition period from _______ to ________

Commission file number: **001-35593**

# HOMETRUST BANCSHARES, INC.

(Exact name of registrant as specified in its charter)

| **Maryland** | **45-5055422** |
|---|---|
| (State or other jurisdiction of incorporation of organization) | (IRS Employer Identification No.) |

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

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

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

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

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

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

Large accelerated filer [ ] Accelerated filer [**X**]

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 [**X**]

**APPLICABLE ONLY TO CORPORATE ISSUERS**

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

**HOMETRUST BANCSHARES, INC. AND SUBSIDIARIES**
**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) December 31, 2014 | June 30, 2014 |
|---|---|---|
| **Assets** | | |
| Cash | $ 41,818 | $ 19,801 |
| Interest-bearing deposits | 318,402 | 26,029 |
| Cash and cash equivalents | 360,220 | 45,830 |
| Certificates of deposit in other banks | 196,575 | 163,780 |
| Securities available for sale, at fair value | 195,143 | 168,749 |
| Other investments, at cost | 18,968 | 3,697 |
| Loans held for sale | 1,478 | 2,537 |
| Total loans, net of deferred loan fees and discount | 1,649,986 | 1,496,528 |
| Allowance for loan losses | (23,356) | (23,429) |
| Net loans | 1,626,630 | 1,473,099 |
| Premises and equipment, net | 59,172 | 47,411 |
| Accrued interest receivable | 7,133 | 6,787 |
| Real estate owned (REO) | 10,618 | 15,725 |
| Deferred income taxes | 58,224 | 58,381 |
| Bank owned life insurance | 76,433 | 71,285 |
| Goodwill | 13,768 | 9,815 |
| Core deposit intangibles | 11,472 | 4,014 |
| Other assets | 4,553 | 3,344 |
| **Total Assets** | $ 2,640,387 | $ 2,074,454 |
| **Liabilities and Stockholders' Equity** | | |
| **Liabilities** | | |
| Deposits | $ 1,938,321 | $ 1,583,047 |
| Other borrowings | 250,000 | 50,000 |
| Capital lease obligations | 1,989 | 1,998 |
| Other liabilities | 69,150 | 62,258 |
| Total liabilities | 2,259,460 | 1,697,303 |
| **Stockholders' Equity** | | |
| Preferred stock, $0.01 par value, 10,000,000 shares authorized, none issued or outstanding | - | - |
| Common stock, $0.01 par value, 60,000,000 shares authorized, 20,451,505 shares issued and outstanding at December 31, 2014; 20,632,008 at June 30, 2014 | 205 | 207 |
| Additional paid in capital | 224,322 | 225,889 |
| Retained earnings | 164,637 | 160,332 |
| Unearned Employee Stock Ownership Plan (ESOP) shares | (9,258) | (9,522) |
| Accumulated other comprehensive income | 1,021 | 245 |
| Total stockholders' equity | 380,927 | 377,151 |
| **Total Liabilities and Stockholders' Equity** | $ 2,640,387 | $ 2,074,454 |

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

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

| | Three Months Ended December 31, | | Six Months Ended December 31, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| **Interest and Dividend Income** | | | | |
| Loans | $ 19,823 | $ 14,371 | $ 38,380 | $ 28,453 |
| Securities available for sale | 884 | 424 | 1,689 | 721 |
| Certificates of deposit and other interest-bearing deposits | 626 | 455 | 1,065 | 907 |
| Other investments | 226 | 15 | 290 | 27 |
| Total interest and dividend income | 21,559 | 15,265 | 41,424 | 30,108 |
| **Interest Expense** | | | | |
| Deposits | 1,264 | 1,382 | 2,490 | 2,925 |
| Other borrowings | 105 | 1 | 144 | 4 |
| Total interest expense | 1,369 | 1,383 | 2,634 | 2,929 |
| **Net Interest Income** | 20,190 | 13,882 | 38,790 | 27,179 |
| **Recovery of Loan Losses** | - | (700) | (250) | (3,000) |
| **Net Interest Income after Recovery for Loan Losses** | 20,190 | 14,582 | 39,040 | 30,179 |
| **Noninterest Income** | | | | |
| Service charges on deposit accounts | 1,318 | 654 | 2,379 | 1,333 |
| Mortgage banking income and fees | 713 | 788 | 1,560 | 1,786 |
| Gain from sales of securities available for sale | 61 | - | 61 | - |
| Other, net | 727 | 804 | 1,588 | 1,398 |
| Total noninterest income | 2,819 | 2,246 | 5,588 | 4,517 |
| **Noninterest Expense** | | | | |
| Salaries and employee benefits | 10,068 | 7,518 | 19,876 | 14,695 |
| Net occupancy expense | 2,032 | 1,313 | 3,885 | 2,463 |
| Marketing and advertising | 624 | 338 | 1,011 | 693 |
| Telephone, postage, and supplies | 759 | 483 | 1,437 | 865 |
| Deposit insurance premiums | 415 | 332 | 845 | 667 |
| Computer services | 1,250 | 935 | 2,603 | 1,824 |
| Loss (gain) on sale and impairment of REO | (200) | 476 | (235) | 205 |
| REO expense | 433 | 367 | 788 | 821 |
| Core deposit intangible amortization | 484 | 35 | 898 | 64 |
| Merger-related expenses | 2,310 | 43 | 3,731 | 262 |
| Other | 1,960 | 1,506 | 3,793 | 2,662 |
| Total other expense | 20,135 | 13,346 | 38,632 | 25,221 |
| **Income Before Income Taxes** | 2,874 | 3,482 | 5,996 | 9,475 |
| **Income Tax Expense** | 825 | 606 | 1,691 | 3,272 |
| **Net Income** | $ 2,049 | $ 2,876 | $ 4,305 | $ 6,203 |
| **Per Share Data:** | | | | |
| Net income per common share: | | | | |
| Basic | $ 0.10 | $ 0.15 | $ 0.22 | $ 0.32 |
| Diluted | $ 0.10 | $ 0.15 | $ 0.22 | $ 0.32 |
| Average shares outstanding: | | | | |
| Basic | 19,145,084 | 18,572,448 | 19,161,846 | 18,930,301 |
| Diluted | 19,235,841 | 18,680,463 | 19,239,539 | 19,029,109 |

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

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

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

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

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

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

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

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

| | Six Months Ended December 31, 2014 | Six Months Ended December 31, 2013 |
|---|---|---|
| **Operating Activities:** | | |
| Net income | $ 4,305 | $ 6,203 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Recovery of loan losses | (250) | (3,000) |
| Depreciation | 1,696 | 1,133 |
| Deferred income tax expense | 1,679 | 3,317 |
| Net amortization and accretion | (1,983) | (411) |
| Loss (gain) on sale and impairment of REO | (235) | 205 |
| Gain on sale of loans held for sale | (847) | (1,021) |
| Origination of loans held for sale | (32,178) | (44,967) |
| Gain on sale of securities available for sale | (61) | - |
| Proceeds from sales of loans held for sale | 34,084 | 52,191 |
| Decrease in deferred loan fees, net | (699) | (121) |
| Increase in accrued interest receivable and other assets | (1,514) | (1,452) |
| Amortization of core deposit intangibles | 898 | 64 |
| ESOP compensation expense | 406 | 431 |
| Restricted stock and stock option expense | 1,427 | 1,336 |
| Increase (decrease) in other liabilities | 506 | (4,684) |
| Net cash provided by operating activities | 7,234 | 9,224 |
| **Investing Activities:** | | |
| Purchase of securities available for sale | (44,909) | (49,272) |
| Proceeds from maturities of securities available for sale | 21,385 | 19,750 |
| Proceeds from sale of securities available for sale | 10,387 | - |
| Purchase of certificates of deposit in other banks | (54,797) | (27,156) |
| Maturities of certificates of deposit in other banks | 22,002 | 11,746 |
| Principal repayments of mortgage-backed securities | 11,911 | 5,396 |
| Net redemptions (purchases) of other investments | (14,480) | 212 |
| Net decrease (increase) in loans | (64,001) | 32,910 |
| Purchase of premises and equipment | (4,329) | (1,040) |
| Capital improvements to REO | (55) | (125) |
| Proceeds from sale of REO | 6,574 | 7,231 |
| Acquisition of BankGreenville Financial Corporation, net of cash paid | - | 1,475 |
| Acquisition of Bank of Commerce, net of cash paid | (7,759) | - |
| Acquisition of Bank of America branches, net of cash paid | 310,868 | - |
| Net cash provided by investing activities | 192,797 | 1,127 |
| **Financing Activities:** | | |
| Net decrease in deposits | (67,322) | (32,411) |
| Net increase (decrease) in other borrowings | 184,828 | (2,517) |
| Common stock repurchased | (3,397) | (17,055) |
| Exercised stock options | 259 | - |
| Decrease in capital lease obligations | (9) | (9) |
| Net cash provided by (used in) financing activities | 114,359 | (51,992) |
| **Net Increase (Decrease) in Cash and Cash Equivalents** | 314,390 | (41,641) |
| **Cash and Cash Equivalents at Beginning of Period** | 45,830 | 125,713 |
| **Cash and Cash Equivalents at End of Period** | $ 360,220 | $ 84,072 |

| **Supplemental Disclosures:** | Six Months Ended December 31, 2014 | Six Months Ended December 31, 2013 |
|---|---|---|
| Cash paid during the period for: | | |
| Interest | $ 2,242 | $ 2,850 |
| Income taxes | 140 | 113 |
| Noncash transactions: | | |
| Unrealized gain (loss) in value of securities available for sale, net of income taxes | 776 | (324) |
| Transfers of loans to REO | 1,413 | 3,452 |
| Transfers of loans to held for sale | - | 4,340 |
| Loans originated to finance the sale of REO | 460 | 94 |
| Business Combinations: | | |
| Assets acquired | 463,959 | 103,905 |
| Liabilities assumed | 444,154 | 94,352 |
| Net assets acquired | 19,805 | 9,553 |

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

## 1. Summary of Significant Accounting Policies

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

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("US GAAP") for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X as promulgated by the Securities and Exchange Commission ("SEC"). Accordingly, they do not include all the information and footnotes required by US GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the financial position and results of operations for the periods presented have been included. It is recommended that these unaudited interim consolidated financial statements be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended June 30, 2014 ("2014 Form 10-K") filed with the SEC on September 15, 2014. The results of operations for the three and six months ended December 31, 2014 are not necessarily indicative of results that may be expected for the entire fiscal year ending June 30, 2015. Certain prior year amounts have been reclassified to conform to current fiscal year presentation. The reclassifications had no impact on previously reported net income or equity.

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

## 2. Recent Accounting Pronouncements

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

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

(Dollar amounts in thousands)

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

## 3. Business Combinations

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

The Branch Acquisition was accounted for as a business combination using the acquisition method of accounting and, accordingly, assets acquired, liabilities assumed and consideration exchanged were recorded at acquisition date fair values. Fair values are preliminary and subject to refinement for up to one year after the closing date of the acquisition as additional information regarding the closing date fair values becomes available.

The following table presents the consideration paid by the Bank in the acquisition of these Bank of America branches and the assets acquired and liabilities assumed as of November 14, 2014:

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

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

Bank of Commerce was accounted for using the acquisition method of accounting and, accordingly, assets acquired, liabilities assumed and consideration exchanged were recorded at acquisition date fair values. Fair values are preliminary and subject to refinement for up to one year after the closing date of the acquisition as additional information regarding the closing date fair values becomes available. The excess of the merger consideration over the fair value of Bank of Commerce's 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.

(Dollar amounts in thousands)

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

| | As Recorded By Bank of Commerce | Fair Value and Other Merger Related Adjustments | As Recorded by the Company |
|---|---|---|---|
| **Consideration Paid** | | | |
| Cash paid | | | $ 10,000 |
| Total consideration | | | $ 10,000 |
| **Assets** | | | |
| Cash and cash equivalents | $ 2,241 | $ - | $ 2,241 |
| Securities available for sale | 24,228 | - | 24,228 |
| Loans, net of allowance | 89,339 | (3,131) | 86,208 |
| Federal Home Loan Bank ("FHLB") Stock | 791 | - | 791 |
| REO | 224 | - | 224 |
| Premises and equipment, net | 135 | - | 135 |
| Accrued interest receivable | 355 | (100) | 255 |
| Deferred income taxes | 286 | 1,064 | 1,350 |
| Core deposit intangibles | - | 640 | 640 |
| Other assets | 4,931 | - | 4,931 |
| Total assets acquired | $ 122,530 | $ (1,527) | $ 121,003 |
| **Liabilities** | | | |
| Deposits | $ 93,303 | $ 112 | $ 93,415 |
| Other borrowings | 15,000 | 172 | 15,172 |
| Other liabilities | 6,369 | - | 6,369 |
| Total liabilities assumed | $ 114,672 | $ 284 | $ 114,956 |
| Net identifiable assets acquired over liabilities assumed | $ 7,858 | $ (1,811) | 6,047 |
| Goodwill | | | $ 3,953 |

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

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

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

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

(Dollar amounts in thousands)

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

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

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

| | Purchased Performing | PCI | Total Loans |
|---|---|---|---|
| Retail Consumer Loans: | | | |
| One-to-four family | $ 74,378 | $ 6,066 | $ 80,444 |
| Home equity lines of credit | 16,857 | 18 | 16,875 |
| Construction and land/lots | 7,810 | 924 | 8,734 |
| Consumer | 4,181 | 2 | 4,183 |
| Commercial: | | | |
| 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.

(Dollar amounts in thousands)

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

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

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

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

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

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

(Dollar amounts in thousands)

The following table discloses the impact of the acquisition of Bank of Commerce since the effective date of July 31, 2014 through December 31, 2014 and the Branch Acquisition since the effective date of November 14, 2014 - December 31, 2014. In addition, the table presents certain pro forma information as if the Branch Acquisition, Bank of Commerce, Jefferson, and BankGreenville had been acquired on July 1, 2014 and July 1, 2013. Although, this pro forma information combines the historical results from each company, it is not indicative of what would have occurred had the acquisition taken place on July 1, 2014 and July 1, 2013. Adjustments were made for the estimated impact of certain fair value adjustments and other acquisition-related activity while significant one-time merger-related expenses are not included. Furthermore, expenses related to systems conversions and other costs of integration have been recorded throughout fiscal year 2014 and are expected to be recorded throughout fiscal year 2015. Additionally, the Company expects to achieve further operating cost savings as a result of the acquisitions which are not reflected in the pro forma amounts below:

| | Actual Six Months Ended December 31, 2014 | Pro Forma Six Months Ended December 31, 2014 | Pro Forma Six Months Ended December 31, 2013 |
|---|---|---|---|
| Total revenues* | $ 44,378 | $ 48,682 | $ 48,111 |
| Net income | 4,305 | 6,065 | 8,561 |

** Net interest income plus other income*

## 4. Securities Available for Sale

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

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

| | June 30, 2014 | | | |
|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
| U.S. government agencies | $ 38,085 | $ 45 | $ (37) | $ 38,093 |
| Residential Mortgage-backed Securities of U.S. Government Agencies and Government-Sponsored Enterprises | 111,430 | 393 | (412) | 111,411 |
| Municipal Bonds | 15,951 | 282 | (13) | 16,220 |
| Corporate Bonds | 2,912 | 113 | - | 3,025 |
| Total | $ 168,378 | $ 833 | $ (462) | $ 168,749 |

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

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

(Dollar amounts in thousands)

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

Securities available for sale with costs totaling $41,666 and $51,036 with market values of $42,069 and $51,297 at December 31, 2014 and June 30, 2014, respectively, were pledged as collateral to secure various public deposits.

The gross unrealized losses and the fair value for securities available for sale aggregated by the length of time that individual securities have been in a continuous unrealized loss position as of December 31, 2014 and June 30, 2014 were as follows:

| | December 31, 2014 | | | | | |
|---|---|---|---|---|---|---|
| | Less than 12 Months | | 12 Months or More | | Total | |
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| U.S. Government Agencies | $ 15,583 | $ (11) | $ - | $ - | $ 15,583 | $ (11) |
| Residential Mortgage-backed Securities of U.S. Government Agencies and Government-Sponsored Enterprises | 30,328 | (122) | 8,185 | (103) | 38,513 | (225) |
| Municipal Bonds | 2,839 | (10) | - | - | 2,839 | (10) |
| Total | $ 48,750 | $ (143) | $ 8,185 | $ (103) | $ 56,935 | $ (246) |

| | June 30, 2014 | | | | | |
|---|---|---|---|---|---|---|
| | Less than 12 Months | | 12 Months or More | | Total | |
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| U.S. Government Agencies | $ 19,475 | $ (37) | $ - | $ - | $ 19,475 | $ (37) |
| Residential Mortgage-backed Securities of U.S. Government Agencies and Government-Sponsored Enterprises | 75,761 | (399) | 162 | (13) | 75,923 | (412) |
| Municipal Bonds | 6,668 | (13) | - | - | 6,668 | (13) |
| Total | $ 101,904 | $ (449) | $ 162 | $ (13) | $ 102,066 | $ (462) |

The total number of securities with unrealized losses at December 31, 2014, and June 30, 2014 were 81 and 159, respectively. Unrealized losses on securities have not been recognized in income because management has the intent and ability to hold the securities for the foreseeable future, and has determined that it is not more likely than not that the Company will be required to sell the securities prior to a recovery in value. The decline in fair value was largely due to increases in market interest rates. The Company had no other than temporary impairment losses during the three and six months ended December 31, 2014 or the year ended June 30, 2014.

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

(Dollar amounts in thousands)

5. **Loans**

Loans consist of the following at the dates indicated:

| | December 31, 2014 | June 30, 2014 |
|---|---|---|
| Retail consumer loans: | | |
| One-to-four family | $ 647,806 | $ 660,200 |
| Home equity lines of credit | 201,712 | 148,379 |
| Construction and land/lots | 54,382 | 59,249 |
| Indirect auto finance | 21,669 | 8,833 |
| Consumer | 4,758 | 6,331 |
| Total retail consumer loans | 930,327 | 882,992 |
| Commercial loans: | | |
| Commercial real estate | 454,899 | 377,769 |
| Construction and development | 64,610 | 56,457 |
| Commercial and industrial | 92,267 | 74,435 |
| Municipal leases | 108,525 | 106,215 |
| Total commercial loans | 720,301 | 614,876 |
| Total loans | 1,650,628 | 1,497,868 |
| Deferred loan fees, net | (642) | (1,340) |
| Total loans, net of deferred loan fees and discount | 1,649,986 | 1,496,528 |
| Allowance for loan and lease losses | (23,356) | (23,429) |
| Loans, net | $ 1,626,630 | $ 1,473,099 |

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

(Dollar amounts in thousands)

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

| | Pass | Special Mention | Substandard | Doubtful | Loss | Total |
|---|---|---|---|---|---|---|
| December 31, 2014 | | | | | | |
| Retail consumer loans: | | | | | | |
| One-to-four family | $ 591,147 | $ 14,542 | $ 29,763 | $ 2,958 | $ 28 | $ 638,438 |
| Home equity lines of credit | 195,438 | 758 | 4,583 | 424 | 92 | 201,295 |
| Construction and land/lots | 50,362 | 951 | 2,050 | 137 | - | 53,500 |
| Indirect auto finance | 21,622 | 47 | - | - | - | 21,669 |
| Consumer | 3,976 | 78 | 644 | 10 | 36 | 4,744 |
| Commercial loans: | | | | | | |
| Commercial real estate | 367,531 | 20,096 | 19,794 | 1,369 | 1 | 408,791 |
| Construction and development | 47,858 | 2,482 | 7,339 | - | 1 | 57,680 |
| Commercial and industrial | 82,352 | 1,428 | 1,599 | - | 3 | 85,382 |
| Municipal leases | 106,159 | 1,789 | 577 | - | - | 108,525 |
| Total loans | $ 1,466,445 | $ 42,171 | $ 66,349 | $ 4,898 | $ 161 | $ 1,580,024 |

| | Pass | Special 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 |

(Dollar amounts in thousands)

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

| | Pass | Special Mention | Substandard | Doubtful | Loss | Total |
|---|---|---|---|---|---|---|
| December 31, 2014 | | | | | | |
| Retail consumer loans: | | | | | | |
| One-to-four family | $ 4,777 | $ 996 | $ 3,595 | $ - | $ - | $ 9,368 |
| Home equity lines of credit | 130 | - | 287 | - | - | 417 |
| Construction and land/lots | 445 | - | 437 | - | - | 882 |
| Indirect auto finance | - | - | - | - | - | - |
| Consumer | 14 | - | - | - | - | 14 |
| Commercial loans: | | | | | | |
| Commercial real estate | 32,422 | 5,425 | 8,261 | - | - | 46,108 |
| Construction and development | 1,698 | 408 | 4,824 | - | - | 6,930 |
| Commercial and industrial | 5,437 | 398 | 1,050 | - | - | 6,885 |
| Municipal leases | - | - | - | - | - | - |
| Total loans | $ 44,923 | $ 7,227 | $ 18,454 | $ - | $ - | $ 70,604 |

| | Pass | Special Mention | Substandard | Doubtful | Loss | Total |
|---|---|---|---|---|---|---|
| June 30, 2014 | | | | | | |
| Retail consumer loans: | | | | | | |
| One-to-four family | $ 4,904 | $ - | $ 3,357 | $ - | $ - | $ 8,261 |
| Home equity lines of credit | 7 | - | 370 | - | - | 377 |
| Construction and land/lots | 791 | - | 286 | - | - | 1,077 |
| Indirect auto finance | - | - | - | - | - | - |
| Consumer | 41 | - | - | - | - | 41 |
| Commercial loans: | | | | | | |
| Commercial real estate | 20,853 | - | 4,858 | - | - | 25,711 |
| Construction and development | 2,443 | 2,169 | 1,040 | - | - | 5,652 |
| Commercial and industrial | 4,647 | - | 708 | - | - | 5,355 |
| Municipal leases | - | - | - | - | - | - |
| Total loans | $ 33,686 | $ 2,169 | $ 10,619 | $ - | $ - | $ 46,474 |

(Dollar amounts in thousands)

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

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

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

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

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

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

| | December 31, 2014 | | June 30, 2014 | |
|---|---|---|---|---|
| | Nonaccruing | 90 Days + & still accruing | Nonaccruing | 90 Days + & still accruing |
| Retail consumer loans: | | | | |
| One-to-four family | $ 13,802 | $ - | $ 14,917 | $ - |
| Home equity lines of credit | 2,390 | - | 2,749 | - |
| Construction and land/lots | 591 | - | 443 | - |
| Indirect auto finance | - | - | - | - |
| Consumer | 107 | - | 27 | - |
| Commercial loans: | | | | |
| Commercial real estate | 10,046 | - | 12,953 | - |
| Construction and development | 4,947 | - | 5,697 | - |
| Commercial and industrial | 1,204 | - | 1,134 | - |
| Municipal leases | 578 | - | - | - |
| Total loans | $ 33,665 | $ - | $ 37,920 | $ - |

PCI loans totaling $10,233 at December 31, 2014 and $9,220 at June 30, 2014 are excluded from nonaccruing loans due to the accretion of discounts established in accordance with the acquisition method of accounting for business combinations.

(Dollar amounts in thousands)

Troubled debt restructurings ("TDRs") are loans which have renegotiated loan terms to assist borrowers who are unable to meet the original terms of their loans. Such modifications to loan terms may include a lower interest rate, a reduction in principal, or a longer term to maturity. Additionally, all TDRs are considered impaired.

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

| | December 31, 2014 | June 30, 2014 |
|---|---|---|
| Performing TDRs included in impaired loans | $ 20,143 | $ 22,179 |

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

| | Three Months Ended December 31, 2014 | | | Three Months Ended December 31, 2013 | | |
|---|---|---|---|---|---|---|
| | Retail Consumer | Commercial | Total | Retail Consumer | Commercial | Total |
| Balance at beginning of period | $ 14,945 | $ 8,135 | $ 23,080 | $ 19,731 | $ 9,469 | $ 29,200 |
| Provision for (recovery of) loan losses | (254) | 254 | - | 333 | (1,033) | (700) |
| Charge-offs | (577) | (130) | (707) | (2,622) | (113) | (2,735) |
| Recoveries | 489 | 494 | 983 | 775 | 585 | 1,360 |
| Balance at end of period | $ 14,603 | $ 8,753 | $ 23,356 | $ 18,217 | $ 8,908 | $ 27,125 |

| | Six Months Ended December 31, 2014 | | | Six Months Ended December 31, 2013 | | |
|---|---|---|---|---|---|---|
| | Retail Consumer | Commercial | Total | Retail Consumer | Commercial | Total |
| Balance at beginning of period | $ 15,731 | $ 7,698 | $ 23,429 | $ 21,952 | $ 10,121 | $ 32,073 |
| Provision for (recovery of) loan losses | (928) | 678 | (250) | (1,276) | (1,724) | (3,000) |
| Charge-offs | (1,056) | (327) | (1,383) | (3,366) | (297) | (3,663) |
| Recoveries | 856 | 704 | 1,560 | 907 | 808 | 1,715 |
| Balance at end of period | $ 14,603 | $ 8,753 | $ 23,356 | $ 18,217 | $ 8,908 | $ 27,125 |

(Dollar amounts in thousands)

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 |
| December 31, 2014 | | | | | | | | |
| Retail consumer loans: | | | | | | | | |
| One-to-four family | $ - | $ 492 | $ 8,423 | $ 8,915 | $ 9,368 | $ 22,659 | $ 615,779 | $ 647,806 |
| Home equity | - | 244 | 2,518 | 2,762 | 417 | 2,491 | 198,804 | 201,712 |
| Construction and land/lots | - | 602 | 1,907 | 2,509 | 882 | 2,157 | 51,343 | 54,382 |
| Indirect auto finance | - | - | 288 | 288 | - | - | 21,669 | 21,669 |
| Consumer | - | 36 | 93 | 129 | 14 | 29 | 4,715 | 4,758 |
| Commercial loans: | | | | | | | | |
| Commercial real estate | - | 18 | 5,694 | 5,712 | 46,108 | 14,837 | 393,954 | 454,899 |
| Construction and development | - | 55 | 1,562 | 1,617 | 6,930 | 4,678 | 53,002 | 64,610 |
| Commercial and industrial | - | 3 | 724 | 727 | 6,885 | 2,125 | 83,257 | 92,267 |
| Municipal leases | - | - | 697 | 697 | - | 303 | 108,222 | 108,525 |
| Total | $ - | $ 1,450 | $ 21,906 | $ 23,356 | $ 70,604 | $ 49,279 | $ 1,530,745 | $ 1,650,628 |
| June 30, 2014 | | | | | | | | |
| Retail consumer loans: | | | | | | | | |
| One-to-four 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 and land/lots | - | 379 | 2,041 | 2,420 | 1,077 | 1,735 | 56,437 | 59,249 |
| Indirect auto finance | - | - | 113 | 113 | - | - | 8,833 | 8,833 |
| Consumer | - | 3 | 181 | 184 | 41 | 10 | 6,280 | 6,331 |
| Commercial loans: | | | | | | | | |
| Commercial real estate | - | 26 | 5,413 | 5,439 | 25,711 | 13,784 | 338,274 | 377,769 |
| Construction and development | - | 26 | 1,215 | 1,241 | 5,652 | 5,571 | 45,234 | 56,457 |
| Commercial and industrial | - | 3 | 246 | 249 | 5,355 | 2,378 | 66,702 | 74,435 |
| Municipal leases | - | - | 769 | 769 | - | - | 106,215 | 106,215 |
| Total | $ - | $ 1,064 | $ 22,365 | $ 23,429 | $ 46,474 | $ 50,421 | $ 1,400,973 | $ 1,497,868 |

In December 2014, the Company purchased $40,914 of home equity lines of credit from a third party. The credit risk characteristics are different for these loans since they were not originated by the Company and the collateral is located outside the Company's market area, primarily in several western states. These loans were originated in 2014, have an average FICO score of 757 and loan to values of less than 90%. The Company established an allowance for loan losses based on the historical losses in the states where these loans were originated. The Company will monitor the performance of these loans and adjust the allowance for loan losses as necessary.

The allowance for loan losses excludes loans acquired from BankGreenville, Jefferson, and Bank of Commerce as the loans acquired from these acquisitions are excluded from the allowance for loan losses in accordance with the acquisition method of accounting for business combinations. The Company recorded these loans at fair value, which includes a credit discount, therefore, no allowance for loan losses is established for these acquired loans unless the credit quality deteriorates further subsequent to the acquisition.

(Dollar amounts in thousands)

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

| | Total Impaired Loans | | | | |
|---|---|---|---|---|---|
| | Unpaid Principal Balance | Recorded Investment With a Recorded Allowance | Recorded Investment With No Recorded Allowance | Total | Related Recorded Allowance |
| December 31, 2014 | | | | | |
| Retail consumer loans: | | | | | |
| One-to-four family | $ 32,145 | $ 13,029 | $ 15,872 | $ 28,901 | $ 578 |
| Home equity lines of credit | 5,757 | 2,982 | 1,160 | 4,142 | 182 |
| Construction and land/lots | 3,679 | 1,696 | 325 | 2,021 | 606 |
| Indirect auto finance | 31 | - | - | - | - |
| Consumer | 1,449 | 52 | 29 | 81 | 4 |
| Commercial loans: | | | | | |
| Commercial real estate | 17,068 | 1,984 | 11,840 | 13,824 | 44 |
| Construction and development | 8,021 | 2,050 | 3,168 | 5,218 | 84 |
| Commercial and industrial | 2,789 | 389 | 1,777 | 2,166 | 6 |
| Municipal leases | 578 | 274 | 304 | 578 | 1 |
| Total impaired loans | $ 71,517 | $ 22,456 | $ 34,475 | $ 56,931 | $ 1,505 |
| June 30, 2014 | | | | | |
| Retail consumer loans: | | | | | |
| One-to-four family | $ 34,243 | $ 12,946 | $ 18,047 | $ 30,993 | $ 618 |
| Home equity lines of credit | 6,161 | 2,110 | 2,299 | 4,409 | 160 |
| Construction and land/lots | 3,287 | 1,053 | 793 | 1,846 | 383 |
| Indirect auto finance | - | - | - | - | - |
| Consumer | 364 | 16 | 11 | 27 | 3 |
| Commercial loans: | | | | | |
| Commercial real estate | 18,558 | 1,714 | 13,082 | 14,796 | 59 |
| Construction and development | 9,091 | 928 | 4,930 | 5,858 | 48 |
| Commercial and industrial | 2,987 | 313 | 2,030 | 2,343 | 7 |
| Municipal leases | - | - | - | - | - |
| Total impaired loans | $ 74,691 | $ 19,080 | $ 41,192 | $ 60,272 | $ 1,278 |

Impaired loans above excludes $10,233 at December 31, 2014 and $9,220 at June 30, 2014 in PCI loans due to the accretion of discounts established in accordance with the acquisition method of accounting for business combinations.

The table above includes $7,652 and $12,406, of impaired loans that were not individually evaluated at December 31, 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 $55 and $427 related to these loans that were not individually evaluated at December 31, 2014 and June 30, 2014, respectively.

(Dollar amounts in thousands)

The Company's average recorded investment in loans individually evaluated for impairment and interest income recognized on impaired loans for the three and six months ended December 31, 2014 and 2013 was as follows:

| | Three Months Ended | | | |
|---|---|---|---|---|
| | December 31, 2014 | | December 31, 2013 | |
| | Average Recorded Investment | Interest Income Recognized | Average Recorded Investment | Interest Income Recognized |
| Retail consumer loans: | | | | |
| One-to-four family | $ 30,295 | $ 389 | $ 41,383 | $ 538 |
| Home equity lines of credit | 4,405 | 58 | 5,721 | 66 |
| Construction and land/lots | 2,186 | 34 | 2,044 | 50 |
| Indirect auto finance | - | - | - | - |
| Consumer | 58 | 5 | 45 | 2 |
| Commercial loans: | | | | |
| Commercial real estate | 16,144 | 113 | 25,013 | 214 |
| Construction and development | 5,646 | 29 | 8,233 | 49 |
| Commercial and industrial | 2,615 | 23 | 2,682 | 47 |
| Municipal leases | 441 | 20 | - | - |
| Total loans | $ 61,790 | $ 671 | $ 85,120 | $ 966 |

| | Six Months Ended | | | |
|---|---|---|---|---|
| | December 31, 2014 | | December 31, 2013 | |
| | Average Recorded Investment | Interest Income Recognized | Average Recorded Investment | Interest Income Recognized |
| Retail consumer loans: | | | | |
| One-to-four family | $ 33,445 | $ 826 | $ 44,257 | $ 966 |
| Home equity lines of credit | 5,001 | 126 | 6,052 | 153 |
| Construction and land/lots | 2,084 | 82 | 2,307 | 93 |
| Indirect auto finance | - | - | - | - |
| Consumer | 41 | 10 | 53 | 3 |
| Commercial loans: | | | | |
| Commercial real estate | 18,698 | 251 | 25,969 | 386 |
| Construction and development | 6,200 | 64 | 10,033 | 92 |
| Commercial and industrial | 2,710 | 52 | 2,808 | 90 |
| Municipal leases | 176 | 20 | - | - |
| Total loans | $ 68,355 | $ 1,431 | $ 91,479 | $ 1,783 |

A summary of changes in the accretable yield for PCI loans for the three and six months ended December 31, 2014 and 2013 was as follows:

| | Three Months Ended | |
|---|---|---|
| | December 31, 2014 | December 31, 2013 |
| Accretable yield, beginning of period | $ 12,535 | $ 1,735 |
| Interest income | (2,200) | (125) |
| Accretable yield, end of period | $ 10,335 | $ 1,610 |

| | Six Months Ended | |
|---|---|---|
| | December 31, 2014 | December 31, 2013 |
| Accretable yield, beginning of period | $ 6,151 | $ - |
| Addition from the BankGreenville acquisition | - | 1,835 |
| Addition from the Bank of Commerce acquisition | 7,315 | - |
| Interest income | (3,131) | (225) |
| Accretable yield, end of period | $ 10,335 | $ 1,610 |

(Dollar amounts in thousands)

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

| | July 31, 2014 |
|---|---|
| Contractually required principal payments receivable | $ 47,291 |
| Adjustment for credit, interest rate, and liquidity | 1,159 |
| Balance of purchased loans receivable | $ 46,132 |

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

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

For the three and six months ended December 31, 2014 and 2013, the following table presents a breakdown of the types of concessions made on TDRs by loan class:

| | Three Months Ended December 31, 2014 | | | Three Months Ended December 31, 2013 | | |
|---|---|---|---|---|---|---|
| | Number of Loans | Pre Modification Outstanding Recorded Investment | Post Modification Outstanding Recorded Investment | Number of Loans | Pre Modification Outstanding Recorded Investment | Post Modification Outstanding Recorded Investment |
| Below market interest rate: | | | | | | |
| Retail consumer: | | | | | | |
| One-to-four family | 1 | $ 61 | $ 61 | 1 | $ 128 | $ 128 |
| Home equity lines of credit | - | - | - | 2 | 346 | 345 |
| Construction and land/lots | 1 | 110 | 109 | - | - | - |
| Total | 2 | $ 171 | $ 170 | 3 | $ 474 | $ 473 |
| Extended term: | | | | | | |
| Retail consumer: | | | | | | |
| One-to-four family | - | $ - | $ - | 1 | $ 2 | $ 2 |
| Home equity lines of credit | 2 | 44 | 44 | - | - | - |
| Consumer | 2 | 10 | 9 | - | - | - |
| Total | 4 | $ 54 | $ 53 | 1 | $ 2 | $ 2 |
| Other TDRs: | | | | | | |
| Retail consumer: | | | | | | |
| One-to-four family | 6 | $ 280 | $ 251 | 3 | $ 203 | $ 202 |
| Home equity lines of credit | - | - | - | 1 | 4 | 4 |
| Total | 6 | $ 280 | $ 251 | 4 | $ 207 | $ 206 |
| Total | 12 | $ 505 | $ 474 | 8 | $ 683 | $ 681 |

(Dollar amounts in thousands)

| | Six Months Ended December 31, 2014 | | | Six Months Ended December 31, 2013 | | |
|---|---|---|---|---|---|---|
| | Number of Loans | Pre Modification Outstanding Recorded Investment | Post Modification Outstanding Recorded Investment | Number of Loans | Pre Modification Outstanding Recorded Investment | Post Modification Outstanding Recorded Investment |
| Below market interest rate: | | | | | | |
| Retail consumer: | | | | | | |
| One-to-four family | 1 | $ 61 | $ 61 | 3 | $ 146 | $ 144 |
| Home equity lines of credit | - | - | - | 2 | 346 | 345 |
| Construction and land/lots | 1 | 110 | 109 | - | - | - |
| Total | 2 | $ 171 | $ 170 | 5 | $ 492 | $ 489 |
| Extended term: | | | | | | |
| Retail consumer: | | | | | | |
| One-to-four family | 1 | $ 146 | $ 147 | 1 | $ 2 | $ 2 |
| Home equity lines of credit | 3 | 91 | 89 | - | - | - |
| Consumer | 2 | 10 | 9 | - | - | - |
| Total | 6 | $ 247 | $ 245 | 1 | $ 2 | $ 2 |
| Other TDRs: | | | | | | |
| Retail consumer: | | | | | | |
| One-to-four family | 10 | $ 585 | $ 571 | 6 | $ 392 | $ 396 |
| Home equity lines of credit | 1 | 100 | 99 | 2 | 42 | 4 |
| Construction and land/lots | 1 | 106 | 104 | 1 | 135 | 133 |
| Total | 12 | $ 791 | $ 774 | 9 | $ 569 | $ 533 |
| Total | 20 | $ 1,209 | $ 1,189 | 15 | $ 1,063 | $ 1,024 |

The following table presents loans that were modified as TDRs within the previous 12 months and for which there was a payment default during the three and six months ended December 31, 2014 and 2013:

| | Three Months Ended December 31, 2014 | | Three Months Ended December 31, 2013 | |
|---|---|---|---|---|
| | Number of Loans | Recorded Investment | Number of Loans | Recorded Investment |
| Below market interest rate: | | | | |
| Retail consumer: | | | | |
| One-to-four family | - | $ - | 4 | $ 2,374 |
| Total | - | $ - | 4 | $ 2,374 |
| Extended payment terms: | - | $ - | - | $ - |
| Total | - | $ - | - | $ - |
| Other TDRs: | | | | |
| Retail consumer: | | | | |
| One-to-four family | 3 | $ 90 | 16 | $ 1,185 |
| Home equity lines of credit | - | - | 7 | 77 |
| Construction and land/lots | - | - | 5 | 176 |
| Total | 3 | $ 90 | 28 | $ 1,438 |
| Total | 3 | $ 90 | 32 | $ 3,812 |

| | Six Months Ended December 31, 2014 | | Six Months Ended December 31, 2013 | |
|---|---|---|---|---|
| | Number of Loans | Recorded Investment | Number of Loans | Recorded Investment |
| Below market interest rate: | | | | |
| Retail consumer: | | | | |
| One-to-four family | - | $ - | 4 | $ 2,374 |
| Total | - | $ - | 4 | $ 2,374 |
| Extended payment terms: | - | $ - | - | $ - |
| Total | - | $ - | - | $ - |
| Other TDRs: | | | | |
| Retail consumer: | | | | |
| One-to-four family | 7 | $ 400 | 17 | $ 1,187 |
| Home equity lines of credit | - | - | 7 | 77 |
| Construction and land/lots | - | - | 5 | 176 |
| Total | 7 | $ 400 | 29 | $ 1,440 |
| Total | 7 | $ 400 | 33 | $ 3,814 |

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

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

## 6. Net income per Share

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

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

The following is a reconciliation of the numerator and denominator of basic and diluted net income per share of common stock (in thousands, except share and per share data):

| | Three Months Ended December 31, | | Six Months Ended December 31, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| **Numerator:** | | | | |
| Net income available to common stockholders | $ 2,049 | $ 2,876 | $ 4,305 | $ 6,203 |
| **Denominator:** | | | | |
| Weighted-average common shares outstanding - basic | 19,145,084 | 18,572,448 | 19,161,846 | 18,930,301 |
| Effect of dilutive shares | 90,757 | 108,015 | 77,693 | 98,808 |
| Weighted-average common shares outstanding - diluted | 19,235,841 | 18,680,463 | 19,239,539 | 19,029,109 |
| Net income per share - basic | $ 0.10 | $ 0.15 | $ 0.22 | $ 0.32 |
| Net income per share - diluted | $ 0.10 | $ 0.15 | $ 0.22 | $ 0.32 |

(Dollar amounts in thousands)

There were 1,493,100 and 1,555,500 outstanding stock options that were anti-dilutive for the period ended December 31, 2014 and 2013, respectively.

## 7. Equity Incentive Plan

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

Shares of common stock issued under the 2013 Omnibus Incentive Plan may be authorized but unissued shares or repurchased shares. During fiscal 2013, the Company had repurchased the 846,400 shares available for awards of restricted stock and restricted stock units under the 2013 Omnibus Incentive Plan on the open market, for $13.3 million, at an average cost of $15.71 per share.

Share based compensation expense related to stock options and restricted stock recognized for the three months ended December 31, 2014 was $674 and $668, respectively, before the tax related benefit of $229 and $247, respectively. Share based compensation expense related to stock options and restricted stock recognized for the six months ended December 31, 2013 was $1,427 and $1,336, respectively, before the tax related benefit of $485 and $454, respectively..

The table below presents stock option activity for the six months ended December 31, 2014 and 2013:

| | Options | Weighted-average exercise price | Remaining contractual life (years) | Aggregate Intrinsic Value |
|---|---|---|---|---|
| Options outstanding at June 30, 2013 | 1,557,000 | $ 14.37 | 9.6 | $ 4,033 |
| Granted | - | - | - | - |
| Exercised | - | - | - | - |
| Forfeited | 1,500 | 14.37 | - | - |
| Expired | - | - | - | - |
| Options outstanding at December 31, 2013 | 1,555,500 | $ 14.37 | 9.0 | $ 2,522 |
| Options outstanding at June 30, 2014 | 1,513,500 | $ 14.40 | 8.6 | $ 2,077 |
| Granted | - | - | - | - |
| Exercised | 18,000 | 14.37 | - | - |
| Forfeited | 2,400 | 14.37 | - | - |
| Expired | - | - | - | - |
| Options outstanding at December 31, 2014 | 1,493,100 | $ 14.40 | 8.1 | $ 3,375 |
| Exercisable at December 31, 2014 | 272,175 | $ 14.37 | 8.1 | |

The fair value of each option is estimated on the date of grant using the Black-Scholes-Merton option pricing model. The weighted average fair value of each option granted in 2014 and 2013 was $5.26 and $4.50, respectively. No options have been granted in fiscal year 2015. Assumptions used for grants were as follows:

| Assumptions in Estimating Option Values | 2014 | 2013 |
|---|---|---|
| Weighted-average volatility | 28.19% | 28.19% |
| Expected dividend yield | 0.00% | 0.00% |
| Risk-free interest rate | 2.04% | 1.28% |
| Expected life (years) | 6.5 | 6.6 |

At December 31, 2014, the Company had $4.4 million of unrecognized compensation expense related to 1,493,100 stock options scheduled to vest over five- and seven-year vesting periods. The weighted average period over which compensation cost related to non-vested awards expected to be recognized was 1.8 years at December 31, 2014. At December 31, 2013, the Company had $5.8 million of unrecognized compensation expense related to 1,555,500 stock options scheduled to vest over five- and seven-year vesting periods. The weighted average period over which compensation cost related to non-vested awards expected to be recognized was 4.3 years at December 31, 2013. No options were vested or exercisable as of December 31, 2013.

(Dollar amounts in thousands)

The table below presents restricted stock award activity for the six months ended December 31, 2014 and 2013:

| | Restricted stock awards | Weighted-average grant date fair value | Aggregate Intrinsic Value |
|---|---|---|---|
| Non-vested at June 30, 2013 | 511,300 | $ 14.37 | $ 8,672 |
| Granted | - | - | - |
| Vested | - | - | - |
| Forfeited | - | - | - |
| Non-vested at December 31, 2013 | 511,300 | $ 14.37 | $ 8,176 |
| | | | |
| Non-vested at June 30, 2014 | 403,965 | $ 14.39 | $ 6,371 |
| Granted | - | - | - |
| Vested | - | - | - |
| Forfeited | 800 | - | - |
| Non-vested at December 31, 2014 | 403,165 | $ 14.40 | $ 6,717 |

At December 31, 2014, unrecognized compensation expense was $4.7 million related to 403,165 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 1.8 years at December 31, 2014. At December 31, 2013, unrecognized compensation expense was $6.1 million related to 511,300 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 4.3 years at December 31, 2013.

## 8. Commitments and Contingencies

Loan Commitments – Legally binding commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. In the normal course of business, there are various outstanding commitments to extend credit that are not reflected in the consolidated financial statements. At December 31, 2014 and June 30, 2014, respectively, loan commitments (excluding $45,511 and $27,086 of undisbursed portions of construction loans) totaled $36,234 and $28,360 of which $12,041 and $3,620 were variable rate commitments and $24,193 and $24,740 were fixed rate commitments. The fixed rate loans had interest rates ranging from 1.49% to 7.00% at December 31, 2014 and 1.85% to 10.51% at June 30, 2014, and terms ranging from 1 to 30 years. Pre-approved but unused lines of credit (principally second mortgage home equity loans and overdraft protection loans) totaled $215,612 and $167,630 at December 31, 2014 and June 30, 2014, respectively. These amounts represent the Company's exposure to credit risk, and in the opinion of management have no more than the normal lending risk that the Company commits to its borrowers. The Company has freestanding derivative instruments consisting of commitments to originate fixed rate conforming loans and commitments to sell fixed rate conforming loans. The fair value of these commitments was not material at December 31, 2014 or June 30, 2014.

The Company grants construction and permanent loans collateralized primarily by residential and commercial real estate to customers throughout its primary market area. In addition, the Company grants municipal leases to customers throughout North and South Carolina. The Company's loan portfolio can be affected by the general economic conditions within these market areas. Management believes that the Company has no concentration of credit in the loan portfolio.

Restrictions on Cash – The Bank is required by regulation to maintain a varying cash reserve balance with the Federal Reserve System. The daily average calculated cash reserve required as of December 31, 2014 and June 30, 2014 was $2,480, and $8,087, respectively, which was satisfied by vault cash and balances held at the Federal Reserve.

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 December 31, 2014 and June 30, 2014 were $2,481 and $483. There was no liability recorded for these letters of credit at December 31, 2014 or June 30, 2014, respectively.

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

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

## 9. Fair Value of Financial Instruments

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

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

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

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

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

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

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

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

At December 31, 2014 and June 30, 2014, most of the total impaired loans were evaluated based on the fair value of the collateral. For these collateral dependent impaired loans, the Company obtains updated appraisals at least annually. These appraisals are reviewed for appropriateness and then discounted for estimated closing costs to determine if an allowance is necessary. As part of the quarterly review of impaired loans, the Company reviews these appraisals to determine if any additional discounts to the fair value are necessary. If a current appraisal is not obtained, the Company determines whether a discount is needed to the value from the original appraisal based on the decline in value of similar properties with recent appraisals. Impaired loans where a charge-off has occurred or an allowance is established during the period being reported require classification in the fair value hierarchy. The Company records all impaired loans with an allowance as nonrecurring Level 3.

(Dollar amounts in thousands)

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

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

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

| | December 31, 2014 | | | |
|---|---|---|---|---|
| Description | Total | Level 1 | Level 2 | Level 3 |
| U.S government agencies | $ 55,559 | $ - | $ 55,559 | $ - |
| Residential Mortgage-backed Securities of U.S. Government Agencies and Government Sponsored Enterprises | 119,271 | - | 119,271 | - |
| Municipal Bonds | 16,233 | - | 16,233 | - |
| Corporate Bonds | 4,017 | - | 3,017 | 1,000 |
| Equity Securities | 63 | - | 63 | - |
| Total | $ 195,143 | $ - | $ 194,143 | $ 1,000 |

| | June 30, 2014 | | | |
|---|---|---|---|---|
| Description | Total | Level 1 | Level 2 | Level 3 |
| U.S government agencies | $ 38,093 | $ - | $ 38,093 | $ - |
| Residential Mortgage-backed Securities of U.S. Government Agencies and Government Sponsored Enterprises | 111,411 | - | 111,411 | - |
| Municipal Bonds | 16,220 | - | 16,220 | - |
| Corporate Bonds | 3,025 | - | 3,025 | - |
| Total | $ 168,749 | $ - | $ 168,749 | $ - |

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

| | Six Months Ended December 31, 2014 | | | |
|---|---|---|---|---|
| Description | Total | Level 1 | Level 2 | Level 3 |
| Impaired loans | $ 4,983 | $ - | $ - | $ 4,983 |
| REO | 881 | - | - | 881 |
| Total | $ 5,864 | $ - | $ - | $ 5,864 |

| | Year Ended June 30, 2014 | | | |
|---|---|---|---|---|
| Description | Total | Level 1 | Level 2 | Level 3 |
| Impaired loans | $ 3,686 | $ - | $ - | $ 3,686 |
| REO | 9,185 | - | - | 9,185 |
| Total | $ 12,871 | $ - | $ - | $ 12,871 |

(Dollar amounts in thousands)

Quantitative information about Level 3 fair value measurements during the period ended December 31, 2014 is shown in the table below:

| | Fair Value at December 31, 2014 | Valuation Techniques | Unobservable Input | Range | Weighted Average |
|---|---|---|---|---|---|
| Nonrecurring measurements: | | | | | |
| Impaired loans, net | $ 4,983 | Discounted appraisals | Collateral discounts | 3% - 53% | 18% |
| REO | $ 881 | Discounted appraisals | Collateral discounts | 10% - 24% | 15% |

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

| | December 31, 2014 | | | | |
|---|---|---|---|---|---|
| | Carrying Value | Fair Value | Level 1 | Level 2 | Level 3 |
| Cash and interest-bearing deposits | $ 360,220 | $ 360,220 | $ 360,220 | $ - | $ - |
| Certificates of deposit in other banks | 196,575 | 196,575 | - | 196,575 | - |
| Securities available for sale | 195,143 | 195,143 | - | 194,143 | 1,000 |
| Other investments | 18,968 | 18,968 | 18,968 | | |
| Loans held for sale | 1,478 | 1,502 | - | - | 1,502 |
| Loans, net | 1,626,630 | 1,527,222 | - | - | 1,527,222 |
| Accrued interest receivable | 7,133 | 7,133 | - | 957 | 6,175 |
| Non-interest-bearing and NOW deposits | 580,884 | 580,884 | - | 580,884 | - |
| Money market accounts | 485,418 | 485,418 | - | 485,418 | - |
| Savings accounts | 221,671 | 221,671 | - | 221,671 | - |
| Certificates of deposit | 650,348 | 649,997 | - | 649,997 | - |
| Other borrowings | 250,000 | 250,000 | - | 250,000 | - |
| Accrued interest payable | 146 | 146 | - | 146 | - |

| | June 30, 2014 | | | | |
|---|---|---|---|---|---|
| | Carrying Value | Fair Value | Level 1 | Level 2 | Level 3 |
| Cash and interest-bearing deposits | $ 45,830 | $ 45,830 | $ 45,830 | $ - | $ - |
| Certificates of deposit in other banks | 163,780 | 163,780 | - | 163,780 | - |
| Securities available for sale | 168,749 | 168,749 | - | 168,749 | - |
| Other investments | 3,697 | 3,697 | 3,697 | | |
| Loans held for sale | 2,537 | 2,578 | - | - | 2,578 |
| Loans, net | 1,473,099 | 1,381,438 | - | - | 1,381,438 |
| Accrued interest receivable | 6,787 | 6,787 | - | 736 | 6,051 |
| Non-interest-bearing and NOW deposits | 418,671 | 418,671 | - | 418,671 | - |
| Money market accounts | 354,247 | 354,247 | - | 354,247 | - |
| Savings accounts | 175,974 | 175,974 | - | 175,974 | - |
| Certificates of deposit | 634,154 | 620,196 | - | 620,196 | - |
| Other borrowings | 50,000 | 50,000 | - | 50,000 | - |
| Accrued interest payable | 244 | 244 | - | 244 | - |

The Company had off-balance sheet financial commitments, which include approximately $297,357 and $223,076 of commitments to originate loans, undisbursed portions of interim construction loans, and unused lines of credit at December 31, 2014 and June 30, 2014 (see Note 8). Since these commitments are based on current rates, the carrying amount approximates the fair value.

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

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

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

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

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

Loans, net – Fair values for loans are estimated by segregating the portfolio by type of loan and discounting scheduled cash flows using current market interest rates for loans with similar terms and credit quality. A prepayment assumption is used as an estimate of the portion of loans that will be repaid prior to their scheduled maturity. Both the carrying value and estimated fair value amounts are shown net of the allowance for loan losses.

Other investments – This represents stock in the FHLB of Atlanta and Federal Reserve Bank with no existing market and no quoted market value. However, redemption of this stock has historically been at par value. Accordingly, cost is deemed to be a reasonable estimate of fair value.

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

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

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

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

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

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

### Forward-Looking Statements

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

Any of the forward-looking statements are based upon management's beliefs and assumptions at the time they are made. We undertake no obligation to publicly update or revise any forward-looking statements included in this report or to update the reasons why actual results could differ from those contained in such statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking statements discussed in this report might not occur and you should not put undue reliance on any forward-looking statements.

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

### Overview

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

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

Our principal business consists of attracting deposits from the general public and investing those funds, along with borrowed funds in loans secured primarily by first and second mortgages on one- to four-family residences, including home equity loans and construction and land/lot loans, commercial real estate loans, commercial and industrial loans, and municipal leases. Municipal leases are secured primarily by a ground lease for a firehouse or an equipment lease for fire trucks and firefighting equipment to fire departments located throughout North and South Carolina. We also purchase investment securities consisting primarily of mortgage-backed securities issued by United States Government agencies and government-sponsored enterprises, as well as, certificates of deposit insured by the FDIC.

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

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

Our primary source of pre-tax income is net interest income. Net interest income is the difference between interest income, which is the income that we earn on our loans and investments, and interest expense, which is the interest that we pay on our deposits and borrowings. Changes in levels of interest rates affect our net interest income. A secondary source of income is noninterest income, which includes revenue we receive from providing products and services, including service charges on deposit accounts, mortgage banking income and gains and losses from sales of securities.

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 spite of persistently weak economic conditions and exceptionally low interest rates which have created an unusually challenging banking environment for an extended period, the Company experienced marked improvement in profitability in fiscal years 2013 and 2014 as real estate values modestly improved along with general economic conditions resulting in materially lower loan charge-offs and write-downs of real estate owned ("REO") as compared to prior periods. As a result, during the quarter ended December 31, 2014 we recorded no provision for loan losses and during the quarter ended December 31, 2013 we recorded a $700,000 recovery for loan losses primarily due to lower net loan charge-offs and improved asset quality. For the quarter ended December 31, 2014, the Company had net income of $2.0 million, or $0.10 per diluted share, as compared to net income of $2.9 million, or $0.15 per diluted share, for the three months ended December 31, 2013. Although there continue to be indications that economic conditions in our market areas are improving from the recessionary downturn, the pace of recovery has been modest and uneven and ongoing stress in the economy will likely continue to be challenging going forward. However, over the past two years we have significantly added to our customer base, as well as substantially improved our risk profile by aggressively managing and reducing our problem assets, which has resulted in lower credit costs, and which we believe has positioned the Company well to meet this challenging environment with continued success.

We intend to expand through organic growth and through the acquisition of other community financial institutions and/or bank branches. Our goal is to continue to enhance our franchise value and earnings through strategic, planned growth in our banking operations, while maintaining the community-focused, relationship style of exceptional customer service that has differentiated our brand and characterized our success to date. As part of this strategy, on July 31, 2013, we completed our first acquisition as a public company, by acquiring BankGreenville Financial Corporation ("BankGreenville") with one office in Greenville, South Carolina. BankGreenville reported total assets of $105.1 million, total deposits of $90.0 million, and stockholders' equity of $9.6 million at June 30, 2013. On May 31, 2014, we completed our acquisition of Jefferson Bancshares, Inc. ("Jefferson"), the holding company for Jefferson Federal Bank. Jefferson had twelve offices located across East Tennessee and reported total assets of $506.8 million, total deposits of $384.0 million, and stockholders' equity of $54.4 million at March

31, 2014. On July 31, 2014, we completed our acquisition of Bank of Commerce with one office in midtown Charlotte, North Carolina. As of June 30, 2014, Bank of Commerce had total assets of $123.0 million, total deposits of $92.8 million, and stockholders' equity of $12.5 million. On July 21, 2014, the Bank opened a commercial loan production office in downtown Roanoke, Virginia. Additionally, on November 12, 2014, the Bank opened a commercial loan production office in Raleigh, North Carolina. On November 14, 2014, we completed our acquisition of ten branch banking operations in Virginia and North Carolina from Bank of America Corporation (the "Branch Acquisition") with six of the branches located in Roanoke Valley, two in Danville, one in Martinsville, Virginia, and one in Eden, North Carolina. We purchased total loans of $1.0 million, premises and equipment of $9.0 million, and total deposits of $329.2 million in this branch acquisition.

At December 31, 2014, we had 45 locations in North Carolina (including the Asheville metropolitan area, the "Piedmont" region, and Charlotte), South Carolina (Greenville), East Tennessee (including Kingsport/Johnson City, Knoxville, and Morristown) and Virginia (including Danville, Martinsville, and the "Roanoke Valley" region) and our commercial loan production offices in Roanoke, Virginia and Raleigh, North Carolina.

**Critical Accounting Policies and Estimates**

Certain of our accounting policies are important to the portrayal of our financial condition, since they require management to make difficult, complex or subjective judgments, some of which may relate to matters that are inherently uncertain. Estimates associated with these policies are susceptible to material changes as a result of changes in facts and circumstances. Facts and circumstances which could affect these judgments include, but are not limited to, changes in interest rates, changes in the performance of the economy and changes in the financial condition of borrowers. These policies relate to (i) the determination of the provision and the allowance for loan losses, (ii) business combinations, (iii) the valuation of REO, (iv) the calculation of post retirement plan expenses and benefits, and (v) the valuation of or recognition of deferred tax assets and liabilities. These policies and estimates are described in further detail in Part II, Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 1, Summary of Significant Accounting Policies with the 2014 Form 10-K. There have not been any material changes in the Company's critical accounting policies and estimates as compared to the disclosure contained in the Company's 2014 Form 10-K.

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

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

**Comparison of Financial Condition at December 31, 2014 and June 30, 2014**

***Assets.*** Total assets increased $565.9 million, or 27.3%, to $2.64 billion at December 31, 2014 from $2.07 billion at June 30, 2014. This increase was largely due to the Branch Acquisition and Bank of Commerce acquisition this fiscal year. The Company recorded $4.0 million of goodwill and $640,000 of core deposit intangibles in connection with the Bank of Commerce acquisition and $7.9 million of core deposit intangibles in connection with the Branch Acquisition. Nonperforming assets decreased to $44.3 million, or 1.68% of total assets, at December 31, 2014, compared to $53.6 million, or 2.59% of total assets, at June 30, 2014. The decrease in nonperforming assets was primarily due to loans returning to performing status as payment history and the borrower's financial status improved. Nonperforming assets included $33.7 million in nonaccruing loans and $10.6 million in REO at December 31, 2014, compared to nonaccruing loans and REO of $37.9 million and $15.7 million at June 30, 2014, respectively. At December 31, 2014, $15.6 million, or 46.4%, of nonaccruing loans were current on their required loan payments. Purchased credit-impaired ("PCI") loans totaling $10.2 million at December 31, 2014 and $9.2 million at June 30, 2014 are excluded from nonaccruing loans due to the accretion of discounts established in accordance with the acquisition method of accounting for business combinations.

***Cash and cash equivalents.*** Total cash and cash equivalents increased $314.4 million, or 686.0%, to $360.2 million at December 31, 2014 from $45.8 million at June 30, 2014. The increase was primarily due to funds received from the Branch Acquisition. At December 31, 2014, certificates of deposits in other banks totaled $196.6 million compared to $163.8 million at June 30, 2014. All of the certificates of deposit in other banks are fully insured under the FDIC.

***Investments.*** Securities available for sale increased $26.4 million, or 15.6%, to $195.1 million at December 31, 2014 from $168.7 million at June 30, 2014 primarily as a result of the acquisition of Bank of Commerce. During the six months ended December 31, 2014 $44.9

million of securities available for sale were purchased, $21.4 million matured, $10.4 million in proceeds from sales were received and $11.9 million of principal payments were received. The securities purchased and acquired during the period were primarily short- to intermediate-term U.S. government agency notes and mortgage-backed securities and, to a lesser extent, intermediate-term taxable municipal securities. Other investments increased $15.3 million primarily due to the purchase of $6.2 million of Federal Reserve Bank stock in conjunction with the Bank's conversion to a national bank and $9.1 million in additional Federal Home Loan Bank ("FHLB") stock. We evaluate individual investment securities quarterly for other-than-temporary declines in market value. We do not believe that there are any other-than-temporary impairments at December 31, 2014; therefore, no impairment losses have been recorded during the first six months of fiscal 2015.

***Loans.*** Net loans receivable increased $153.5 million, or 10.4%, at December 31, 2014 to $1.63 billion from $1.47 billion at June 30, 2014 primarily due to $86.2 million in loans acquired from Bank of Commerce, $40.9 million in home equity lines of credit purchased in December 2014, and $26.4 million in net organic loan growth. Since June 30, 2014, commercial real estate loans increased $77.1 million and commercial and industrial loans increased $17.8 million largely due to the Bank of Commerce acquisition. Total loan originations increased $94.5 million, or 63.2%, to $244.0 million during the six months ended December 31, 2014 compared to $149.5 million during the six months ended December 31, 2013.

***Allowance for loan losses.*** The allowance for loan losses was $23.4 million, or 1.41% of total loans, at December 31, 2014 compared to $23.4 million, or 1.56% of total loans, at June 30, 2014. The allowance for loan losses was 1.79% of total loans at December 31, 2014, excluding loans acquired from BankGreenville, Jefferson, and Bank of Commerce as the loans acquired from these acquisitions are excluded from the allowance for loan losses in accordance with the acquisition method of accounting for business combinations. The Company recorded these loans at fair value, which includes a credit discount, therefore, no allowance for loan losses is established for these acquired loans unless the credit quality deteriorates further subsequent to the acquisition. The Company recorded a net loan recovery of $176,000 for the six months ended December 31, 2014 as compared to a $1.9 million net charge-off for the same period last year. Net loan charge-offs as a percentage of average loans also decreased significantly to (0.02%) for the six months ended December 31, 2014 from 0.33% for the six months ended December 31, 2013. Nonaccruing loans decreased 11.1% to $33.7 million at December 31, 2014 from $37.9 million at June 30, 2014. Nonaccruing loans to total loans decreased to 2.04% at December 31, 2014 from 2.53% at June 30, 2014. At December 31, 2014, $15.6 million, or 46.4%, of total nonaccruing loans were current on their loan payments. The allowance as a percentage of nonaccruing loans increased from 61.79% at June 30, 2014 to 69.38% at December 31, 2014.

The ratio of classified assets to total assets was 3.62% at December 31, 2014 compared to 4.56% at June 30, 2014. Classified assets were $95.5 million at December 31, 2014 compared to $94.7 million at June 30, 2014.

***Real estate owned.*** REO decreased $5.1 million, to $10.6 million at December 31, 2014 primarily due to the sale of $6.6 million in REO during the period partially offset by $224,000 in REO acquired in the Bank of Commerce acquisition and $1.4 million in other foreclosures. The total balance of REO at December 31, 2014 included $5.6 million in land, construction and development projects (both residential and commercial), $1.3 million in commercial real estate and $3.7 million in single-family homes.

***Deposits.*** Deposits increased $355.3 million, or 22.4%, from $1.58 billion at June 30, 2014 to $1.94 billion at December 31, 2014. This increase was primarily due to the Branch Acquisition and Bank of Commerce which increased total deposits by $422.6 million partially offset by a $67.3 million decrease in existing deposits. The Company recorded $640,000 of core deposit intangibles in connection with the Bank of Commerce acquisition and $7.9 million of core deposit intangibles in connection with the Branch Acquisition. Certificates of deposit increased $16.2 million during the period primarily as a result of Bank of Commerce and the Branch Acquisition.

***Borrowings.*** Other borrowings increased to $250.0 million at December 31, 2014 from $50.0 million at June 30, 2014 primarily as a result of a $200.0 million increase in FHLB advances. All FHLB advances have maturities of less than 90 days with a weighted average interest rate of 0.21% at December 31, 2014.

***Equity.*** Stockholders' equity at December 31, 2014 increased to $380.9 million from $377.2 million at June 30, 2014. The increase in stockholders' equity primarily reflected a $4.3 million increase in retained earnings as a result of the net income from the first six months of fiscal 2015 partially offset by the repurchase of 198,503 shares of common stock at an average cost of $15.52 per share, or approximately $3.1 million in total.

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

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

| | For the Three Months Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2014 | | | 2013 | | |
| | Average Balance Outstanding | Interest Earned/ Paid(2) | Yield/ Rate(2) | Average Balance Outstanding | Interest Earned/ Paid(2) | Yield/ Rate(2) |
| | (Dollars in thousands) | | | | | |
| **Interest-earning assets:** | | | | | | |
| Loans receivable(1) | $ 1,613,457 | $ 20,499 | 5.08% | $ 1,191,755 | $ 15,127 | 5.08% |
| Deposits in other financial institutions | 385,661 | 590 | 0.61% | 189,394 | 426 | 0.90% |
| Investment securities | 181,450 | 884 | 1.95% | 78,053 | 295 | 1.51% |
| Other | 51,925 | 262 | 2.02% | 46,404 | 173 | 1.49% |
| Total interest-earning assets | 2,232,493 | 22,235 | 3.98% | 1,505,606 | 16,021 | 4.26% |
| **Interest-bearing liabilities:** | | | | | | |
| Interest-bearing checking accounts | 341,217 | 116 | 0.14% | 212,244 | 54 | 0.10% |
| Money market accounts | 447,718 | 273 | 0.24% | 307,984 | 200 | 0.26% |
| Savings accounts | 208,725 | 77 | 0.15% | 84,069 | 36 | 0.17% |
| Certificate accounts | 633,952 | 798 | 0.67% | 549,362 | 1,092 | 0.79% |
| Borrowings | 204,076 | 105 | 0.20% | 2,225 | 1 | 0.18% |
| Total interest-bearing liabilities | 1,835,688 | 1,369 | 0.30% | 1,155,884 | 1,383 | 0.48% |
| Net earning assets | $ 396,805 | | | $ 349,722 | | |
| Average interest-earning assets to average interest-bearing liabilities | 121.62% | | | 130.26% | | |
| Tax-equivalent: | | | | | | |
| Net interest income | | $ 20,866 | | | $ 14,638 | |
| Interest rate spread | | | 3.69% | | | 3.78% |
| Net interest margin(3) | | | 3.74% | | | 3.89% |
| Non-tax-equivalent: | | | | | | |
| Net interest income | | $ 20,190 | | | $ 13,883 | |
| Interest rate spread | | | 3.56% | | | 3.58% |
| Net interest margin(3) | | | 3.62% | | | 3.69% |

(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 $676,000 and $755,000 for the three months ended December 31, 2014 and 2013, respectively, calculated based on a federal tax rate of 34%.
(3) Net interest income divided by average interest-earning assets.

| | For the Six Months Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2014 | | | 2013 | | |
| | Average Balance Outstanding | Interest Earned/ Paid(2) | Yield/ Rate(2) | Average Balance Outstanding | Interest Earned/ Paid(2) | Yield/ Rate(2) |
| | (Dollars in thousands) | | | | | |
| **Interest-earning assets:** | | | | | | |
| Loans receivable(1) | $ 1,590,932 | $ 39,736 | 5.00% | $ 1,194,874 | $ 29,997 | 5.02% |
| Deposits in other financial institutions | 287,228 | 1,030 | 0.72% | 211,337 | 869 | 0.82% |
| Investment securities | 176,043 | 1,689 | 1.92% | 65,149 | 506 | 1.55% |
| Other | 29,250 | 325 | 2.22% | 34,422 | 280 | 1.63% |
| Total interest-earning assets | 2,083,453 | 42,780 | 4.11% | 1,505,782 | 31,652 | 4.20% |
| **Interest-bearing liabilities:** | | | | | | |
| Interest-bearing checking accounts | 315,874 | 187 | 0.12% | 212,259 | 163 | 0.15% |
| Money market accounts | 418,697 | 525 | 0.25% | 300,236 | 406 | 0.27% |
| Savings accounts | 197,204 | 155 | 0.16% | 83,378 | 73 | 0.17% |
| Certificate accounts | 632,342 | 1,623 | 0.51% | 554,243 | 2,283 | 0.82% |
| Borrowings | 137,905 | 144 | 0.21% | 2,296 | 4 | 0.35% |
| Total interest-bearing liabilities | 1,702,022 | 2,634 | 0.31% | 1,152,412 | 2,929 | 0.50% |
| Net earning assets | $ 381,431 | | | $ 353,370 | | |
| Average interest-earning assets to average interest-bearing liabilities | 122.41% | | | 130.66% | | |
| Tax-equivalent: | | | | | | |
| Net interest income | | $ 40,146 | | | $ 28,723 | |
| Interest rate spread | | | 3.80% | | | 3.70% |
| Net interest margin(3) | | | 3.85% | | | 3.82% |
| Non-tax-equivalent: | | | | | | |
| Net interest income | | $ 38,790 | | | $ 27,179 | |
| Interest rate spread | | | 3.67% | | | 3.49% |
| Net interest margin(3) | | | 3.72% | | | 3.61% |

(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 $1.4 million and $1.5 million for the six months ended December 31, 2014 and 2013, respectively, calculated based on a federal tax rate of 34%.
(3) Net interest income divided by average interest-earning assets.

**Rate/Volume Analysis**

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

| | Three Months Ended December 31, 2014 Compared to Three Months Ended December 31, 2013 | | |
|---|---|---|---|
| | Increase/ (decrease) due to | | Total increase/ (decrease) |
| | Volume | Rate | |
| Interest-earning assets: | | | |
| Loans receivable | $ 5,351 | $ 21 | $ 5,372 |
| Deposits in other financial institutions | 441 | (277) | 164 |
| Investment securities | 391 | 198 | 589 |
| Other | 21 | 68 | 89 |
| Total interest-earning assets | $ 6,204 | $ 10 | $ 6,214 |
| Interest-bearing liabilities: | | | |
| Interest-bearing checking accounts | $ 33 | $ 29 | $ 62 |
| Money market accounts | 91 | (18) | 73 |
| Savings accounts | 53 | (12) | 41 |
| Certificate accounts | 168 | (462) | (294) |
| Borrowings | 91 | 13 | 104 |
| Total interest-bearing liabilities | $ 436 | $ (450) | $ (14) |
| Net increase in tax equivalent interest income... | $ 5,768 | $ 460 | $ 6,228 |

| | Six Months Ended December 31, 2014 Compared to Six Months Ended December 31, 2013 | | |
|---|---|---|---|
| | Increase/ (decrease) due to | | Total increase/ (decrease) |
| | Volume | Rate | |
| Interest-earning assets: | | | |
| Loans receivable | $ 9,943 | $ (204) | $ 9,739 |
| Deposits in other financial institutions | 312 | (151) | 161 |
| Investment securities | 861 | 322 | 1,183 |
| Other | (42) | 87 | 45 |
| Total interest-earning assets | $ 11,074 | $ 54 | $ 11,128 |
| Interest-bearing liabilities: | | | |
| Interest-bearing checking accounts | $ 80 | $ (56) | $ 24 |
| Money market accounts | 160 | (41) | 119 |
| Savings accounts | 90 | (8) | 82 |
| Certificate accounts | 322 | (982) | (660) |
| Borrowings | 236 | (96) | 140 |
| Total interest-bearing liabilities | $ 888 | $ (1,183) | $ (295) |
| Net increase in tax equivalent interest income... | $ 10,186 | $ 1,237 | $ 11,423 |

**Comparison of Results of Operation for the Three Months Ended December 31, 2014 and 2013**

***General.*** During the three months ended December 31, 2014, we had net income of $2.0 million compared to $2.9 million for the three months ended December 31, 2013. The decrease in net income for the second quarter of fiscal 2015 was primarily the result of a $2.3 million increase in merger expenses related to the acquisitions of Jefferson, Bank of Commerce and the Branch Acquisition. On a basic and diluted per share basis, the Company earned $0.10 per share in the second quarter of fiscal 2015, compared to $0.15 per share in the second quarter of fiscal 2014.

***Net Interest Income.*** Net interest income was $20.2 million for the three months ended December 31, 2014 compared to $13.9 million for the three months ended December 31, 2013. The $6.3 million, or 45.4%, increase was due to an increase in interest income of $6.3 million driven by the Company's recent acquisitions. The net interest margin (on a fully taxable-equivalent basis) for the three months ended December 31, 2014 decreased 15 basis points over the same period last year to 3.74%, due primarily to funds received from the Branch Acquisition being initially invested at nominal short-term interest rates, payoffs of loans which had a higher yield than the average yield of loans, and adjustable rate loans repricing to lower current market interest rates. The yield on interest-earning assets (on a fully taxable-equivalent basis) for the quarter ended December 31, 2014 decreased 28 basis points to 3.98% while the rate paid on interest-bearing liabilities decreased 18 basis points to 0.30% as compared to the same period last year. Net interest margin is enhanced by the amortization of purchase accounting discounts on purchased loans and certificates of deposit received in the acquisitions of Jefferson, Bank of Commerce and BankGreenville, which is accreted into net interest income. This additional income stems from the discount established at the time these loan portfolios were acquired and the related impact of prepayments on purchased loans. Each quarter, the Company analyzes the cash flow assumptions on loan pools purchased and, at least semi-annually, the Company updates loss estimates, prepayment speeds and other variables when analyzing cash flows. In addition to this accretion income, which is recognized over the estimated life of the loans pools, if a loan is removed from a pool due to payoff or foreclosure, the unaccreted discount in excess of losses is recognized as an accretion gain in interest income. As a result, income from loan pools can be volatile from quarter to quarter. Excluding the amortization of purchase accounting discounts on loans and certificates of deposit of $1.9 million, the net interest margin (on a fully taxable-equivalent basis) for the quarter ended December 31, 2014 decreased 39 basis points to 3.41% compared to 3.80% over the same period last year. 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 December 31, 2014, our loans with interest rate floors totaled approximately $577.7 million and had a weighted average floor rate of 4.37% of which $266.6 million, or 46.1%, had yields that would begin floating again once prime rates increase at least 200 basis points.

***Interest Income.*** Interest income for the three months ended December 31, 2014 was $21.6 million, compared to $15.3 million for the three months ended December 31, 2013, an increase of $6.3 million, or 41.2%. The increase in interest income occurred primarily as a result of the $421.7 million increase in average loans receivable obtained through the Jefferson and Bank of Commerce acquisitions. Interest income on loans receivable increased by $5.5 million, or 37.9%, to $19.8 million for the three months ended December 31, 2014 from $14.4 million for the three months ended December 31, 2013. The average tax-equivalent yield on loans was 5.08% for the three months ended December 31, 2014 and 2013.

The combined average balance of investment securities, deposits in other financial institutions, and other interest-earning assets increased by $305.2 million, or 97.2%, to $619.0 million for the three months ended December 31, 2014, while the interest and dividend income from those investments increased by $842,000 compared to the prior fiscal year. The increase in average balance was primarily due to the acquisition of investment securities from the Jefferson and Bank of Commerce mergers as well as invested funds acquired from the Branch Acquisition.

***Interest Expense.*** Interest expense was $1.4 million for the three months ended December 31, 2014 and 2013, The average cost of interest-bearing liabilities decreased 18 basis points to 0.30% for the three months ended December 31, 2014, from 0.48% for the same period one year earlier while average interest-bearing liabilities increased $679.8 million over the same time period as a result of our recent acquisitions.

Deposit interest expense decreased $118,000, or 8.5%, to $1.3 million for the three months ended December 31, 2014 compared to $1.4 million for the same three month period in the prior fiscal year primarily as a result of a 12 basis point decrease in the average cost of certificates of deposit coupled with an 18 basis point decrease in the overall cost of deposits. Average borrowings increased to $204.1 million for the three months ended December 31, 2014, from $2.2 million for the three months ended December 31, 2013, while the average rate paid on borrowings increased two basis points to 0.20% in the current three month period.

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

During the three months ended December 31, 2014, there was no provision for loan losses compared to a recovery of $700,000 for the three months ended December 31, 2013. The provision for loan losses reflects the amount required to maintain the allowance for losses at an appropriate level based upon management's evaluation of the adequacy of general and specific loss reserves, trends in delinquencies and net charge-offs and current economic conditions.

The allowance for loan losses at December 31, 2014 primarily reflected the lingering weakness in the economy in our market areas and continued elevated level of delinquent, nonaccruing and classified loans as compared to historical levels.

Nonaccruing loans decreased to $33.7 million at December 31, 2014 from $37.9 million at June 30, 2014. Delinquent loans (loans delinquent 30 days or more) increased to $34.6 million at December 31, 2014, from $31.5 million at December 31, 2013.

Net loan charge-offs decreased to a recovery of $275,000 for the three months ended December 31, 2014 from a $1.4 million net charge-off for the same period last year. Net charge-offs as a percentage of average loans decreased to (0.07%) for the quarter ended December 31, 2014 from 0.46% for the same period last fiscal year. A comparison of the allowance at December 31, 2014 and 2013 reflects a decrease of $3.8 million to $23.4 million at December 31, 2014, from $27.1 million at December 31, 2013. The allowance as a percentage of total loans decreased to 1.41% at December 31, 2014, compared to 2.32% at December 31, 2013. The allowance for loan losses was 1.79% of total loans at December 31, 2014, excluding loans acquired from BankGreenville, Jefferson, and Bank of Commerce as the loans acquired from these acquisitions are excluded from the allowance for loan losses in accordance with the acquisition method of accounting for business combinations. The Company recorded these loans at fair value, which includes a credit discount; therefore, no allowance for loan losses is established for these acquired loans unless the credit quality deteriorates further subsequent to the acquisition. The allowance as a percentage of nonaccruing loans increased to 69.38% at December 31, 2014, compared to 47.87% at December 31, 2013. At December 31, 2014, $15.6 million, or 46.4%, of total nonaccruing loans were current on their loan payments, of which $6.7 million were TDRs.

As of December 31, 2014, we had identified $56.9 million of impaired loans. Our impaired loans are comprised of loans on non-accrual status and all TDRs, whether performing or on non-accrual status under their restructured terms. Impaired loans may be evaluated for reserve purposes using either a specific impairment analysis or on a collective basis as part of homogeneous pools. For more information on these impaired loans, see Note 5 of the Notes to Consolidated Financial Statements under Item 1 of this report.

We believe that the allowance for loan losses as of December 31, 2014 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.

***Noninterest Income.*** Noninterest income increased $573,000, or 25.5%, to $2.8 million for the second quarter of fiscal 2015 from $2.2 million for the second quarter of fiscal 2014, primarily due to a $664,000, or 101.5%, increase in service charges on deposit accounts related to the increase in the number of deposit accounts as a result of our recent acquisitions.

***Noninterest Expense.*** Noninterest expense for the quarter ended December 31, 2014 increased $6.8 million, or 50.9%, to $20.1 million compared to $13.3 million for the quarter ended December 31, 2013. This increase was primarily related to a $2.6 million increase in salaries and employee benefits, a $2.3 million increase in merger-related expenses, and a $719,000 increase in net occupancy expense and a $449,000 increase in the core deposit intangible amortization, all of which were primarily related to our recent acquisitions. These increases in noninterest expense were partially offset by a $610,000 decrease in real estate owned related expenses for the quarter ended December 31, 2014 compared to the same period last year reflecting the reduction in the number of REO properties held by us and improvement in the real estate markets.

***Income Taxes.*** For the three months ended December 31, 2014, we recorded income tax expense of $825,000, which was an effective tax rate of 28.7%, compared to an expense of $606,000 for the three months ended December 31, 2013. This increase was primarily due to a $289,000 tax benefit in the three months ended December 31, 2013 related to the decrease in our deferred tax valuation allowance related to capital loss carryforwards.

**Comparison of Results of Operation for the Six Months Ended December 31, 2014 and 2013**

***General.*** During the six months ended December 31, 2014, we had net income of $4.3 million compared to $6.2 million for the six months ended December 31, 2013. The decrease in net income for the first six months of fiscal 2015 was primarily the result of a $3.5 million increase in merger expenses related to the acquisitions of Jefferson, Bank of Commerce and the Branch Acquisition. On a basic and diluted per share basis, the Company earned $0.22 per share in the first six months of fiscal 2015, compared to $0.32 per share in the first six months of fiscal 2014.

***Net Interest Income.*** Net interest income was $38.8 million for the six months ended December 31, 2014 compared to $27.2 million for the six months ended December 31, 2013. The $11.6 million, or 42.7%, increase was primarily due to an $11.3 million increase in interest income driven by our recent acquisitions, coupled with a decrease in interest expense of $295,000. The net interest margin (on a fully taxable-equivalent basis) for the six months ended December 31, 2014 increased three basis points over the same period last year to 3.85%. The yield on interest-earning assets (on a fully taxable-equivalent basis) for the six months ended December 31, 2014 decreased nine basis points to 4.11% while the rate paid on interest-bearing liabilities decreased 19 basis points to 0.31% as compared to the same period last year due primarily to funds received from the Branch Acquisition being initially invested at nominal short-term rates. Excluding the amortization of purchase accounting discounts on loans and certificates of deposit of $2.8 million, the net interest margin (on a fully taxable-equivalent basis) for the six months ended December 31, 2014 decreased 15 basis points to 3.59% compared to 3.74% over the same period last year.

***Interest Income.*** Interest income for the six months ended December 31, 2014 was $41.4 million, compared to $30.1 million for the six months ended December 31, 2013, an increase of $11.3 million, or 37.6%. The increase in interest income occurred primarily as a result of the $396.1 million increase in average loans receivable obtained primarily through the Jefferson and Bank of Commerce acquisitions offsetting a two basis point decline in the average tax-equivalent loan yield. Interest income on loans receivable increased by $9.9 million, or 34.9%, to $38.4 million for the six months ended December 31, 2014 from $28.5 million for the six months ended December 31, 2013. The average tax-equivalent yield on loans was 5.00% for the six months ended December 31, 2014, compared to 5.02% for the same three month period one year earlier. The decrease in average tax-equivalent loan yields reflects the continuing very low level of market interest rates, the maturity or repayment of higher yielding loans, and downward repricing of adjustable rate loans to current market rates.

The combined average balance of investment securities, deposits in other financial institutions, and other interest-earning assets increased by $181.6 million, or 58.4%, to $492.5 million for the six months ended December 31, 2014, while the interest and dividend income from those investments increased by $1.4 million compared to the prior fiscal year. The increase in average balance was primarily due to the acquisition of investment securities from the Jefferson and Bank of Commerce mergers as well as invested funds from the Branch Acquisition.

***Interest Expense.*** Interest expense for the six months ended December 31, 2014 was $2.6 million, compared to $2.9 million for the six months ended December 31, 2013, a decrease of $295,000, or 10.1%. The decrease in interest expense occurred as a result of a 19 basis point decrease in the average cost of interest-bearing liabilities to 0.31% for the six months ended December 31, 2014, from 0.50% for the same period one year earlier, despite a $549.6 million increase in average interest-bearing liabilities over the same time period as a result of our recent acquisitions. These decreases reflect lower deposit rates, specifically, the managed decline in certificates of deposit as our pricing decreases were designed to allow higher rate certificates of deposit to run off.

Deposit interest expense decreased $435,000, or 14.9%, to $2.5 million for the six months ended December 31, 2014 compared to $2.9 million for the same six month period in the prior fiscal year primarily as a result of a 31 basis point decrease in the average cost of certificates of deposit coupled with a 18 basis point decrease in the overall cost of deposits. Average borrowings increased to $137.9 million for the six months ended December 31, 2014, from $2.3 million for the six months ended December 31, 2013, while the average rate paid on borrowings decreased to 0.21% in the current six month period. This decrease in the average rate paid on borrowings was primarily a result of the increase in FHLB advances at lower, short-term rates.

***Provision for Loan Losses.*** During the six months ended December 31, 2014, the recovery for loan losses was $250,000, compared to a $3.0 million recovery for loan losses for the six months ended December 31, 2013. The Company's continued reversal of the provision for loan losses was driven by a recovery of net loan charge-offs and improved asset quality. Net loan charge-offs decreased to a recovery of $176,000 for the six months ended December 31, 2014 from a $1.9 million net charge-off for the same period last year. Net charge-offs as a percentage of average loans decreased to (0.02%) for the six months ended December 31, 2014 from 0.33% for the same period last fiscal year.

***Noninterest Income.*** Noninterest income increased $1.1 million, or 23.7%, to $5.6 million for the six months ended December 31, 2014 from $4.5 million for the second quarter of fiscal 2014, primarily due to a $1.0 million, or 78.5%, increase in service charges on deposit accounts related to our recent acquisitions. Mortgage banking income decreased $226,000 due to a $12.8 million decrease in mortgage loans originated for sale.

***Noninterest Expense.*** Noninterest expense for the six months ended December 31, 2014 increased $13.4 million, or 53.2%, to $38.6 million compared to $25.2 million for the six months ended December 31, 2013. This increase was primarily related to a $5.2 million increase in salaries and employee benefits, a $3.5 million increase in merger-related expenses, a $1.4 million increase in net occupancy expense and an $834,000 increase in the core deposit intangible amortization all of which were primarily related to our recent acquisitions. These increases in noninterest expense were partially offset by a $473,000 decrease in REO related expenses for the six months ended December 31, 2014 compared to the same period last year reflecting the reduction in the number of REO properties held by us and improvement in the real estate markets.

***Income Taxes.*** For the six months ended December 31, 2014, we recorded income tax expense of $1.7 million, which was an effective tax rate of 28.2%, compared to an expense of $3.3 million for the six months ended December 31, 2013. This decrease was due to lower income before income taxes, as well as a nonrecurring $962,000 charge incurred in the first quarter of fiscal 2014 related to the decline in value of our deferred tax assets based on decreases in North Carolina's state corporate tax rates. Beginning January 1, 2014, North Carolina's corporate tax rate was reduced from 6.9% to 6.0% and to 5.0% in 2015 with additional reductions to 3.0% in 2017 possible in the event certain state revenue triggers are achieved.

**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 December 31, 2014, the Bank had an additional borrowing capacity of $77.8 million with the FHLB of Atlanta, a $106.1 million line of credit with the Federal Reserve Bank of Richmond and a $20.0 million line of credit with another unaffiliated bank. At December 31, 2014, we had $250.0 million in FHLB advances outstanding and nothing outstanding under our other lines of credit. Additionally, the Company classifies its securities portfolio as available for sale, providing an additional source of liquidity. Management believes that our security portfolio is of high quality and the securities would therefore be marketable. In addition, we have historically sold longer term fixed-rate mortgage loans in the secondary market to reduce interest rate risk and to create still another source of liquidity. From time to time we also utilize brokered time deposits to supplement our other sources of funds. Brokered time deposits are obtained by utilizing an outside broker that is paid a fee. This funding requires advance notification to structure the type of deposit desired by us. Brokered deposits can vary in term from one month to several years and have the benefit of being a source of longer-term funding. We also utilize brokered deposits to help manage interest rate risk by extending the term to repricing of our liabilities, enhance our liquidity and fund asset growth. Brokered deposits are typically from outside our primary market areas, and our brokered deposit levels may vary from time to time depending on competitive interest rate conditions and other factors. At December 31, 2014 brokered deposits totaled $14.5 million, or 0.7% of total deposits.

Liquidity management is both a daily and long-term function of business management. Excess liquidity is generally invested in short-term investments, such as overnight deposits and federal funds. On a longer term basis, we maintain a strategy of investing in various lending products and investment securities, including mortgage-backed securities. HomeTrust Bancshares on a stand-alone level is a separate legal entity from the Bank and must provide for its own liquidity and pay its own operating expenses. The Company's primary source of funds consists of the net proceeds retained from the Conversion. The Company also has the ability to receive dividends or capital distributions from the Bank, although there are regulatory restrictions on the ability of the Bank to pay dividends. At December 31, 2014, the Company (on an unconsolidated basis) had liquid assets of $37.7 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 December 31, 2014, the total approved loan commitments and unused lines of credit outstanding amounted to 81.7 million and $215.6 million, respectively, as compared to $55.4 million and $167.6 million, respectively, as of June 30, 2014. Certificates of deposit scheduled to mature in one year or less at December 31, 2014, totaled $408.9 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 six months of fiscal 2015, cash and cash equivalents increased $314.4 million, or 686.0%, from $45.8 million as of June 30, 2014 to $360.2 million as of December 31, 2014. The increase was primarily attributable to the $310.9 million in cash provided by the Branch Acquisition, net of deposit premium, that occurred in the second quarter of fiscal 2015. Cash provided by operating, investing and financing activities was $7.2 million, $192.8 million and $114.4 million, respectively. Primary sources of cash for the six months ended December 31, 2014 included $310.9 from the Branch Acquisition, an increase in other borrowings of $184.8 million and proceeds from the sale and maturities of securities available for sale of $31.8 million. Primary uses of cash during the period included a $67.3 million decrease in deposits (excluding the $422.6 million in deposits acquired from Bank of Commerce and the Branch Acquisition), an increase in loans of $64.0 million, the purchase of certificates of deposit in other banks, net of maturities, of $32.8 million and the purchases of $44.9 million of securities available for sale.

**Off-Balance Sheet Activities**

In the normal course of operations, we engage in a variety of financial transactions that are not recorded in our financial statements. These transactions involve varying degrees of off-balance sheet credit, interest rate and liquidity risks. These transactions are used primarily to manage customers' requests for funding and take the form of loan commitments and lines of credit. For the three or six months ended December 31, 2014, 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 December 31, 2014, is as follows (in thousands):

| | |
|---|---|
| Commitments to make loans | $ 81.7 |
| Unused lines of credit | 215.6 |
| Total loan commitments | $ 297.3 |

**Capital Resources**

At December 31, 2014, equity totaled $380.9 million. HomeTrust Bancshares, Inc. is a bank holding company registered with the FRB. Bank holding companies are subject to capital adequacy requirements of the FRB under the Bank Holding Company Act of 1956, as amended and the regulations of the FRB. The Bank, as a national bank is subject to the capital requirements established by the OCC.

The capital adequacy requirements are quantitative measures established by regulation that require HomeTrust Bancshares, Inc. and the Bank to maintain minimum amounts and ratios of capital. The FRB requires HomeTrust Bancshares, Inc. to maintain capital adequacy that generally parallels the OCC requirements. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by bank regulators that, if undertaken, could have a direct material effect on the Company's financial statements. At December 31, 2014, HomeTrust Bancshares, Inc. and the Bank each exceeded all regulatory capital requirements. In addition, the Bank must maintain total risk-based capital, Tier 1 risk-based capital and Tier 1 leverage capital ratios of 10.00%, 6.00% and 5.00%, respectively to be considered "Well-Capitalized" for regulatory purposes. The Bank was categorized as "Well-Capitalized" at December 31, 2014 under the regulations of the OCC.

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

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | Regulatory Requirements | | | | |
| | Actual | | | | Minimum for Capital Adequacy Purposes | | | Minimum to Be Well Capitalized | |
| | | Amount | Ratio | | Amount | Ratio | | Amount | Ratio |
| **HomeTrust Bancshares, Inc.** | | | | | | | | | |
| As of December 31, 2014: | | | | | | | | | |
| Tier I Capital (to Total Adjusted Assets) | $ | 295,322 | 12.40% | $ | 95,290 | 4.00% | $ | n/a | n/a |
| Tier I Capital (to Risk-weighted Assets) | $ | 295,322 | 16.67% | $ | 70,847 | 4.00% | $ | n/a | n/a |
| Total Risk-based Capital (to Risk-weighted Assets) | $ | 317,483 | 17.92% | $ | 141,694 | 8.00% | $ | n/a | n/a |
| As of June 30, 2014: | | | | | | | | | |
| Tier I Capital (to Total Adjusted Assets) | $ | 303,631 | 18.03% | $ | 67,378 | 4.00% | $ | n/a | n/a |
| Tier I Capital (to Risk-weighted Assets) | $ | 303,631 | 20.87% | $ | 58,208 | 4.00% | $ | n/a | n/a |
| Total Risk-based Capital (to Risk-weighted Assets) | $ | 321,886 | 22.12% | $ | 116,415 | 8.00% | $ | n/a | n/a |
| **HomeTrust Bank:** | | | | | | | | | |
| As of December 31, 2014: | | | | | | | | | |
| Tier I Capital (to Total Adjusted Assets) | $ | 231,928 | 9.84% | $ | 94,271 | 4.00% | $ | 117,838 | 5.00% |
| Tier I Capital (to Risk-weighted Assets) | $ | 231,928 | 13.20% | $ | 70,275 | 4.00% | $ | 105,412 | 6.00% |
| Total Risk-based Capital (to Risk-weighted Assets) | $ | 253,909 | 14.45% | $ | 140,549 | 8.00% | $ | 175,687 | 10.00% |
| As of June 30, 2014: | | | | | | | | | |
| Tier I Capital (to Total Adjusted Assets) | $ | 264,041 | 13.37% | $ | 78,985 | 4.00% | $ | 98,719 | 5.00% |
| Tier I Capital (to Risk-weighted Assets) | $ | 264,041 | 18.29% | $ | 57,750 | 4.00% | $ | 86,625 | 6.00% |
| Total Risk-based Capital (to Risk-weighted Assets) | $ | 282,160 | 19.54% | $ | 115,501 | 8.00% | $ | 144,376 | 10.00% |

**Impact of Inflation**

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

**Item 3. Quantitative and Qualitative Disclosure About Market Risk**

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

**Item 4. Controls and Procedures**

An evaluation of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934 (the "Act") as of December 31, 2014, 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 December 31, 2014, 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 December 31, 2014, 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

On March 14, 2012, a civil suit was filed (which was amended on April 25, 2012) in the County of Buncombe, North Carolina, Civil Superior Court Division, Twenty-Eighth Judicial Circuit, case number 2012CV-01206, by Leslie A. Whittington and 20 other plaintiffs against the Bank and a third party brokerage firm. The plaintiffs seek actual damages of $12.5 million and additional treble or such other punitive damages as determined by the court. The suit alleges that the defendants should have been aware of the Ponzi scheme perpetrated by Mr. William Bailey through his company, Southern Financial Services, as a result of the transactions into and from the accounts at the Bank and the brokerage firm. The suit further alleges that the defendants were negligent and reckless in not monitoring, discovering and reporting the unlawful conduct of Mr. Bailey, including that he was kiting checks and converting funds for his own use. In addition, the suit claims the defendants were unjustly enriched by the fees they received from their business relationship with Mr. Bailey. Mr. Bailey pled guilty to federal criminal charges of securities fraud, mail fraud and filing false income taxes related to this matter in February 2011 and was sentenced on February 27, 2013.

The Company believes that the lawsuit is without merit and intends to defend itself vigorously; however, there can be no assurance that the Company will successfully defend or resolve this litigation matter. Based on the information available to the Company's litigation counsel at this time, they believe that the claims in this case are legally and factually without merit. Because this lawsuit is still in discovery, such counsel is unable to give an opinion at this time as to the likely outcome. Management, after review with its legal counsel, is of the opinion that this litigation should not have a material effect on the Company's financial position or results of operations, although new developments could result in management modifying its assessment.

Apart from the foregoing, from time to time we are involved as plaintiff or defendant in various legal actions arising in the normal course of business. We do not anticipate incurring any material liability as a result of any such litigation.

### Item 1A. Risk Factors

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

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

The table below sets forth information regarding HomeTrust Bancshares' common stock repurchases during the three months ended December 31, 2014.

| Period | Total Number Of Shares Purchased | Average Price Paid per Share | Total Number Of Shares Purchased as Part of Publicly Announced Plans | Maximum Number of Shares that May Yet Be Purchased Under the Plans |
|---|---|---|---|---|
| October 1 – October 31, 2014 | 5,000 | $ 14.67 | 5,000 | 36,924 |
| November 1 – November 30, 2014 | 36,924 | 15.50 | 36,924 | - |
| December 1 – December 31, 2014 | 13,819 | 15.48 | 13,819 | 1,009,447 |
| Total | 55,743 | $ 15.42 | 55,743 | 1,009,447 |

The Company did not sell any securities that were not registered under the Securities Act of 1933 during the three months ended December 31, 2014.

On January 31, 2014 the Company announced that its Board of Directors had authorized the repurchase of up to 989,183 shares of the Company's common stock, representing 5% of the Company's outstanding shares. As of December 31, 2014, all shares were purchased.

On November 19, 2014 the Company announced that its Board of Directors had authorized the repurchase of up to 1,023,266 shares of the Company's common stock, representing 5% of the Company's outstanding shares. The shares may be purchased in the open market or in privately negotiated transactions, from time to time depending upon market conditions and other factors. As of December 31, 2014, 13,819 shares were purchased.

**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: February 9, 2015 | By: | /s/ Dana L. Stonestreet |
| | | Dana L. Stonestreet |
| | | Chairman, President and CEO |
| | | *(Duly Authorized Officer)* |
| Date: February 9, 2015 | By: | /s/ Tony J. VunCannon |
| | | Tony J. VunCannon |
| | | Executive Vice President, CFO, and Treasurer |
| | | *(Principal Financial and Accounting Officer)* |

# EXHIBIT INDEX

| Regulation S-K Exhibit Number | Document | Reference to Prior Filing or Exhibit Number Attached Hereto |
|---|---|---|
| 2.1 | Purchase and Assumption Agreement, dated as of June 9, 2014, between Bank of America, National Association and HomeTrust Bank | (a) |
| 2.2 | Agreement and Plan of Merger, dated as of January 22, 2014, by and between HomeTrust Bancshares, Inc. and Jefferson Bancshares, Inc. | (b) |
| 3.1 | Charter of HomeTrust Bancshares, Inc. | (c) |
| 3.2 | Articles Supplementary to the Charter of HomeTrust Bancshares, Inc. for HomeTrust Bancshares, Inc.'s Junior Participating Preferred Stock, Series A | (d) |
| 3.3 | Bylaws of HomeTrust Bancshares, Inc. | (e) |
| 4.1 | Tax Benefits Preservation Plan, dated as of September 25, 2012, between HomeTrust Bancshares, Inc. and Registrar and Transfer Company, as Rights Agent | (d) |
| 10.1 | Employment Agreement entered into between HomeTrust Bancshares, Inc. and F. Edward Broadwell, Jr. | (c) |
| 10.2 | Amended and Restated Employment Agreement entered into between HomeTrust Bancshares, Inc. and Dana L. Stonestreet | (f) |
| 10.3 | Employment Agreement entered into between HomeTrust Bancshares, Inc. and each of Tony J. VunCannon and Howard L. Sellinger | (c) |
| 10.4 | Employment Agreement entered into between HomeTrust Bancshares, Inc. and C. Hunter Westbrook | (g) |
| 10.5 | Employment Agreement between HomeTrust Bank and Sidney A. Biesecker | (c) |
| 10.6 | Employment Agreement between HomeTrust Bank and Stan Allen | (c) |
| 10.7 | HomeTrust Bank Executive Supplemental Retirement Income Master Agreement ("SERP") | (c) |
| 10.7A | SERP Joinder Agreement for F. Edward Broadwell, Jr. | (c) |
| 10.7B | SERP Joinder Agreement for Dana L. Stonestreet | (c) |
| 10.7C | SERP Joinder Agreement for Tony J. VunCannon | (c) |
| 10.7D | SERP Joinder Agreement for Howard L. Sellinger | (c) |
| 10.7E | SERP Joinder Agreement for Stan Allen | (c) |
| 10.7F | SERP Joinder Agreement for Sidney A. Biesecker | (c) |
| 10.7G | SERP Joinder Agreement for Peggy C. Melville | (c) |
| 10.7H | SERP Joinder Agreement for William T. Flynt | (c) |
| 10.7I | Amended and Restated Supplemental Income Agreement between HomeTrust Bank, as successor to Industrial Federal Savings Bank, and Sidney Biesecker | (h) |
| 10.8 | HomeTrust Bank Director Emeritus Plan ("Director Emeritus Plan") | (c) |
| 10.8A | Director Emeritus Plan Joinder Agreement for William T. Flynt | (c) |
| 10.8B | Director Emeritus Plan Joinder Agreement for J. Steven Goforth | (c) |
| 10.8C | Director Emeritus Plan Joinder Agreement for Craig C. Koontz | (c) |
| 10.8D | Director Emeritus Plan Joinder Agreement for Larry S. McDevitt | (c) |
| 10.8E | Director Emeritus Plan Joinder Agreement for F.K. McFarland, III | (c) |
| 10.8F | Director Emeritus Plan Joinder Agreement for Peggy C. Melville | (c) |
| 10.8G | Director Emeritus Plan Joinder Agreement for Robert E. Shepherd, Sr. | (c) |
| 10.9 | HomeTrust Bank Defined Contribution Executive Medical Care Plan | (c) |
| 10.10 | HomeTrust Bank 2005 Deferred Compensation Plan | (c) |
| 10.11 | HomeTrust Bank Pre-2005 Deferred Compensation Plan | (c) |
| 10.12 | HomeTrust Bancshares, Inc. Strategic Operating Committee Incentive Plan | (n) |
| 10.13 | HomeTrust Bancshares, Inc. 2013 Omnibus Incentive Plan ("Omnibus Incentive Plan") | (i) |
| 10.14 | Form of Incentive Stock Option Award Agreement under Omnibus Incentive Plan | (j) |
| 10.15 | Form of Non-Qualified Stock Option Award Agreement under Omnibus Incentive Plan | (j) |
| 10.16 | Form of Stock Appreciation Right Award Agreement under Omnibus Incentive Plan | (j) |
| 10.17 | Form of Restricted Stock Award Agreement under Omnibus Incentive Plan | (j) |
| 10.18 | Form of Restricted Stock Unit Award Agreement under Omnibus Incentive Plan | (j) |
| 10.19 | Fully Restated Employment Agreement between HomeTrust Bank and Anderson L. Smith | (k) |
| 10.20 | Amended and Restated Jefferson Federal Bank Supplemental Executive Retirement Plan | (l) |
| 10.21 | Money Purchase Deferred Compensation Agreement, dated as of September 1, 1987, between HomeTrust Bank and F. Edward Broadwell, Jr. | (m) |
| 10.22 | Retirement Payment Agreement, dated as of September 1, 1987, between HomeTrust Bank and F. Edward Broadwell, Jr., as amended | (m) |

| | | |
|---|---|---|
| 10.23 | Retirement Payment Agreement, dated as of September 1, 1987, between HomeTrust Bank and Larry S. McDevitt, as amended | (m) |
| 10.24 | Retirement Payment Agreement, dated as of September 1, 1987, between HomeTrust Bank and Peggy C. Melville, as amended | (m) |
| 10.25 | Retirement Payment Agreement, dated as of August 1, 1988, between HomeTrust Bank and Robert E. Shepherd, Sr., as amended | (m) |
| 10.26 | Retirement Payment Agreement, dated as of May 1, 1991, between HomeTrust Bank and William T. Flynt, as amended | (m) |
| 31.1 | Certification of Chief Executive Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | 31.1 |
| 31.2 | Certification of Chief Financial Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 . | 31.2 |
| 32.0 | 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 December 31, 2014, 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) Filed as an exhibit to HomeTrust Bancshares's Current Report on Form 8-K filed on June 10, 2014 (File No. 001-35593).
(b) Attached as Appendix A to the joint proxy statement/prospectus filed by HomeTrust Bancshares on April 28, 2014 pursuant to Rule 424(b) of the Securities Act of 1933.
(c) Filed as an exhibit to HomeTrust Bancshares's Registration Statement on Form S-1 (File No. 333-178817) filed on December 29, 2011.
(d) Filed as an exhibit to HomeTrust Bancshares's Current Report on Form 8-K filed on September 25, 2012 (File No. 001-35593).
(e) Filed as an exhibit to HomeTrust Bancshares's Current Report on Form 8-K filed on January 29, 2014 (File No. 001-35593).
(f) Filed as an exhibit to HomeTrust Bancshares's Current Report on Form 8-K filed on November 27, 2013 (File No. 001-35593).
(g) Filed as an exhibit to HomeTrust Bancshares's Annual Report on Form 10-K for the fiscal year ended June 30, 2012 (File No. 001-35593).
(h) Filed as an exhibit to Amendment No. One to HomeTrust Bancshares's Registration Statement on Form S-1 (File No. 333-178817) filed on March 9, 2012.
(i) Attached as Appendix A to HomeTrust Bancshares's definitive proxy statement filed on December 5, 2012 (File No. 001-35593).
(j) Filed as an exhibit to HomeTrust Bancshares's Registration Statement on Form S-8 (File No. 333-186666) filed on February 13, 2013.
(k) Filed as an exhibit to HomeTrust Bancshares's Current Report on Form 8-K filed on June 3, 2014 (File No. 001-35593).
(l) Filed as an exhibit to Jefferson Bancshares, Inc.'s Quarterly Report on Form 10-Q for the quarter ended December 31, 2008 (File No. 000-50347).
(m) Filed as an exhibit to HomeTrust Bancshares's Annual Report on Form 10-K for the fiscal year ended June 30, 2014 (File No. 001-35593).
(n) Filed as an exhibit to HomeTrust Bancshares's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014 (File No. 001-35593).

**Exhibit 31.1**

**RULE 13a-14(a) CERTIFICATION**

I, Dana L. Stonestreet, certify that:

1. I have reviewed this quarterly report on Form 10-Q of HomeTrust Bancshares, Inc. (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Company and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiary, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal controls over financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluations; and

   (d) disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

February 9, 2015

By: /s/ Dana L. Stonestreet
Dana L. Stonestreet
Chairman, President, and CEO

**Exhibit 31.2**

**RULE 13a-14(a) CERTIFICATION**

I, Tony J. VunCannon, certify that:

1. I have reviewed this quarterly report on Form 10-Q of HomeTrust Bancshares, Inc. (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Company and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiary, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal controls over financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluations; and

   (d) disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

February 9, 2015 By: /s/ Tony J. VunCannon

Tony J. VunCannon
Executive Vice President, CFO, and Treasurer

SECTION 1350 CERTIFICATION

Each of the undersigned hereby certifies in his capacity as an officer of HomeTrust Bancshares, Inc. (the "Company") that the Quarterly Report of the Company on Form 10-Q for the period ended December 31, 2014, fully complies with the requirements of Section 13(a) of the Securities and Exchange Act of 1934, as amended, and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and periods presented in the financial statements included in such report.

| | | |
|---|---|---|
| February 9, 2015 | By: | /s/ Dana L. Stonestreet |
| | | Dana L. Stonestreet |
| | | Chairman, President, and CEO |
| | | |
| February 9, 2015 | By: | /s/ Tony J. VunCannon |
| | | Tony J. VunCannon |
| | | Executive Vice President, CFO, and Treasurer |