UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended **March 31, 2017**

[ ] 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, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and "emerging growth 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 [ ]
Emerging growth company [X]		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [ ]

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

APPLICABLE ONLY TO CORPORATE ISSUERS

There were 18,947,176 shares of common stock, par value of $.01 per share, issued and outstanding as of May 5, 2017.

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

Item 1. Financial Statements

HOMETRUST BANCSHARES, INC. AND SUBSIDIARY
Consolidated Balance Sheets
(Dollars in thousands, except per share data)

	(Unaudited) March 31, 2017	June 30, 2016
Assets		
Cash	$ 36,978	$ 29,947
Interest-bearing deposits	43,296	22,649
Cash and cash equivalents	80,274	52,596
Commercial paper	169,918	229,859
Certificates of deposit in other banks	138,646	161,512
Securities available for sale, at fair value	211,347	200,652
Other investments, at cost	35,269	29,486
Loans held for sale	4,328	5,783
Total loans, net of deferred loan fees	2,281,685	1,832,831
Allowance for loan losses	(21,097)	(21,292)
Net loans	2,260,588	1,811,539
Premises and equipment, net	64,172	54,231
Accrued interest receivable	8,849	7,405
Real estate owned ("REO")	6,279	5,956
Deferred income taxes	59,661	54,153
Bank owned life insurance	85,371	79,858
Goodwill	25,638	12,673
Core deposit intangibles	7,931	7,136
Other assets	7,175	4,838
Total Assets	$ 3,165,446	$ 2,717,677
Liabilities and Stockholders' Equity		
Liabilities		
Deposits	$ 2,084,759	$ 1,802,696
Borrowings	626,000	491,000
Capital lease obligations	1,942	1,958
Other liabilities	61,999	62,047
Total liabilities	2,774,700	2,357,701
Stockholders' Equity		
Preferred stock, $0.01 par value, 10,000,000 shares authorized, none issued or outstanding	—	—
Common stock, $0.01 par value, 60,000,000 shares authorized, 18,947,176 shares issued and outstanding at March 31, 2017; 17,998,750 at June 30, 2016	189	180
Additional paid in capital	211,731	186,104
Retained earnings	186,894	179,813
Unearned Employee Stock Ownership Plan ("ESOP") shares	(8,067)	(8,464)
Accumulated other comprehensive income (loss)	(1)	2,343
Total stockholders' equity	390,746	359,976
Total Liabilities and Stockholders' Equity	$ 3,165,446	$ 2,717,677

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

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

	(Unaudited)			
	Three Months Ended March 31,		Nine Months Ended March 31,	
	2017	2016	2017	2016
Interest and Dividend Income				
Loans	$ 24,747	$ 19,440	$ 65,098	$ 58,408
Securities available for sale	1,243	986	2,986	3,223
Certificates of deposit and other interest-bearing deposits	868	1,010	2,850	2,691
Other investments	433	361	1,211	1,050
Total interest and dividend income	27,291	21,797	72,145	65,372
Interest Expense				
Deposits	1,215	1,090	3,355	3,422
Other borrowings	1,004	487	2,166	1,009
Total interest expense	2,219	1,577	5,521	4,431
Net Interest Income	25,072	20,220	66,624	60,941
Provision for Loan Losses	—	—	—	—
Net Interest Income after Provision for Loan Losses	25,072	20,220	66,624	60,941
Noninterest Income				
Service charges on deposit accounts	1,718	1,614	5,180	4,931
Mortgage banking income and fees	781	690	2,694	2,008
Gain from sale of premises and equipment	—	10	385	10
Other, net	1,039	1,070	3,123	2,809
Total noninterest income	3,538	3,384	11,382	9,758
Noninterest Expense				
Salaries and employee benefits	12,191	10,255	34,721	31,987
Net occupancy expense	2,463	2,234	6,538	6,799
Marketing and advertising	374	528	1,263	1,512
Telephone, postage, and supplies	728	859	1,914	2,531
Deposit insurance premiums	404	459	885	1,507
Computer services	1,721	1,418	4,796	4,408
Loss (gain) on sale and impairment of REO	(181)	172	288	310
REO expense	447	305	969	987
Core deposit intangible amortization	797	710	2,065	2,227
Merger-related expenses	7,401	—	7,736	—
Other	2,316	2,433	6,758	6,782
Total noninterest expense	28,661	19,373	67,933	59,050
Income (Loss) Before Income Taxes	(51)	4,231	10,073	11,649
Income Tax Expense (Benefit)	(325)	1,090	2,992	3,495
Net Income	$ 274	$ 3,141	$ 7,081	$ 8,154
Per Share Data:				
Net income per common share:				
Basic	$ 0.01	$ 0.18	$ 0.40	$ 0.46
Diluted	$ 0.01	$ 0.18	$ 0.40	$ 0.46
Average shares outstanding:				
Basic	17,808,920	17,183,894	17,194,466	17,581,833
Diluted	18,484,285	17,369,871	17,829,580	17,762,375

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

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

	(Unaudited)			
	Three Months Ended March 31,		Nine Months Ended March 31,	
	2017	2016	2017	2016
Net Income	$ 274	$ 3,141	$ 7,081	$ 8,154
Other Comprehensive Income (Loss)				
Unrealized holding gains (losses) on securities available for sale				
Gains (losses) arising during the period	(11)	1,959	(3,552)	1,596
Deferred income tax benefit (expense)	4	(666)	1,208	(543)
Total other comprehensive income (loss)	$ (7)	$ 1,293	$ (2,344)	$ 1,053
Comprehensive Income	$ 267	$ 4,434	$ 4,737	$ 9,207

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

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

	Common Stock		Additional Paid In Capital	Retained Earnings	Unearned ESOP Shares	Accumulated Other Comprehensive Income (loss)	Total Stockholders' Equity
	Shares	Amount					
Balance at June 30, 2015	19,488,449	$ 195	$ 210,621	$ 168,357	$ (8,993)	$ 870	$ 371,050
Net income	—	—	—	8,154	—	—	8,154
Stock repurchased	(1,316,194)	(13)	(24,181)	—	—	—	(24,194)
Forfeited restricted stock	(2,250)	—	—	—	—	—	—
Retired stock	(12,855)	—	(223)	—	—	—	(223)
Granted restricted stock	34,500	—	—	—	—	—	—
Exercised stock options	2,200	—	32	—	—	—	32
Stock option expense	—	—	1,182	—	—	—	1,182
Restricted stock expense	—	—	1,052	—	—	—	1,052
ESOP shares allocated	—	—	340	—	397	—	737
Other comprehensive income	—	—	—	—	—	1,053	1,053
Balance at March 31, 2016	18,193,850	$ 182	$ 188,823	$ 176,511	$ (8,596)	$ 1,923	$ 358,843
Balance at June 30, 2016	17,998,750	$ 180	$ 186,104	$ 179,813	$ (8,464)	$ 2,343	$ 359,976
Net income	—	—	—	7,081	—	—	7,081
Forfeited restricted stock	(1,000)	—	—	—	—	—	—
Retired stock	(22,794)	—	(569)	—	—	—	(569)
Shares issued for TriSummit Bancorp, Inc. merger	765,277	7	20,036	—	—	—	20,043
Granted restricted stock	47,500	—	—	—	—	—	—
Exercised stock options	159,443	2	2,452	—	—	—	2,454
Stock option expense	—	—	2,075	—	—	—	2,075
Restricted stock expense	—	—	1,169	—	—	—	1,169
ESOP shares allocated	—	—	464	—	397	—	861
Other comprehensive loss	—	—	—	—	—	(2,344)	(2,344)
Balance at March 31, 2017	18,947,176	$ 189	$ 211,731	$ 186,894	$ (8,067)	$ (1)	$ 390,746

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

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

	(Unaudited)	
	Nine Months Ended March 31,	
	2017	2016
Operating Activities:		
Net income	$ 7,081	$ 8,154
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,741	3,038
Deferred income tax expense	2,814	3,264
Net amortization and accretion	(5,241)	(3,317)
Gain from sale of premises and equipment	(385)	(10)
Loss on sale and impairment of REO	288	310
Gain on sale of loans held for sale	(1,999)	(1,087)
Origination of loans held for sale	(103,923)	(59,394)
Proceeds from sales of loans held for sale	107,377	63,818
Increase in deferred loan fees, net	(965)	(299)
Decrease (increase) in accrued interest receivable and other assets	(2,433)	7,633
Amortization of core deposit intangibles	2,065	2,227
Earnings from bank owned life insurance	(1,751)	(1,464)
ESOP compensation expense	861	737
Restricted stock and stock option expense	3,244	2,234
Decrease in other liabilities	(948)	(2,943)
Net cash provided by operating activities	8,826	22,901
Investing Activities:		
Purchase of securities available for sale	(15,091)	(31,099)
Proceeds from maturities of securities available for sale	23,645	52,260
Proceeds from sale of securities available for sale	16,341	—
Net maturities of commercial paper	61,362	(19,726)
Purchase of certificates of deposit in other banks	(31,431)	(26,782)
Maturities of certificates of deposit in other banks	54,547	78,644
Principal repayments of mortgage-backed securities	18,287	18,276
Net purchases of other investments	(3,169)	(1,452)
Net increase in loans	(187,031)	(127,886)
Purchase of premises and equipment	(2,270)	(1,499)
Capital improvements to REO	(11)	—
Proceeds from sale of premises and equipment	395	69
Proceeds from sale of REO	2,834	1,860
Acquisition of United Financial of North Carolina Inc.	(200)	—
Acquisition of TriSummit Bancorp, Inc., net of cash paid	(10,585)	—
Net cash used in investing activities	(72,377)	(57,335)
Financing Activities:		
Net increase (decrease) in deposits	1,829	(40,147)
Net increase in other borrowings	87,531	32,000
Common stock repurchased	—	(24,194)
Retired stock	(569)	(223)
Exercised stock options	2,454	32
Decrease in capital lease obligations	(16)	(16)
Net cash provided by (used in) financing activities	91,229	(32,548)
Net Increase (Decrease) in Cash and Cash Equivalents	27,678	(66,982)
Cash and Cash Equivalents at Beginning of Period	52,596	116,160
Cash and Cash Equivalents at End of Period	$ 80,274	$ 49,178

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

Supplemental Disclosures:	(Unaudited) Nine Months Ended March 31, 2017	2016
Cash paid during the period for:		
Interest	$ 6,216	$ 4,771
Income taxes	203	350
Noncash transactions:		
Unrealized gain (loss) in value of securities available for sale, net of income taxes	(2,344)	1,053
Transfers of loans to REO	1,923	1,846
Payable related to the acquisition of United Financial Inc. of North Carolina	225	—
Business Combinations:		
Assets acquired	364,504	—
Liabilities assumed	328,378	—
Net assets acquired	36,126	—

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 (the "Bank"). As used throughout this report, the term the "Company" refers to HomeTrust and the Bank, its consolidated subsidiary, unless the context otherwise requires. Effective December 31, 2015, the Bank converted from a national association to a North Carolina state bank. See Management's Discussion and Analysis of Financial Condition and Results of Operations "Overview" for discussion of charter change.

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X as promulgated by the Securities and Exchange Commission ("SEC"). Accordingly, they do not include all the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the financial position and results of operations for the periods presented have been included. It is recommended that these unaudited interim consolidated financial statements be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended June 30, 2016 ("2016 Form 10-K") filed with the SEC on September 13, 2016. The results of operations for the three and nine months ended March 31, 2017 are not necessarily indicative of results that may be expected for the entire fiscal year ending June 30, 2017.

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

2. Recent Accounting Pronouncements

In August 2015, the Financial Accounting Standards Board ("FASB") issued ASU No. 2015-14, “Revenue from Contracts with Customers (Topic 606)”, which defers the effective date of Accounting Standard Update ("ASU") No. 2014-09 one year. ASU No. 2014-09 created Topic 606 and supersedes Topic 605, Revenue Recognition. The core principle of Topic 606 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In general, the new guidance requires companies to use more judgment and make more estimates than under current guidance, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. In May 2016, the FASB issued ASU No. 2016-12, Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients, which provides clarifying guidance in certain narrow areas and adds some practical expedients, but does not change the core revenue recognition principle in Topic 606. ASU No. 2015-14 is effective for interim and annual periods beginning after December 15, 2017; early adoption is permitted for interim and annual periods beginning after December 15, 2016. For financial reporting purposes, the standard allows for either full retrospective adoption, meaning the standard is applied to all of the periods presented, or modified retrospective adoption, meaning the standard is applied only to the most current period presented in the financial statements with the cumulative effect of initially applying the standard recognized at the date of initial application. A significant amount of the Company’s revenues are derived from net interest income on financial assets and liabilities, which are excluded from the scope of the amended guidance. With respect to noninterest income, the Company is in its preliminary stages of identifying and evaluating the revenue streams and underlying revenue contracts within the scope of the guidance. The Company is expecting to begin developing processes and procedures during 2017 to ensure it is fully compliant with these amendments. To date, the Company has not yet identified any significant changes in the timing of revenue recognition when considering the amended accounting guidance; however, the Company’s implementation efforts are ongoing and such assessments may change prior to the January 1, 2018 implementation date.

In January 2016, the FASB issued ASU 2016-01, "Financial Instruments (Subtopic 825-10) Recognition and Measurement of Financial Assets and Financial Liabilities." The ASU amends the guidance in GAAP on the classification and measurement of financial instruments. The ASU includes the following changes: i) equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income; (ii) requires the use of exit price notion when measuring the fair value of financial instruments for disclosure purposes; (iii) require separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (i.e. securities or loans and receivables) on the balance sheet or the accompanying notes to the financial statements; (iv) allows an equity investment that does not have readily determinable fair values, to be

measured at cost minus impairment (if any), plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer; (v) eliminates the requirement to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet, and requires a reporting organization to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk (also referred to as “own credit”) when the organization has elected to measure the liability at fair value in accordance with the fair value option for financial instruments; (vi) requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (i.e. securities or loans and receivables) on the balance sheet or in the accompanying notes to the financial statements; and (vii) clarifies that a valuation allowance on a deferred tax asset related to available-for-sale securities should be evaluated in combination with the organization’s other deferred tax assets. This ASU is effective for interim and annual periods beginning after December 15, 2017. The adoption of ASU No. 2016-01 is not expected to have a material impact on the Company's Consolidated Financial Statements.

In February 2016, the FASB issued ASU 2016-02, "Leases (ASC 842)." The guidance in this ASU requires most leases to be recognized on the balance sheet as a right-of-use asset and a lease liability. It will be critical to identify leases embedded in a contract to avoid misstating the lessee’s balance sheet. For income statement purposes, the FASB retained a dual model, requiring leases to be classified as either operating or finance. Classification will be based on criteria that are largely similar to those applied in current lease accounting, but without explicit bright lines. This ASU is effective for interim and annual periods beginning after December 15, 2018. We are currently evaluating the impact of this guidance on our Consolidated Financial Statements and the timing of adoption. The Company will compile an inventory of all leased assets to determine the impact of ASU 2016-02 on its financial condition and results of operations. Once adopted, we expect to report higher assets and liabilities on our Consolidated Balance Sheets as a result of including right-of-use assets and lease liabilities related to certain banking offices and certain equipment under noncancelable operating lease agreements, which currently are not reflected in our Consolidated Balance Sheets. We do not expect the guidance to have a material impact on the Consolidated Statements of Income or the Consolidated Statements of Changes in Stockholders' Equity.

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

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." The ASU significantly changes the impairment model for most financial assets that are measured at amortized cost and certain other instruments from an incurred loss model to an expected loss model. This ASU is effective for interim and annual reporting periods beginning after December 15, 2019. Early adoption is permitted for all entities beginning after December 15, 2018, including interim periods within those fiscal years. The Company is in the process of identifying required changes to the loan loss estimation models and processes and evaluating the impact of this new guidance. Once adopted, we expect our allowance for loan losses to increase, however, until our evaluation is complete the magnitude of the increase will be unknown.

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

In December 2016, FASB issued ASU No. 2016-19, "Technical Corrections and Improvements" and ASU 2016-20, "Technical Corrections and Improvements to Topic 606: Revenue from Contracts with Customers." On November 10, 2010 FASB added a standing project that will facilitate the FASB Accounting Standards Codification ("Codification”) updates for technical corrections, clarifications, and improvements. These amendments are referred to as Technical Corrections and Improvements. Maintenance updates include non-substantive corrections to the Codification, such as editorial corrections, various link-related changes, and changes to source fragment information. These updates contain amendments that will affect a wide variety of Topics in the Codification. The amendments in these ASUs will apply to all reporting entities within the scope of the affected accounting guidance and generally fall into one of four categories: amendments related to differences between original guidance and the Codification, guidance clarification and reference corrections, simplification, and minor improvements. In summary, the amendments represent changes to clarify the Codification, correct unintended application of guidance, or make minor improvements to the Codification that are not expected to have a significant effect on current accounting practice. Transition guidance varies based on the amendments in the ASUs. The amendments that require transition guidance are effective for fiscal years and interim reporting periods after December 15, 2016. Early adoption is permitted including adoption in an interim period. All other amendments are effective upon the issuance of these ASUs. Neither ASU 2016-19 nor ASU 2016-20 had a material impact on the Company's Consolidated Financial Statements.

In January 2017, FASB issued ASU 2017-03, "Accounting Changes and Error Corrections (Topic 250) and Investments-Equity Method and Joint Ventures (Topic 323)." The ASU amends the Codification for SEC staff announcements made at recent Emerging Issues Task Force (EITF)

meetings. The SEC guidance that specifically relates to our Consolidated Financial Statements was from the September 2016 meeting, where the SEC staff expressed their expectations about the extent of disclosures registrants should make about the effects of the new FASB guidance as well as any amendments issued prior to adoption, on revenue (ASU 2014-09), leases (ASU 2016-02) and credit losses on financial instruments (ASU 2016-13) in accordance with SAB Topic 11.M. Registrants are required to disclose the effect that recently issued accounting standards will have on their financial statements when adopted in a future period. In cases where a registrant cannot reasonably estimate the impact of the adoption, then additional qualitative disclosures should be considered. The ASU incorporates these SEC staff views into ASC 250 and adds references to that guidance in the transition paragraphs of each of the three new standards. The Company has adopted the amendments in this ASU and appropriate disclosures have been included in this Note for each recently issued accounting standard.

In January 2017, FASB issued ASU 2017-04, "Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment." The ASU removes the requirement to compare the implied fair value of goodwill with its carrying value as required in Step 2 of the goodwill impairment test. Under the ASU, registrants would perform their goodwill impairment test and recognize an impairment charge for any amount the carrying value exceeds the reporting unit's fair value, but limited by the amount of goodwill allocated to that reporting unit. This ASU is effective for interim and annual reporting periods beginning after December 15, 2019. Early adoption is permitted for all entities after January 1, 2017. The Company did early adopt this ASU and adoption did not have a material effect on the Company's Consolidated Financial Statements.

In March 2017, FASB issued ASU 2017-08, "Receivables-Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities." The ASU requires entities to amortize the premium on certain purchased callable debt securities to the earliest call date, which more closely aligns the amortization period of premiums and discounts to expectations incorporated in the market prices. Entities will no longer recognize a loss in earnings upon the debtor's exercise of a call on a purchased debt security held at a premium. The ASU does not require any accounting change for debt securities held at a discount, therefore the discount will continue to be amortized as an adjustment of yield over the contractual life of the investment. This ASU is effective for interim and annual reporting periods beginning after December 15, 2018. Early adoption is permitted for all entities. The adoption of ASU No. 2017-08 is not expected to have a material impact on the Company's Consolidated Financial Statements.

3. Business Combinations

All business combinations are accounted for using the acquisition method of accounting and, accordingly, assets acquired, liabilities assumed and consideration exchanged are 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.

United Financial of North Carolina, Inc.

On December 31, 2016, the Bank acquired United Financial of North Carolina, Inc. ("United Financial"), a municipal lease company headquartered in Fletcher, North Carolina that specializes in providing financing for fire departments and municipalities for the purchase of fire trucks and related equipment as well as the construction of fire stations and other municipal buildings across the Carolinas and other southeastern states. United Financial underwrites and originates these municipal leases and then sells them to HomeTrust and other financial institutions. Beginning January 1, 2017, United Financial has conducted business under the name United Financial, a division of HomeTrust Bank.

The total consideration paid by the Bank in the United Financial acquisition approximates $425. Per the merger agreement, a cash payment of $200 was paid on the acquisition date with an additional $225 due in the third quarter of fiscal 2018; all of which was allocated to goodwill.

TriSummit Bancorp. Inc.

On January 1, 2017, HomeTrust completed its acquisition of TriSummit Bancorp, Inc., (“TriSummit”) pursuant to an Agreement and Plan of Merger, dated as of September 20, 2016, under which TriSummit merged with and into HomeTrust (the “Merger”) with HomeTrust as the surviving corporation in the Merger. Immediately following the Merger, TriSummit's wholly owned subsidiary bank, TriSummit Bank, merged with and into the Bank (together with the Merger, the “TriSummit Merger”).

Pursuant to the Merger Agreement, each share of the common stock of TriSummit and each share of Series A Preferred Stock of TriSummit issued and outstanding immediately prior to the Merger (on an as converted basis to a share of TriSummit common stock) was converted into the right to receive $4.40 in cash and .2099 shares of HomeTrust common stock, with cash paid in lieu of fractional share interests. At the Merger date, 50% of outstanding options granted by TriSummit were canceled. The remaining options were assumed by HomeTrust and converted into options to purchase 86,185 shares of HomeTrust Common Stock. In addition, TriSummit’s $7,222 Series B, Series C and Series D TARP preferred stock (all held by private shareholders) was redeemed in connection with the closing of the merger.

The total consideration paid by HomeTrust in the TriSummit Merger approximates $36,126. The total number of HomeTrust shares issued was 765,277 shares. HomeTrust paid aggregate cash consideration of approximately $16,083.

The following table presents the consideration paid by the Company in the acquisition of TriSummit and the assets acquired and liabilities assumed as of January 1, 2017:

	As Recorded by TriSummit	Fair Value and Other Merger Related Adjustments	As Recorded by the Company
Consideration Paid:			
Cash paid including cash in lieu of fractional shares			$ 16,083
Fair value of HomeTrust common stock at $25.90 per share			20,043
Total consideration			$ 36,126
Assets:			
Cash and cash equivalents	$ 5,498	$ —	$ 5,498
Certificates of deposit in other banks	250	—	250
Investment securities	58,728	(203)	58,525
Other investments, at cost	2,614	—	2,614
Loans, net	261,926	(3,867)	258,059
Premises and equipment, net	12,841	(2,419)	10,422
REO	1,633	(122)	1,511
Deferred income tax	2,653	4,462	7,115
Bank owned life insurance	3,762	—	3,762
Core deposit intangibles	1,285	1,575	2,860
Other assets	1,453	(105)	1,348
Total assets acquired	$ 352,643	$ (679)	$ 351,964
Liabilities:			
Deposits	$ 279,647	$ 587	280,234
Borrowings	47,453	16	47,469
Other liabilities	675	—	675
Total liabilities assumed	$ 327,775	$ 603	$ 328,378
Net identifiable assets acquired over liabilities assumed	$ 24,868	$ (1,282)	$ 23,586
Goodwill			$ 12,540

The carrying amount of acquired loans from TriSummit as of January1, 2017 consisted of purchased performing loans and Purchase Credit Impaired ("PCI") loans as detailed in the following table:

	Purchased Performing	PCI	Total Loans
Retail Consumer Loans:			
One-to-four family	$ 75,179	$ 3,753	$ 78,932
HELOCs	6,479	2	6,481
Construction and land/lots	15,591	—	15,591
Consumer	1,686	17	1,703
Commercial:			
Commercial real estate	107,880	3,494	111,374
Construction and development	15,253	142	15,395
Commercial and industrial	28,295	288	28,583
Total	$ 250,363	$ 7,696	$ 258,059

The following table presents the performing loans receivable purchased from TriSummit at January 1, 2017, the acquisition date:

Contractually required principal payments receivable	$ 255,852
Adjustment for credit, interest rate, and liquidity	5,489
Balance of purchased loans receivable	$ 250,363

The following table presents the PCI loans acquired from TriSummit at January 1, 2017, the acquisition date:

Contractually required principal and interest payments receivable	$ 11,474
Amounts not expected to be collected - nonaccretable difference	2,490
Estimated payments expected to be received	8,984
Accretable yield	1,288
Fair value of PCI loans	$ 7,696

The following table discloses the impact of the acquisition of TriSummit since the effective date of January 1, 2017 through March 31, 2017. In addition, the table presents certain pro forma information as if TriSummit had been acquired on July 1, 2015. 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 the assumed date. 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, any projected cost savings or other anticipated benefits of the merger were not included.

	Actual Nine Months Ended March 31, 2017	Pro Forma Nine Months Ended March 31, 2017	Pro Forma Nine Months Ended March 31, 2016
Total revenues*	$ 78,006	$ 78,817	$ 81,187
Net income	7,081	12,097	9,991

** Net interest income plus noninterest income*

4. <u>Securities Available for Sale</u>

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

	March 31, 2017			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Government Agencies	$ 69,427	$ 154	$ (356)	$ 69,225
Residential Mortgage-backed Securities of U.S. Government				
Agencies and Government-Sponsored Enterprises	98,595	337	(379)	98,553
Municipal Bonds	36,971	395	(83)	37,283
Corporate Bonds	6,292	111	(180)	6,223
Equity Securities	63	—	—	63
Total	$ 211,348	$ 997	$ (998)	$ 211,347

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

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

	March 31, 2017	
	Amortized Cost	Estimated Fair Value
Due within one year	$ 1,433	$ 1,433
Due after one year through five years	78,560	78,446
Due after five years through ten years	21,747	21,858
Due after ten years	10,950	10,994
Mortgage-backed securities	98,595	98,553
Total	$ 211,285	$ 211,284

Proceeds from sales of securities available for sale were $16,341 for both the three and nine months ended March 31, 2017. The Company had no sales of securities available for sale during the three and nine months ended March 31, 2016. There were no gross realized gains or losses for the three and nine months ended March 31, 2017 and 2016, respectively.

Securities available for sale with costs totaling $162,016 and $151,359 with market values of $162,358 and $154,132 at March 31, 2017 and June 30, 2016, respectively, were pledged as collateral to secure various public deposits and other borrowings.

The gross unrealized losses and the fair value for securities available for sale aggregated by the length of time that individual securities have been in a continuous unrealized loss position as of March 31, 2017 and June 30, 2016 were as follows:

	March 31, 2017					
	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	$ 59,086	$ (356)	$ —	$ —	$ 59,086	$ (356)
Residential Mortgage-backed Securities of U.S. Government Agencies and Government-Sponsored Enterprises	49,712	(320)	3,855	(59)	53,567	(379)
Municipal Bonds	6,497	(83)	—	—	6,497	(83)
Corporate Bonds	3,663	(180)	—	—	3,663	(180)
Total	$ 118,958	$ (939)	$ 3,855	$ (59)	$ 122,813	$ (998)

	June 30, 2016					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Residential Mortgage-backed Securities of U.S. Government Agencies and Government-Sponsored Enterprises	$ 1,970	$ (20)	$ 6,040	$ (64)	$ 8,010	$ (84)
Total	$ 1,970	$ (20)	$ 6,040	$ (64)	$ 8,010	$ (84)

The total number of securities with unrealized losses at March 31, 2017, and June 30, 2016 were 147 and 44, respectively. Unrealized losses on securities have not been recognized in income because management has the intent and ability to hold the securities for the foreseeable future, and has determined that it is not more likely than not that the Company will be required to sell the securities prior to a recovery in value. The decline in fair value was largely due to increases in market interest rates. The Company had no other than temporary impairment losses during the three and nine months ended March 31, 2017 or the year ended June 30, 2016.

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

5. Loans

Loans consist of the following at the dates indicated:

	March 31, 2017	June 30, 2016
Retail consumer loans:		
One-to-four family	$ 683,383	$ 623,701
HELOCs - originated	160,083	163,293
HELOCs - purchased	160,829	144,377
Construction and land/lots	46,856	38,102
Indirect auto finance	132,959	108,478
Consumer	7,729	4,635
Total retail consumer loans	1,191,839	1,082,586
Commercial loans:		
Commercial real estate	706,277	486,561
Construction and development	177,087	86,840
Commercial and industrial	105,299	73,289
Municipal leases	101,776	103,183
Total commercial loans	1,090,439	749,873
Total loans	2,282,278	1,832,459
Deferred loan costs (fees), net	(593)	372
Total loans, net of deferred loan fees	2,281,685	1,832,831
Allowance for loan losses	(21,097)	(21,292)
Loans, net	$ 2,260,588	$ 1,811,539

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

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

	Pass	Special Mention	Substandard	Doubtful	Loss	Total
March 31, 2017						
Retail consumer loans:						
One-to-four family	$ 649,469	$ 7,407	$ 16,597	$ 1,318	$ 6	$ 674,797
HELOCs - originated	156,411	923	2,336	88	38	159,796
HELOCs - purchased	160,588	—	241	—	—	160,829
Construction and land/lots	44,890	582	720	130	—	46,322
Indirect auto finance	132,710	12	99	136	2	132,959
Consumer	7,527	18	154	2	8	7,709
Commercial loans:						
Commercial real estate	671,778	6,933	8,776	—	—	687,487
Construction and development	170,496	937	2,838	—	—	174,271
Commercial and industrial	97,769	1,508	3,182	—	3	102,462
Municipal leases	100,394	1,271	111	—	—	101,776
Total loans	$ 2,192,032	$ 19,591	$ 35,054	$ 1,674	$ 57	$ 2,248,408

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

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

	Pass	Special Mention	Substandard	Doubtful	Loss	Total
March 31, 2017						
Retail consumer loans:						
One-to-four family	$ 3,272	$ 1,569	$ 3,539	$ 206	$ —	$ 8,586
HELOCs - originated	258	—	29	—	—	287
Construction and land/lots	493	—	41	—	—	534
Consumer	5	15	—	—	—	20
Commercial loans:						
Commercial real estate	9,608	5,228	3,954	—	—	18,790
Construction and development	390	431	1,995	—	—	2,816
Commercial and industrial	2,640	151	46	—	—	2,837
Total loans	$ 16,666	$ 7,394	$ 9,604	$ 206	$ —	$ 33,870

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

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
March 31, 2017					
Retail consumer loans:					
One-to-four family	$ 2,519	$ 3,930	$ 6,449	$ 676,934	$ 683,383
HELOCs - originated	446	330	776	159,307	160,083
HELOCs - purchased	—	48	48	160,781	160,829
Construction and land/lots	161	308	469	46,387	46,856
Indirect auto finance	38	25	63	132,896	132,959
Consumer	5	16	21	7,708	7,729
Commercial loans:					
Commercial real estate	235	4,131	4,366	701,911	706,277
Construction and development	—	817	817	176,270	177,087
Commercial and industrial	90	1,080	1,170	104,129	105,299
Municipal leases	1,126	111	1,237	100,539	101,776
Total loans	$ 4,620	$ 10,796	$ 15,416	$ 2,266,862	$ 2,282,278

The table above includes PCI loans of $211 30-89 days past due and $4,377 90 days or more past due as of March 31, 2017.

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

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

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

	March 31, 2017		June 30, 2016	
	Nonaccruing	90 Days + & still accruing	Nonaccruing	90 Days + & still accruing
Retail consumer loans:				
One-to-four family	$ 6,354	$ —	$ 9,192	$ —
HELOCs - originated	643	—	1,026	—
HELOCs - purchased	241	—	—	—
Construction and land/lots	397	—	188	—
Indirect auto finance	155	—	20	—
Consumer	32	—	15	—
Commercial loans:				
Commercial real estate	3,032	—	3,222	—
Construction and development	1,751	—	1,417	—
Commercial and industrial	1,096	—	3,019	—
Municipal leases	111	—	419	—
Total loans	$ 13,812	$ —	$ 18,518	$ —

PCI loans totaling $7,732 at March 31, 2017 and $6,607 at June 30, 2016 are excluded from nonaccruing loans due to the accretion of discounts established in accordance with the acquisition method of accounting for business combinations.

Troubled debt restructurings ("TDRs") are loans which have renegotiated loan terms to assist borrowers who are unable to meet the original terms of their loans. Such modifications to loan terms may include a lower interest rate, a reduction in principal, or a longer term to maturity. Additionally, all TDRs are considered impaired. The Company had no commitments to lend additional funds on these TDR loans at March 31, 2017.

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

	March 31, 2017	June 30, 2016
Performing TDRs included in impaired loans	$ 29,004	$ 28,263

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

	Three Months Ended March 31, 2017				Three Months Ended March 31, 2016			
	PCI	Retail Consumer	Commercial	Total	PCI	Retail Consumer	Commercial	Total
Balance at beginning of period	$ 336	$ 9,813	$ 10,837	$ 20,986	$ 355	$ 12,070	$ 9,552	$ 21,977
Provision for (recovery of) loan losses	138	(980)	842	—	(10)	339	(329)	—
Charge-offs	—	(317)	(399)	(716)	—	(692)	(500)	(1,192)
Recoveries	—	363	464	827	—	228	748	976
Balance at end of period	$ 474	$ 8,879	$ 11,744	$ 21,097	$ 345	$ 11,945	$ 9,471	$ 21,761

	Nine Months Ended March 31, 2017				Nine Months Ended March 31, 2016			
	PCI	Retail Consumer	Commercial	Total	PCI	Retail Consumer	Commercial	Total
Balance at beginning of period	$ 361	$ 11,549	$ 9,382	$ 21,292	$ 401	$ 12,575	$ 9,398	$ 22,374
Provision for (recovery of) loan losses	113	(2,485)	2,372	—	(56)	(141)	197	—
Charge-offs	—	(891)	(1,074)	(1,965)	—	(1,466)	(1,378)	(2,844)
Recoveries	—	706	1,064	1,770	—	977	1,254	2,231
Balance at end of period	$ 474	$ 8,879	$ 11,744	$ 21,097	$ 345	$ 11,945	$ 9,471	$ 21,761

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
March 31, 2017								
Retail consumer loans:								
One-to-four family	$ 16	$ 297	$ 4,573	$ 4,886	$ 8,586	$ 10,777	$ 664,020	$ 683,383
HELOCs - originated	—	38	1,484	1,522	287	43	159,753	160,083
HELOCs - purchased	—	—	643	643	—	—	160,829	160,829
Construction and land/lots	—	26	903	929	534	648	45,674	46,856
Indirect auto finance	—	2	857	859	—	8	132,951	132,959
Consumer	—	8	48	56	20	2	7,707	7,729
Commercial loans:								
Commercial real estate	297	254	6,708	7,259	18,790	7,290	680,197	706,277
Construction and development	145	5	2,746	2,896	2,816	2,188	172,083	177,087
Commercial and industrial	16	544	974	1,534	2,837	1,805	100,657	105,299
Municipal leases	—	—	513	513	—	294	101,482	101,776
Total	$ 474	$ 1,174	$ 19,449	$ 21,097	$ 33,870	$ 23,055	$ 2,225,353	$ 2,282,278
June 30, 2016								
Retail consumer loans:								
One-to-four family	$ 23	$ 187	$ 6,385	$ 6,595	$ 7,038	$ 12,411	$ 604,252	$ 623,701
HELOCs - originated	—	288	1,709	1,997	278	1,145	161,870	163,293
HELOCs - purchased	—	—	558	558	—	—	144,377	144,377
Construction and land/lots	—	198	1,146	1,344	574	392	37,136	38,102
Indirect auto finance	—	—	1,016	1,016	—	—	108,478	108,478
Consumer	—	10	51	61	9	—	4,626	4,635
Commercial loans:								
Commercial real estate	288	—	6,142	6,430	21,323	5,376	459,862	486,561
Construction and development	17	—	1,891	1,908	3,147	1,789	81,904	86,840
Commercial and industrial	33	3	685	721	3,595	2,927	66,767	73,289
Municipal leases	—	—	662	662	—	305	102,878	103,183
Total	$ 361	$ 686	$ 20,245	$ 21,292	$ 35,964	$ 24,345	$ 1,772,150	$ 1,832,459

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

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
March 31, 2017					
Retail consumer loans:					
One-to-four family	$ 28,199	$ 17,205	$ 7,579	$ 24,784	$ 846
HELOCs - originated	3,434	2,033	299	2,332	85
Construction and land/lots	2,967	1,477	493	1,970	109
Indirect auto finance	285	2	153	155	1
Consumer	557	16	18	34	9
Commercial loans:					
Commercial real estate	9,252	4,019	4,867	8,886	269
Construction and development	3,783	1,035	1,749	2,784	28
Commercial and industrial	7,647	861	1,265	2,126	552
Municipal leases	406	111	295	406	—
Total impaired loans	$ 56,530	$ 26,759	$ 16,718	$ 43,477	$ 1,899
June 30, 2016					
Retail consumer loans:					
One-to-four family	$ 29,053	$ 12,348	$ 13,375	$ 25,723	$ 281
HELOCs - originated	4,486	1,999	1,178	3,177	305
Construction and land/lots	2,890	764	693	1,457	209
Indirect auto finance	45	20	—	20	—
Consumer	514	9	13	22	10
Commercial loans:					
Commercial real estate	7,433	857	5,776	6,633	13
Construction and development	3,556	600	1,929	2,529	14
Commercial and industrial	9,710	1,197	2,930	4,127	17
Municipal leases	419	114	305	419	1
Total impaired loans	$ 58,106	$ 17,908	$ 26,199	$ 44,107	$ 850

Impaired loans above excludes $1,082 at March 31, 2017 and $2,541 at June 30, 2016 in PCI loans due to the accretion of discounts established in accordance with the acquisition method of accounting for business combinations.

At March 31, 2017, impaired loans with a recorded allowance increased $9,148 during the nine months ended March 31, 2017 primarily due to the change in methodology of measuring impairment during the first quarter of 2017 from the collateral method to the present value of future cash flows method to better reflect the anticipated repayments of these loans.

The table above includes $20,422 and $19,762, of impaired loans that were not individually evaluated at March 31, 2017 and June 30, 2016, respectively, because these loans did not meet the Company's threshold for individual impairment evaluation. The recorded allowance above includes $725 and $164 related to these loans that were not individually evaluated at March 31, 2017 and June 30, 2016, respectively.

The Company's average recorded investment in impaired loans and interest income recognized on impaired loans for the three and nine months ended March 31, 2017 and 2016 was as follows:

	Three Months Ended			
	March 31, 2017		March 31, 2016	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Retail consumer loans:				
One-to-four family	$ 25,262	$ 300	$ 30,193	$ 385
HELOCs - originated	2,315	32	3,671	48
Construction and land/lots	1,906	29	1,747	35
Indirect auto finance	166	1	7	1
Consumer	32	5	35	6
Commercial loans:				
Commercial real estate	8,305	83	7,711	34
Construction and development	2,816	14	3,151	17
Commercial and industrial	2,628	39	5,001	37
Municipal leases	407	6	609	1
Total loans	$ 43,837	$ 509	$ 52,125	$ 564

	Nine Months Ended			
	March 31, 2017		March 31, 2016	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Retail consumer loans:				
One-to-four family	$ 25,963	$ 881	$ 29,922	$ 1,141
HELOCs - originated	2,649	98	3,856	149
Construction and land/lots	1,654	105	1,952	102
Indirect auto finance	111	9	3	4
Consumer	30	15	56	20
Commercial loans:				
Commercial real estate	7,716	221	10,828	119
Construction and development	2,594	35	4,477	61
Commercial and industrial	3,249	96	4,029	107
Municipal leases	410	18	431	30
Total loans	$ 44,376	$ 1,478	$ 55,554	$ 1,733

A summary of changes in the accretable yield for PCI loans for the three and nine months ended March 31, 2017 and 2016 was as follows:

	Three Months Ended	
	March 31, 2017	March 31, 2016
Accretable yield, beginning of period	$ 7,519	$ 9,964
Addition from the TriSummit acquisition	1,288	—
Reclass from nonaccretable yield [1]	296	59
Other changes, net [2]	396	(36)
Interest income	(1,722)	(840)
Accretable yield, end of period	$ 7,777	$ 9,147

	Nine Months Ended	
	March 31, 2017	March 31, 2016
Accretable yield, beginning of period	$ 9,532	$ 11,096
Addition from the TriSummit acquisition	1,288	—
Reclass from nonaccretable yield [1]	1,368	661
Other changes, net [2]	(345)	1,044
Interest income	(4,066)	(3,654)
Accretable yield, end of period	$ 7,777	$ 9,147

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

For the three and nine months ended March 31, 2017 and 2016, the following table presents a breakdown of the types of concessions made on TDRs by loan class:

	Three Months Ended March 31, 2017			Three Months Ended March 31, 2016		
	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	3	$ 162	$ 163	—	$ —	$ —
Commercial:						
Commercial real estate	—	—	—	1	590	586
Total	3	$ 162	$ 163	1	$ 590	$ 586
Extended term:						
Retail consumer:						
One-to-four family	2	$ 76	$ 60	—	$ —	$ —
HELOCs - originated	—	—	—	1	14	14
Commercial:						
Commercial real estate	—	—	—	1	286	286
Commercial & Industrial	1	439	439	—	—	—
Total	3	$ 515	$ 499	2	$ 300	$ 300
Other TDRs:						
Retail consumer:						
One-to-four family	3	$ 135	$ 136	7	$ 485	$ 493
HELOCs - originated	1	30	30	1	8	8
Construction and land/lots	2	150	149	—	—	—
Commercial:						
Commercial real estate	3	2,443	2,145	—	—	—
Construction and development	—	—	—	1	2	2
Total	9	$ 2,758	$ 2,460	9	$ 495	$ 503
Total	15	$ 3,435	$ 3,122	12	$ 1,385	$ 1,389

	Nine Months Ended March 31, 2017			Nine Months Ended March 31, 2016		
	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	3	$ 162	$ 163	1	$ 26	$ 28
Commercial:						
Commercial real estate	—	—	—	1	590	586
Total	3	$ 162	$ 163	2	$ 616	$ 614
Extended term:						
Retail consumer:						
One-to-four family	5	$ 215	$ 195	4	$ 92	$ 99
HELOCs - originated	—	—	—	2	28	27
Construction and land/lots	1	280	271	—	—	—
Consumer	1	—	1	—	—	—
Commercial:						
Commercial real estate	—	—	—	1	286	286
Commercial and industrial	1	439	439	—	—	—
Total	8	$ 934	$ 906	7	$ 406	$ 412
Other TDRs:						
Retail consumer:						
One-to-four family	10	$ 353	$ 352	26	$ 2,860	$ 2,657
HELOCs - originated	2	33	32	2	8	8
Construction and land/lots	4	404	396	—	—	—
Consumer	—	—	—	1	2	2
Commercial:						
Commercial real estate	3	2,443	2,145	—	—	—
Construction and development	—	—	—	1	386	374
Commercial and industrial	1	24	24	1	997	978
Total	20	$ 3,257	$ 2,949	31	$ 4,253	$ 4,019
Total	31	$ 4,353	$ 4,018	40	$ 5,275	$ 5,045

The following table presents loans that were modified as TDRs within the previous 12 months and for which there was a payment default during the three and nine months ended March 31, 2017 and 2016:

	Three Months Ended March 31, 2017		Three Months Ended March 31, 2016	
	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment
Extended payment terms:				
Retail consumer:				
One-to-four family	—	$ —	1	$ 31
Total	—	$ —	1	$ 31
Other TDRs:				
Retail consumer:				
One-to-four family	2	$ 27	6	$ 390
HELOCs - originated	—	—	1	16
Commercial:				
Commercial and industrial	4	900	—	—
Total	6	$ 927	7	$ 406
Total	6	$ 927	8	$ 437

	Nine Months Ended March 31, 2017		Nine Months Ended March 31, 2016	
	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment
Extended payment terms:				
Retail consumer:				
One-to-four family	—	$ —	3	$ 75
Total	—	$ —	3	$ 75
Other TDRs:				
Retail consumer:				
One-to-four family	2	$ 27	14	$ 895
HELOCs - originated	—	—	2	24
Commercial:				
Commercial and industrial	4	900	—	—
Total	6	$ 927	16	$ 919
Total	6	$ 927	19	$ 994

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 based on either the value of the loan's expected future cash flows discounted at the loan's original effective interest rate or on the collateral value, net of the estimated costs of disposal, if the loan is collateral dependent.

6. Real Estate Owned

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2017	2016	2017	2016
Balance at beginning of period	5,648	6,634	$ 5,956	$ 7,024
Transfers from loans	593	1,126	1,923	1,846
Acquired through mergers	1,511	—	1,511	—
Sales, net of loss	(1,450)	(967)	(3,001)	(1,878)
Writedowns	(34)	(93)	(121)	(292)
Capital improvements	11	—	11	—
Balance at end of period	6,279	6,700	$ 6,279	$ 6,700

At March 31, 2017 and June 30, 2016, the Bank had $937 and $824 respectively, of foreclosed residential real estate property in REO. The recorded investment in consumer mortgage loans collateralized by residential real estate in the process of foreclosure totaled $2,362 and $1,681 for March 31, 2017 and June 30, 2016, respectively.

7. Net Income per Share

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

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

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2017	2016	2017	2016
Numerator:				
Net income available to common stockholders	$ 274	$ 3,141	$ 7,081	$ 8,154
Denominator:				
Weighted-average common shares outstanding - basic	17,808,920	17,183,894	17,194,466	17,581,833
Effect of dilutive shares	675,365	185,977	635,114	180,542
Weighted-average common shares outstanding - diluted	18,484,285	17,369,871	17,829,580	17,762,375
Net income per share - basic	$ 0.01	$ 0.18	$ 0.40	$ 0.46
Net income per share - diluted	$ 0.01	$ 0.18	$ 0.40	$ 0.46

Potential dilutive shares are excluded from the computation of earnings per share if their effect is anti-dilutive. There were 60,500 outstanding stock options that were anti-dilutive for the three months ended March 31, 2017 and 56,500 stock options that were anti-dilutive for the three months ended March 31, 2016. There were 60,500 and 56,500 outstanding stock options that were anti-dilutive for the nine months ended March 31, 2017 and 2016, respectively.

8. Equity Incentive Plan

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

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

Share based compensation expense related to stock options and restricted stock recognized for the three months ended March 31, 2017 and 2016 was $451 and $598, respectively, before the tax related benefit of $167 and $221, respectively. Share based compensation expense related to stock options and restricted stock recognized for the nine months ended March 31, 2017 and 2015 was $3,244 and $2,234, respectively, before the tax related benefit of $1,200 and $827, respectively.

The table below presents stock option activity for the nine months ended March 31, 2017 and 2016:

	Options	Weighted-average exercise price	Remaining contractual life (years)	Aggregate Intrinsic Value
Options outstanding at June 30, 2015	1,498,000	$ 14.41	7.7	$ 3,519
Granted	46,500	17.35	—	—
Exercised	2,200	14.37	—	—
Forfeited	13,000	14.37	—	—
Expired	—	—	—	—
Options outstanding at March 31, 2016	1,529,300	$ 14.50	7.0	$ 6,637
Exercisable at March 31, 2016	829,400	$ 14.40		
Options outstanding at June 30, 2016	1,529,300	$ 14.50	6.8	$ 6,117
Granted	60,500	24.95	—	—
Granted, TriSummit acquisition	86,185	23.82	—	—
Exercised	159,443	15.39	—	—
Forfeited	1,000	17.35	—	—
Expired	1,800	14.37	—	—
Options outstanding at March 31, 2017	1,513,742	$ 15.35	5.9	$ 12,443
Exercisable at March 31, 2017	1,059,642	$ 15.04		

The fair value of each option is estimated on the date of grant using the Black-Scholes-Merton option pricing model. There were 60,500 and 46,500 options granted during the three and nine months ended March 31, 2017 and 2016. The weighted average fair value of options granted in fiscal year 2017 and 2016 was $7.76 and $4.53, respectively. Assumptions used for grants were as follows:

	Assumptions in Estimating Option Values		
	2017	2016	2015
Weighted-average volatility	16.70%	15.26%	18.90%
Expected dividend yield	—%	—%	—%
Risk-free interest rate	2.41%	1.63%	1.56%
Expected life (years)	6.5	6.5	6.0

At March 31, 2017, the Company had $1,695 of unrecognized compensation expense related to 1,513,742 stock options scheduled to vest over five- and seven-year vesting periods. The weighted average period over which compensation cost related to non-vested awards expected to be recognized was 1.5 years at March 31, 2017. At March 31, 2016, the Company had $2,718 of unrecognized compensation expense related to 1,529,300 stock options scheduled to vest over five- and seven-year vesting periods. The weighted average period over which compensation cost related to non-vested awards expected to be recognized was 1.6 years at March 31, 2016.

The table below presents restricted stock award activity for the nine months ended March 31, 2017 and 2016:

	Restricted stock awards	Weighted-average grant date fair value	Aggregate Intrinsic Value
Non-vested at June 30, 2015	310,470	$ 14.40	$ 5,203
Granted	34,500	17.35	—
Vested	93,670	14.39	—
Forfeited	2,550	14.37	—
Non-vested at March 31, 2016	248,750	$ 14.81	$ 4,686
Non-vested at June 30, 2016	248,750	$ 14.81	$ 4,602
Granted	47,500	24.70	—
Vested	104,620	14.58	—
Forfeited	1,000	17.35	—
Non-vested at March 31, 2017	190,630	$ 17.38	$ 3,411

At March 31, 2017, unrecognized compensation expense was $2,937 related to 190,630 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 March 31, 2017. At March 31, 2016, unrecognized compensation expense was $4,451 related to 248,750 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 1.7 years at March 31, 2016.

9. Commitments and Contingencies

Loan Commitments – Legally binding commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. In the normal course of business, there are various outstanding commitments to extend credit that are not reflected in the consolidated financial statements. At March 31, 2017 and June 30, 2016, respectively, loan commitments (excluding $142,575 and $125,157 of undisbursed portions of construction loans) totaled $40,441 and $39,609 of which $13,887 and $9,932 were variable rate commitments and $26,554 and $29,677 were fixed rate commitments. The fixed rate loans had interest rates ranging from 1.95% to 7.75% at March 31, 2017 and 2.02% to 7.99% at June 30, 2016, and terms ranging from three to 30 years. Pre-approved but unused lines of credit (principally second mortgage home equity loans and overdraft protection loans) totaled $410,559 and $340,397 at March 31, 2017 and June 30, 2016, respectively. These amounts represent the Company's exposure to credit risk, and in the opinion of management have no more than the normal lending risk that the Company commits to its borrowers. The Company has two types of commitments related to loans held for sale: rate lock commitments and forward loan commitments. Rate lock commitments are commitments to extend credit to a customer that has an interest rate lock and are considered derivative instruments. The rate lock commitments do not qualify for hedge accounting. In order to mitigate the risk from interest rate fluctuations, we enter into forward loan sale commitments on a “best efforts” basis, which do not meet the definition of a derivative instrument. The fair value of these commitments was not material at March 31, 2017 or June 30, 2016.

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

Restrictions on Cash – The Bank is required by regulation to maintain a varying cash reserve balance with the Federal Reserve System. The daily average calculated cash reserve required as of March 31, 2017 and June 30, 2016 was $2,835, and $2,346, respectively, which was satisfied by vault cash and balances held at the FRB.

Guarantees – Standby letters of credit obligate the Company to meet certain financial obligations of its customers, if, under the contractual terms of the agreement, the customers are unable to do so. The financial standby letters of credit issued by the Company are irrevocable and payment is only guaranteed upon the borrower's failure to perform its obligations to the beneficiary. Total commitments under standby letters of credit as of March 31, 2017 and June 30, 2016 were $3,507 and $2,326, respectively. There was no liability recorded for these letters of credit at March 31, 2017 or June 30, 2016, respectively.

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

10. Fair Value of Financial Instruments

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

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

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

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

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

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

Investment Securities Available for Sale
Securities available for sale are valued on a recurring basis at quoted market prices where available. If quoted market prices are not available, fair values are based on quoted prices of comparable securities. Level 2 securities include mortgage-backed securities and debentures issued by government sponsored enterprises, municipal bonds, and corporate debt securities. Level 3 securities include one community bank corporate bond that is thinly traded. The community bank corporate bond was acquired as part of a bank acquisition and is carried at book value, which approximates fair value. Because the bond is thinly traded we rely on public information to review the overall financial condition and capital level of the community bank.

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

The fair value of impaired loans is estimated in one of two ways, which include collateral value and discounted cash flows. Loans are considered collateral dependent if repayment is expected solely from the collateral. For these collateral dependent impaired loans, the Company obtains updated appraisals at least annually. These appraisals are reviewed for appropriateness and then discounted for estimated closing costs to determine if an allowance is necessary. As part of the quarterly review of impaired loans, the Company reviews these appraisals to determine if any additional discounts to the fair value are necessary. If a current appraisal is not obtained, the Company determines whether a discount is needed to the value from the original appraisal based on the decline in value of similar properties with recent appraisals. For loans that are not collateral dependent, estimated fair value is based on the present value of expected future cash flows using the interest rate implicit in the original agreement. Impaired loans where a charge-off has occurred or an allowance is established during the period being reported require classification in the fair value hierarchy. The Company records such impaired loans as a nonrecurring Level 3 in the fair value hierarchy.

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

Real Estate Owned
REO is considered held for sale and is adjusted to fair value less estimated selling costs upon transfer of the loan to foreclosed assets. Fair value is based upon independent market prices, appraised value of the collateral or management's estimation of the value of the collateral. The Company considers all REO that has been charged off or received an allowance during the period as nonrecurring Level 3.

Financial Assets Recorded at Fair Value on a Recurring Basis

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

	March 31, 2017			
Description	Total	Level 1	Level 2	Level 3
U.S Government Agencies	$ 69,225	$ —	$ 69,225	$ —
Residential Mortgage-backed Securities of U.S. Government Agencies and Government Sponsored Enterprises	98,553	—	98,553	—
Municipal Bonds	37,283	—	37,283	—
Corporate Bonds	6,223	—	6,223	—
Equity Securities	63	—	63	—
Total	$ 211,347	$ —	$ 211,347	$ —

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

There were no transfers between levels during the three or nine months ended March 31, 2017.

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

	March 31, 2017			
Description	Total	Level 1	Level 2	Level 3
Impaired loans	$ 7,922	$ —	$ —	$ 7,922
REO	2,147	—	—	2,147
Total	$ 10,069	$ —	$ —	$ 10,069

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

Quantitative information about Level 3 fair value measurements during the period ended March 31, 2017 is shown in the table below:

	Fair Value at March 31, 2017	Valuation Techniques	Unobservable Input	Range	Weighted Average
Nonrecurring measurements:					
Impaired loans, net	$ 7,922	Discounted appraisals and discounted cash flows	Collateral discounts and discount spread	1% - 10%	3%
REO	$ 2,147	Discounted appraisals	Collateral discounts	0% - 20%	16%

The stated carrying value and estimated fair value amounts of financial instruments as of March 31, 2017 and June 30, 2016, are summarized below:

	March 31, 2017				
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Cash and interest-bearing deposits	$ 80,274	$ 80,274	$ 80,274	$ —	$ —
Commercial paper	169,918	169,918	169,918	—	—
Certificates of deposit in other banks	138,646	138,646	—	138,646	—
Securities available for sale	211,347	211,347	—	211,347	$ —
Loans, net	2,260,588	2,187,219	—	—	2,187,219
Loans held for sale	4,328	4,397	—	—	4,397
FHLB stock	29,075	29,075	29,075	—	—
FRB stock	6,194	6,194	6,194	—	—
Accrued interest receivable	8,849	8,849	—	1,532	7,317
Noninterest-bearing and NOW deposits	782,059	782,059	—	782,059	—
Money market accounts	564,195	564,195	—	564,195	—
Savings accounts	249,330	249,330	—	249,330	—
Certificates of deposit	489,175	485,740	—	485,740	—
Borrowings	626,000	626,000	—	626,000	—
Accrued interest payable	448	448	—	448	—

	June 30, 2016				
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Cash and interest-bearing deposits	$ 52,596	$ 52,596	$ 52,596	$ —	$ —
Commercial paper	229,859	229,859	229,859	—	—
Certificates of deposit in other banks	161,512	161,512	—	161,512	—
Securities available for sale	200,652	200,652	—	199,652	1,000
Loans, net	1,811,539	1,761,926	—	—	1,761,926
Loans held for sale	5,783	5,876	—	—	5,876
FHLB stock	23,304	23,304	23,304	—	—
FRB stock	6,182	6,182	6,182	—	—
Accrued interest receivable	7,405	7,405	—	1,106	6,299
Noninterest-bearing and NOW deposits	628,910	628,910	—	628,910	—
Money market accounts	520,320	520,320	—	520,320	—
Savings accounts	210,817	210,817	—	210,817	—
Certificates of deposit	442,649	442,203	—	442,203	—
Borrowings	491,000	491,000	—	491,000	—
Accrued interest payable	246	246	—	246	—

The Company had off-balance sheet financial commitments, which included approximately $593,575 and $505,163 of commitments to originate loans, undisbursed portions of interim construction loans, and unused lines of credit at March 31, 2017 and June 30, 2016, respectively (see Note 9). Since these commitments are based on current rates, the carrying amount approximates the fair value.

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

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

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

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

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

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

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

FHLB and FRB stock– No ready market exists for these stocks and they have no quoted market value. However, redemptions of these securities have historically been at par value. Accordingly, cost is deemed to be a reasonable estimate of fair value.

Deposits **–** Fair values for demand deposits, money market accounts, and savings accounts are the amounts payable on demand as of March 31, 2017 and June 30, 2016. The fair value of certificates of deposit is estimated by discounting the contractual cash flows using current market interest rates for accounts with similar maturities.

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

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

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

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

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

Forward-Looking Statements

Certain matters in this Form 10-Q constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate to our financial condition, results of operations, plans, objectives, future performance or business. Forward-looking statements are not statements of historical fact, are based on certain assumptions and are generally identified by use of the words "believes," "expects," "anticipates," "estimates," "forecasts," "intends," "plans," "targets," "potentially," "probably," "projects," "outlook" or similar expressions or future or conditional verbs such as "may," "will," "should," "would," and "could." Forward-looking statements include statements with respect to our beliefs, plans, objectives, goals, expectations, assumptions, and statements about future economic performance and projections of financial items. These forward-looking statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from the results anticipated or implied by our forward-looking statements, including, but not limited to: expected cost savings, synergies and other financial benefits from our acquisition of TriSummit Bancorp, Inc. ("TriSummit") by HomeTrust ("Merger") might not be realized within the expected time frames or at all, and costs or difficulties relating to integration matters might be greater than expected; the credit risks of lending activities, including changes in the level and trend of loan delinquencies and write offs and changes in our allowance for loan losses and provision for loan losses that may be impacted by deterioration in the housing and commercial real estate markets; changes in general economic conditions, either nationally or in our market areas; changes in the levels of general interest rates, and the relative differences between short and long term interest rates, deposit interest rates, our net interest margin and funding sources; fluctuations in the demand for loans, the number of unsold homes, land and other properties and fluctuations in real estate values in our market areas; decreases in the secondary market for the sale of loans that we originate; results of examinations of us by the Board of Governors of the Federal Reserve System (“Federal Reserve”), the North Carolina Office of the Commissioner of Banks (“NCCOB”), or other regulatory authorities, including the possibility that any such regulatory authority may, among other things, require us to increase our allowance for loan losses, write-down assets, change our regulatory capital position or affect our ability to borrow funds or maintain or increase deposits, which could adversely affect our liquidity and earnings; legislative or regulatory changes that adversely affect our business including the effect of Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), changes in regulatory policies and principles, or the interpretation of regulatory capital or other rules, including as a result of Basel III; our ability to attract and retain deposits; management's assumptions in determining the adequacy of the allowance for loan losses; our ability to control operating costs and expenses, especially costs associated with our operation as a public company; the use of estimates in determining fair value of certain assets, which estimates may prove to be incorrect and result in significant declines in valuation; difficulties in reducing risks associated with the loans on our balance sheet; staffing fluctuations in response to product demand or the implementation of corporate strategies that affect our workforce and potential associated charges; computer systems on which we depend could fail or experience a security breach; our ability to retain key members of our senior management team; costs and effects of litigation, including settlements and judgments; our ability to successfully integrate any assets, liabilities, customers, systems, and management personnel we may in the future acquire into our operations and our ability to realize related revenue synergies and cost savings within expected time frames and any goodwill charges related thereto; increased competitive pressures among financial services companies; changes in consumer spending, borrowing and savings habits; the availability of resources to address changes in laws, rules, or regulations or to respond to regulatory actions; adverse changes in the securities markets; inability of key third-party providers to perform their obligations to us; statements with respect to our intentions regarding disclosure and other changes resulting from the Jumpstart Our Business Startups Act of 2012 ("JOBS Act"); changes in accounting policies and practices, as may be adopted by the financial institution regulatory agencies, the Public Company Accounting Oversight Board or the Financial Accounting Standards Board; and other economic, competitive, governmental, regulatory, and technological factors affecting our operations, pricing, products and services; and the other risks detailed from time to time in our filings with the Securities and Exchange Commission ("SEC"), including our 2016 Form 10-K.

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

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

Overview

HomeTrust Bancshares, Inc., a Maryland corporation, was organized in July 2012 for the purpose of becoming the holding company of HomeTrust Bank, upon the Bank's conversion from a federal mutual to a federal stock savings bank ("Conversion"). The Conversion was completed on July 10, 2012. On August 25, 2014, the Bank converted from a federal savings bank charter to a national bank charter and the Company became a bank holding company. On December 31, 2015, the Bank converted from a national association to a North Carolina state bank. As a national bank, the Bank's primary regulator was the Office of the Comptroller of the Currency ("OCC"). As a North Carolina state-chartered bank, and member of the Federal Reserve System, the Bank's primary regulators are the NCCOB and the Federal Reserve. The Bank's deposits are federally insured up to applicable limits by the Federal Deposit Insurance Corporation ("FDIC").

HomeTrust Bancshares, Inc. is a bank holding company regulated by the Federal Reserve. In connection with the recent charter change, the Company elected to be treated as a financial holding company, which allows it flexibility to engage in some non-bank activities that are financial in nature. The Company has not engaged in any significant activity other than holding the stock of the Bank. Accordingly, the information set forth in this report, including financial statements and related data, relates primarily to the Bank and its subsidiary.

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

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

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

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

An offset to net interest income is the provision for loan losses which is required to establish the allowance for loan losses at a level that adequately provides for probable losses inherent in our loan portfolio. As a loan's risk rating improves, property values increase, or recoveries of amounts previously charged off are received, a recapture of previously recognized provision for loan losses may be added to net interest income.

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

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

On January 1, 2017, the Company completed its acquisition of TriSummit pursuant to an Agreement and Plan of Merger, dated as of September 20, 2016, under which TriSummit merged with and into HomeTrust with HomeTrust as the surviving corporation in the Merger. Immediately following the Merger, TriSummit's wholly owned subsidiary bank, TriSummit Bank, merged with and into the Bank. Refer to Note 3 of our consolidated financial statements for more details on the Merger.

At March 31, 2017, we had 42 locations in North Carolina (including the Asheville metropolitan area, the "Piedmont" region, Charlotte, and Raleigh), Upstate South Carolina (Greenville), East Tennessee (including Kingsport/Johnson City/Bristol, Knoxville, and Morristown) and Southwest Virginia (including the Roanoke Valley).

Critical Accounting Policies and Estimates

Certain of our accounting policies are important to the portrayal of our financial condition, since they require management to make difficult, complex or subjective judgments, some of which may relate to matters that are inherently uncertain. Estimates associated with these policies are susceptible to material changes as a result of changes in facts and circumstances. Facts and circumstances which could affect these judgments include, but are not limited to, changes in interest rates, changes in the performance of the economy, and changes in the financial condition of borrowers. These policies relate to (i) the determination of the provision and the allowance for loan losses, (ii) business combinations and acquired loans, (iii) the valuation of REO, (iv) the valuation of goodwill and other intangible assets, and (v) the valuation of or recognition of deferred tax assets and liabilities. These policies and estimates are described in further detail in Part II, Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 1, Summary of Significant Accounting Policies with the 2016 Form 10-K. There have not been any material changes in the Company's critical accounting policies and estimates during the nine months ended March 31, 2017 as compared to the disclosure contained in the Company's 2016 Form 10-K.

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

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

Non-GAAP Financial Measures

In addition to results presented in accordance with GAAP, this report contains certain non-GAAP financial measures, which include: tangible book value per share; tangible equity to tangible assets ratio; net interest income and net interest margin as adjusted to exclude additional FHLB borrowings and proceeds from such borrowings; net income, earnings per share ("EPS"), return on assets ("ROA"), and return on equity ("ROE") excluding merger-related expenses, certain state tax expense, and gain from the sale of premises and equipment; and the ratio of the allowance for loan losses to total loans excluding acquired loans. Management elected to obtain additional FHLB borrowings beginning November 2014 as part of a plan to increase net interest income. The Company believes that showing the effects of the additional borrowings on net interest income and net interest margins is useful to both management and investors as these measures are commonly used to measure financial institutions performance and against peers.

Management has presented the non-GAAP financial measures in this discussion and analysis excluding merger-related expenses, certain state tax expense, and gain from the sale of premises because it believes excluding these items is more indicative of and provides useful and comparative information to assess trends in our core operations while facilitating comparison of the quality and composition of the Company's earnings over time and in comparison to its competitors. However, these non-GAAP financial measures are supplemental, are not audited and are not a substitute for operating results or any analysis determined in accordance with GAAP. Where applicable, we have also presented comparable earnings information using GAAP financial measures. Because not all companies use the same calculations, our presentation may not be comparable to other similarly titled measures as calculated by other companies. See "Comparison of Results of Operations for the Three and Nine Months Ended March 31, 2016 and 2015" for more detailed information about our financial performance.

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

	As of		
(Dollars in thousands, except per share data)	March 31, 2017	June 30, 2016	March 31, 2016
Total stockholders' equity	$ 390,746	$ 359,976	$ 358,843
Less: goodwill, core deposit intangibles, net of taxes	(30,635)	(17,169)	(17,596)
Tangible book value	$ 360,111	$ 342,807	$ 341,247
Common shares outstanding	18,947,176	17,998,750	18,193,550
Tangible book value per share[1]	$ 19.01	$ 19.05	$ 18.76
Book value per share	$ 20.62	$ 20.00	$ 19.72

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

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

	As of		
(Dollars in thousands)	March 31, 2017	June 30, 2016	March 31, 2016
Tangible book value[1]	$ 360,111	$ 342,807	$ 341,247
Total assets	3,165,446	2,717,677	2,759,801
Less: goodwill, core deposit intangibles, net of taxes	(30,635)	(17,169)	(17,596)
Total tangible assets[2]	$ 3,134,811	$ 2,700,508	$ 2,742,205
Tangible equity to tangible assets	11.49%	12.69%	12.44%

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

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

	Three Months Ended March 31,					
	2017			2016		
(Dollars in thousands)	Average Balance Outstanding	Interest Earned / Paid	Yield/ Rate	Average Balance Outstanding	Interest Earned / Paid	Yield/ Rate
Interest-earning assets [1]	$ 2,834,362	$ 27,902	3.94 %	$ 2,484,014	$ 22,452	3.62 %
Less: Interest-earning assets funded by additional FHLB borrowings [2]	292,000	886	1.21 %	402,000	923	0.92 %
Interest-earning assets - adjusted	$ 2,542,362	$ 27,016	4.25 %	$ 2,082,014	$ 21,529	4.14 %
Interest-bearing liabilities	$ 2,367,897	$ 2,219	0.38 %	$ 2,085,496	$ 1,577	0.30 %
Additional FHLB borrowings	292,000	485	0.66 %	402,000	406	0.40 %
Interest-bearing liabilities - adjusted	$ 2,075,897	$ 1,734	0.33 %	$ 1,683,496	$ 1,171	0.28 %
Tax equivalent net interest income and net interest margin		$ 25,683	3.62 %		$ 20,875	3.36 %
Tax equivalent net interest income and net interest margin - adjusted		25,282	3.98 %		20,358	3.91 %
Difference		$ 401	(0.36)%		$ 517	(0.55)%

	Nine Months Ended March 31,					
	2017			2016		
(Dollars in thousands)	Average Balance Outstanding	Interest Earned / Paid	Yield/ Rate	Average Balance Outstanding	Interest Earned / Paid	Yield/ Rate
Interest-earning assets [1]	$ 2,627,696	$ 73,920	3.75 %	$ 2,497,077	$ 67,283	3.59 %
Less: Interest-earning assets funded by additional FHLB borrowings [2]	342,333	2,793	1.09 %	417,000	2,336	0.75 %
Interest-earning assets - adjusted	$ 2,285,363	$ 71,127	4.15 %	$ 2,080,077	$ 64,947	4.16 %
Interest-bearing liabilities	$ 2,183,363	$ 5,521	0.34 %	$ 2,098,363	$ 4,431	0.28 %
Additional FHLB borrowings	342,333	1,273	0.50 %	417,000	866	0.28 %
Interest-bearing liabilities - adjusted	$ 1,841,030	$ 4,248	0.31 %	$ 1,681,363	$ 3,565	0.28 %
Tax equivalent net interest income and net interest margin		$ 68,399	3.47 %		$ 62,852	3.36 %
Tax equivalent net interest income and net interest margin - adjusted		66,879	3.90 %		61,382	3.93 %
Difference		$ 1,520	(0.43)%		$ 1,470	(0.57)%

(1) Interest income used in the average interest/earned and yield calculation includes the tax equivalent adjustment of $611 and $655 for the three months ended March 31, 2017 and 2016, respectively, calculated based on a federal tax rate of 34%. Interest income used in the average interest/earned and yield calculation includes the tax equivalent adjustment of $1,800 and $1,900 for the nine months ended March 31, 2017 and 2016, respectively, calculated based on a federal tax rate of 34%.

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

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

(Dollars in thousands, except per share data)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2017	2016	2017	2016
Merger-related expenses	$ 7,401	$ —	$ 7,736	$ —
State tax expense adjustment [1]	—	—	490	526
Gain from sale of premises and equipment	—	(10)	(385)	(10)
Total adjustments	7,401	(10)	7,841	516
Tax effect [2]	(2,670)	—	(2,621)	4
Total adjustments, net of tax	4,731	(10)	5,220	520
Net income (GAAP)	274	3,141	7,081	8,154
Net income (non-GAAP)	$ 5,005	$ 3,131	$ 12,301	$ 8,674
Per Share Data				
Average shares outstanding - basic	17,808,920	17,183,894	17,194,466	17,581,833
Average shares outstanding - diluted	18,484,285	17,369,871	17,829,580	17,762,375
Basic EPS				
EPS (GAAP)	$ 0.01	$ 0.18	$ 0.40	$ 0.46
Non-GAAP adjustment	0.26	—	0.29	0.03
EPS (non-GAAP)	$ 0.27	$ 0.18	$ 0.69	$ 0.49
Diluted EPS				
EPS (GAAP)	$ 0.01	$ 0.18	$ 0.40	$ 0.46
Non-GAAP adjustment	0.26	—	0.29	0.03
EPS (non-GAAP)	$ 0.27	$ 0.18	$ 0.69	$ 0.49
Average Balances				
Average assets	$ 3,117,490	$ 2,729,814	$ 2,882,487	$ 2,743,165
Average equity	385,317	359,939	371,118	364,373
ROA				
ROA (GAAP)	0.04%	0.46%	0.33%	0.40%
Non-GAAP adjustment	0.60%	—%	0.24%	0.02%
ROA (non-GAAP)	0.64%	0.46%	0.57%	0.42%
ROE				
ROE (GAAP)	0.28%	3.49%	2.54%	2.98%
Non-GAAP adjustment	4.92%	—%	1.88%	0.20%
ROE (non-GAAP)	5.20%	3.49%	4.42%	3.18%

(1) State tax adjustment is a result of a decrease in value of our deferred tax assets stemming from recent decreases in North Carolina's corporate tax rate.
(2) Tax amounts have been adjusted for certain nondeductible merger-related expenses.

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

(Dollars in thousands)	As of March 31, 2017	As of June 30, 2016	As of March 31, 2016
Total gross loans receivable (GAAP)	$ 2,282,278	$ 1,832,831	$ 1,814,695
Less: acquired loans	(403,971)	(220,891)	(244,549)
Adjusted gross loans (non-GAAP)	$ 1,878,307	$ 1,611,940	$ 1,570,146
Allowance for loan losses (GAAP)	$ 21,097	$ 21,292	$ 21,761
Less: allowance for loan losses on acquired loans	(474)	(361)	(346)
Adjusted allowance for loan losses	20,623	20,931	21,415
Adjusted allowance for loan losses / Adjusted gross loans (non-GAAP)	1.10%	1.30%	1.36%

Comparison of Financial Condition at March 31, 2017 and June 30, 2016

General. Total assets increased $447.8 million, or 16.5% to $3.2 billion at March 31, 2017 from $2.7 billion at June 30, 2016. This increase was largely due to the $449.0 million increase in net loans receivable due primarily to loans acquired from TriSummit and organic loan growth. The cumulative increase of $34.7 million, or 16.7% in premises and equipment, deferred income taxes, bank-owned life insurance, goodwill, and core deposit intangibles were all a direct result of the TriSummit acquisition. The increase in borrowings of $135.0 million, or 27.5% and the cumulative decrease of $82.8 million, or 21.2% in commercial paper and certificates of deposit in other banks during the nine months ended March 31, 2017 were mainly used to fund the TriSummit acquisition, organic loan originations, and purchases of HELOCs. We continue to utilize our leveraging strategy, where additional short-term FHLB borrowings are invested in various short-term liquid assets to generate additional net interest income, as well as increased dividend income from the required purchase of additional FHLB stock.

Cash, cash equivalents, and commercial paper. Total cash and cash equivalents increased $27.7 million, or 52.6%, to $80.3 million at March 31, 2017 from $52.6 million at June 30, 2016. The increase was primarily due to funds received from the TriSummit acquisition and additional funds held at the Federal Reserve Bank. In conjunction with our leveraging strategy, we purchase commercial paper to take advantage of higher returns with relatively low risk while remaining highly liquid. The commercial paper balance decreased $59.9 million, or 26.1% to $169.9 million at March 31, 2017 from $229.9 million at June 30, 2016.

Investments. Securities available for sale increased $10.7 million, or 5.3%, to $211.3 million at March 31, 2017 from $200.7 million at June 30, 2016. During the nine months ended March 31, 2017, $58.5 million of securities available for sale were acquired from the TriSummit acquisition, $15.1 million were purchased, $23.6 million matured, $16.3 million were sold, and $18.3 million of principal payments were received. The securities purchased during this period were primarily short- to intermediate-term U.S. government agency notes. At March 31, 2017, certificates of deposits in other banks totaled $138.6 million compared to $161.5 million at June 30, 2016. The decrease in certificates of deposits in other banks was due to $54.5 million in maturities partially offset by $31.4 million in purchases. All certificates of deposit in other banks are fully insured by the FDIC. Other investments at cost at March 31, 2017 include FRB and FHLB stock totaling $6.2 million and $29.1 million, respectively. In total, other investments increased $5.8 million, or 19.6% from June 30, 2016 as a result of additional FHLB stock purchases required to support our additional FHLB borrowings.

We evaluate individual investment securities quarterly for other-than-temporary declines in market value. We did not believe that there were any other-than-temporary impairments at March 31, 2017; therefore, no impairment losses were recorded during the first nine months of fiscal 2017.

Loans held for sale. Loans held for sale decreased $1.5 million, or 25.2% at March 31, 2017 to $4.3 million from $5.8 million at June 30, 2016. The decrease was driven by the timing difference between loan fundings and loan sale settlements as originations of loans held for sale increased $44.5 million during the nine months ended March 31, 2017 as compared to the same period last year from expanding our mortgage banking operations into our newer market areas.

Loans. Net loans receivable increased $449.0 million, or 24.8%, at March 31, 2017 to $2.3 billion from June 30, 2016 primarily due to $258.1 million in loans acquired from TriSummit, $174.5 million in organic loan growth and $16.4 million in purchased HELOCs, net of repayments.

For the three-month period ended March 31, 2017, retail loan portfolio originations increased $18.0 million, or 31.5% to $75.0 million from $57.0 million, compared to the same period in the previous year. For the three-month period ended March 31, 2017, commercial loan portfolio originations increased $106.4 million, or 202.9% to $158.9 million, from $52.5 million, compared to the same period in the previous year. For the nine-month period ended March 31, 2017, retail loan portfolio originations increased $27.8 million, or 14.3% to $222.5 million from $194.7 million, compared to the same period in the previous year. For the nine-month period ended March 31, 2017, commercial loan portfolio originations increased $140.0 million, or 57.2% to $384.7 million from $244.7 million, compared to the same period in the previous year.

For the quarter ended March 31, 2017, organic net loan growth, which excludes loans acquired through purchases of HELOCs, was $80.7 million or 18.1% annualized. Excluding the one-to-four family residential loan portfolio and purchased HELOCs, our third quarter loan growth was $81.9 million, or 27.9% annualized. Our one-to-four family residential loan portfolio continues to decline as a result of market conditions

increasing customer demand for 30-year fixed rate loans, which we sell to third parties as compared to our shorter term fixed and variable rate loans that we retain in our loan portfolio - a trend we expect to continue so long as interest rates remain historically low. For the nine months ended March 31, 2017, organic net loan growth was $174.3 million, or 13.8% annualized. Excluding the one-to-four family residential loan portfolio, loan growth for the first nine months of fiscal 2017 was $191.1 million, or 35.9% annualized.

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

	March 31, 2017	June 30, 2016	Change $	Change %	Percent of total March 31, 2017	Percent of total June 30, 2016
Retail consumer loans:						
One-to-four family	$ 683,383	$ 623,701	$ 59,682	9.6 %	29.9%	34.0%
HELOCs - originated	160,083	163,293	(3,210)	(2.0)	7.0	8.9
HELOCs - purchased	160,829	144,377	16,452	11.4	7.0	7.9
Construction and land/lots	46,856	38,102	8,754	23.0	2.1	2.1
Indirect auto finance	132,959	108,478	24,481	22.6	5.8	5.9
Consumer	7,729	4,635	3,094	66.8	0.3	0.3
Total retail consumer loans	1,191,839	1,082,586	109,253	10.1	52.2	59.1
Commercial loans:						
Commercial real estate	706,277	486,561	219,716	45.2	30.9	26.6
Construction and development	177,087	86,840	90,247	103.9	7.8	4.7
Commercial and industrial	105,299	73,289	32,010	43.7	4.6	4.0
Municipal leases	101,776	103,183	(1,407)	(1.4)	4.5	5.6
Total commercial loans	1,090,439	749,873	340,566	45.4	47.8	40.9
Total loans	$ 2,282,278	$ 1,832,459	$ 449,819	24.5 %	100.0%	100.0%

Recently, our expansion into larger metro markets as well as in-market acquisitions over the last two years combined with improvements in the economy, employment rates, stronger real estate prices, and a general lack of new housing inventory in certain markets have led to us significantly increasing originations of construction loans for properties located in our market areas. We have hired experienced commercial real estate relationship managers, credit officers, and developed a construction risk management group to better manage construction risk, as part of our efforts to grow the construction portfolio. We anticipate that construction lending will continue to be a strong element of our total loan portfolio in future periods. We will continue to take a disciplined approach in our construction and land development lending by concentrating our efforts on smaller one-to-four residential loans to builders known to us and developers of commercial real estate and multifamily properties with proven success in this type of construction. At March 31, 2017, construction and land/lots totaled $46.9 million including $30.9 million of one-to-four family construction loans that will roll over to permanent loans upon completion of the construction period, excluding unfunded loan commitments of $35.4 million. Total construction and development loans at March 31, 2017, were $177.1 million, excluding unfunded loan commitments, of which $62.5 million was for non-residential commercial real estate construction, $56.5 million was for land development, $43.0 million was for speculative construction of single family properties, and $15.1 million was for multi-family construction. Undisbursed construction and development loan commitments at March 31, 2017 included $68.2 million of commercial real estate projects, multi-family residential projects of $9.5 million and $29.5 million for the speculative construction of one- to four-family residential properties.

Asset Quality. Nonperforming assets decreased $4.4 million to $20.1 million, or 0.63% of total assets, at March 31, 2017, compared to $24.5 million, or 0.90% of total assets, at June 30, 2016. Nonperforming assets included $13.8 million in nonaccruing loans and $6.3 million in REO at March 31, 2017, compared to $18.5 million and $6.0 million, in nonaccruing loans and REO respectively, at June 30, 2016. Included in nonperforming loans are $5.1 million of loans restructured from their original terms of which $3.8 million were current with respect to their modified payment terms. The decrease in nonaccruing loans was primarily due to loans returning to performing status as payment history and the borrower's financial status improved. At March 31, 2017, $6.5 million, or 47.0%, of nonaccruing loans were current on their required loan payments. Purchased credit impaired loans aggregating $7.7 million were excluded from nonaccruing loans due to the accretion of discounts established in accordance with the acquisition method of accounting for business combinations.

The ratio of classified assets to total assets decreased to 1.67% at March 31, 2017 from 2.17% at June 30, 2016. Classified assets decreased 10.2% to $52.9 million at March 31, 2017 compared to $58.9 million at June 30, 2016. Delinquent loans (loans delinquent 30 days or more) decreased to $15.4 million at March 31, 2017, from $19.5 million at June 30, 2016.

As of March 31, 2017, we had identified $43.5 million of impaired loans compared to $44.1 million at June 30, 2016. Our impaired loans are comprised of loans on non-accrual status and all TDRs, whether performing or on non-accrual status under their restructured terms. Impaired loans may be evaluated for reserve purposes using either a specific impairment analysis or on a collective basis as part of homogeneous pools. As of March 31, 2017, there were $23.1 million loans individually evaluated for impairment and $20.4 million were collectively evaluated. For more information on these impaired loans, see Note 5 of the Notes to Consolidated Financial Statements under Item 1 of this report.

Allowance for loan losses. We establish an allowance for loan losses by charging amounts to the loan provision at a level required to reflect estimated credit losses in the loan portfolio. In evaluating the level of the allowance for loan losses, management considers, among other factors,

historical loss experience, the types of loans and the amount of loans in the loan portfolio, adverse situations that may affect borrowers' ability to repay, estimated value of any underlying collateral, prevailing economic conditions and current risk factors specifically related to each loan type.

The allowance for loan losses was $21.1 million, or 0.92% of total loans, at March 31, 2017 compared to $21.3 million, or 1.16% of total loans, at June 30, 2016. The allowance for loan losses to gross loans excluding acquired loans was 1.10% at March 31, 2017, compared to 1.30% at June 30, 2016. Loans acquired from acquisitions are excluded from the allowance for loan losses in accordance with the acquisition method of accounting for business combinations. The Company recorded these loans at fair value, which includes a credit discount, therefore, no allowance for loan losses is established for these acquired loans unless the credit quality deteriorates further subsequent to the acquisition.

There was no provision for loan loss during both the three and nine months ended March 31, 2017 and March 31, 2016 reflecting continued improvements in our asset quality, offset by loan growth. Net loan recoveries totaled $111,000 for the three months ended March 31, 2017 compared to net charge-offs of $216,000 for the same period during the prior fiscal year. Net loan charge-offs decreased to $195,000 for the nine months ended March 31, 2017 from $613,000 for the same period during the prior fiscal year. Net recoveries as a percentage of average loans increased to (0.02)% for the three months ended March 31, 2017 from net charge-offs of 0.05% for the same period last fiscal year. Net charge-offs as a percentage of average loans decreased to 0.01% for the nine months ended March 31, 2017 from 0.05% for the same period last fiscal year.

The allowance as a percentage of nonaccruing loans increased to 152.7% at March 31, 2017 from 115.0% at June 30, 2016.

We believe that the allowance for loan losses as of March 31, 2017 was adequate to absorb the known and inherent risks of loss in the loan portfolio at that date. While we believe the estimates and assumptions used in our determination of the adequacy of the allowance are reasonable, there can be no assurance that such estimates and assumptions will not be proven incorrect in the future, or that the actual amount of future provisions will not exceed the amount of past provisions or that any increased provisions that may be required will not adversely impact our financial condition and results of operations. In addition, the determination of the amount of the allowance for loan losses is subject to review by bank regulators as part of the routine examination process, which may result in the establishment of additional reserves based upon their judgment of information available to them at the time of their examination.

Real estate owned. REO increased $323,000, to $6.3 million at March 31, 2017 primarily due to $1.9 million of properties transferred into REO and $1.5 million of REO acquired from the TriSummit acquisition, partially offset by $3.0 million in REO sales during the period. The total balance of REO at March 31, 2017 included $2.7 million in land, construction and development projects (both residential and commercial), $2.7 million in commercial real estate, and $937,000 in single-family homes.

Deferred income taxes. Deferred income taxes increased $5.5 million, or 10.2%, to $59.7 million at March 31, 2017 from $54.2 million at June 30, 2016, due to the $7.1 million increase from the TriSummit acquisition offset by the realization of net operating losses through increases in net income.

Goodwill. Goodwill increased $13.0 million, or 102.3% to $25.6 million at March 31, 2017 from $12.7 million at June 30, 2016 primarily as a result of the acquisition of TriSummit.

Other assets. Other assets increased $2.3 million to $7.1 million at March 31, 2017 from $4.8 million at June 30, 2016. The increase was mainly driven by various other prepaid expenses in connection with the acquisition of TriSummit.

Deposits. Deposits increased $282.1 million, or 15.6%, to $2.1 billion at March 31, 2017 as compared to $1.8 billion at June 30, 2016, mainly as a result of the TriSummit acquisition, which increased deposits by $280.2 million.

Borrowings. Borrowings increased to $626.0 million at March 31, 2017 from $491.0 million at June 30, 2016. This increase was used to provide funds for the acquisition of TriSummit and partially fund the increase in total loans. All FHLB advances have maturities of less than 90 days with a weighted average interest rate of 0.81% at March 31, 2017.

Equity. Stockholders' equity at March 31, 2017 increased to $390.7 million from $360.0 million at June 30, 2016. The increase was a primarily a result of $20.0 million in equity consideration paid in the TriSummit acquisition, $7.1 million in net income for the first nine months of fiscal 2017, $3.2 million representing stock-based compensation, and $2.5 million in exercised stock options. These increases were partially offset by a $2.3 million decrease in accumulated other comprehensive income during the nine months ended March 31, 2017, representing unrealized losses on securities available for sale, net of tax. Tangible book value per share decreased slightly by $0.04, or 0.2% to $19.01 as of March 31, 2017 compared to $19.05 at June 30, 2016.

Average Balances, Interest and Average Yields/Cost

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

	For the Three Months Ended March 31,					
	2017			2016		
	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]	$ 2,244,677	$ 25,358	4.52%	$ 1,754,092	$ 20,095	4.58%
Deposits in other financial institutions	175,475	454	1.04%	211,036	492	0.93%
Investment securities	218,990	1,244	2.27%	216,535	986	1.82%
Other[3]	195,220	846	1.73%	302,351	879	1.16%
Total interest-earning assets	2,834,362	27,902	3.94%	2,484,014	22,452	3.62%
Interest-bearing liabilities:						
Interest-bearing checking accounts	447,426	216	0.19%	389,740	143	0.15%
Money market accounts	562,286	336	0.24%	511,424	282	0.22%
Savings accounts	251,448	87	0.14%	214,622	71	0.13%
Certificate accounts	501,016	576	0.46%	486,435	593	0.49%
Borrowings	605,721	1,004	0.66%	483,275	488	0.40%
Total interest-bearing liabilities	2,367,897	2,219	0.38%	2,085,496	1,577	0.30%
Net earning assets	$ 466,465			$ 398,518		
Average interest-earning assets to average interest-bearing liabilities	119.70%			119.11%		
Tax-equivalent:						
Net interest income		$ 25,683			$ 20,875	
Interest rate spread			3.56%			3.31%
Net interest margin[4]			3.62%			3.36%
Non-tax-equivalent:						
Net interest income		$ 25,072			$ 20,220	
Interest rate spread			3.48%			3.21%
Net interest margin[4]			3.54%			3.26%

(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 $611,000 and $655,000 for the three months ended March 31, 2017 and 2016, respectively, calculated based on a federal tax rate of 34%.
(3) The average other assets consists of FRB stock, FHLB stock, and commercial paper. See Comparison of Results of Operation for the Three Months Ended March 31, 2017 for discussion of our leveraging strategy.
(4) Net interest income divided by average interest-earning assets.

	For the Nine Months Ended March 31,					
	2017			2016		
	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)]	$ 2,000,966	$ 66,873	4.46%	$ 1,744,484	$ 60,319	4.61%
Deposits in other financial institutions	181,770	1,429	1.05%	223,936	1,524	0.91%
Investment securities	201,301	2,986	1.98%	238,571	3,223	1.80%
Other[(3)]	243,659	2,632	1.44%	290,086	2,217	1.02%
Total interest-earning assets	2,627,696	73,920	3.75%	2,497,077	67,283	3.59%
Interest-bearing liabilities:						
Interest-bearing checking accounts	418,654	561	0.18%	385,154	425	0.15%
Money market accounts	532,998	1,034	0.26%	496,131	784	0.21%
Savings accounts	223,749	227	0.14%	216,358	218	0.13%
Certificate accounts	446,315	1,533	0.46%	520,309	1,995	0.51%
Borrowings	561,647	2,166	0.51%	480,411	1,009	0.28%
Total interest-bearing liabilities	2,183,363	5,521	0.34%	2,098,363	4,431	0.28%
Net earning assets	$ 444,333			$ 398,714		
Average interest-earning assets to average interest-bearing liabilities	120.35%			119.00%		
Tax-equivalent:						
Net interest income		$ 68,399			$ 62,852	
Interest rate spread			3.41%			3.31%
Net interest margin[(4)]			3.47%			3.36%
Non-tax-equivalent:						
Net interest income		$ 66,624			$ 60,941	
Interest rate spread			3.32%			3.21%
Net interest margin[(4)]			3.38%			3.25%

(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 $1,775,000 and $1,911,000 for the nine months ended March 31, 2017 and 2016, respectively, calculated based on a federal tax rate of 34%.
(3) The average other assets consists of FRB stock, FHLB stock, and commercial paper. See Comparison of Results of Operation for the Nine Months Ended March 31, 2017 for discussion of our leveraging strategy.
(4) Net interest income divided by average interest-earning assets.

Rate/Volume Analysis

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

	Three Months Ended March 31, 2017 Compared to Three Months Ended March 31, 2016		
	Increase/ (decrease) due to		
(Dollars in thousands)	Volume	Rate	Total increase/(decrease)
Interest-earning assets:			
Loans receivable[1]	$ 5,618	$ (355)	$ 5,263
Deposits in other financial institutions	(84)	46	(38)
Investment securities	12	246	258
Other	(312)	279	(33)
Total interest-earning assets	$ 5,234	$ 216	$ 5,450
Interest-bearing liabilities:			
Interest-bearing checking accounts	$ 22	$ 51	$ 73
Money market accounts	27	27	54
Savings accounts	12	4	16
Certificate accounts	19	(36)	(17)
Borrowings	123	393	516
Total interest-bearing liabilities	203	439	642
Net increase in tax equivalent interest income	$ 5,031	$ (223)	$ 4,808

	Nine Months Ended March 31, 2017 Compared to Nine Months Ended March 31, 2016		
	Increase/ (decrease) due to		
(Dollars in thousands)	Volume	Rate	Total increase/(decrease)
Interest-earning assets:			
Loans receivable[1]	$ 8,868	$ (2,314)	$ 6,554
Deposits in other financial institutions	(286)	191	(95)
Investment securities	(503)	266	(237)
Other	(355)	770	415
Total interest-earning assets	7,724	(1,087)	6,637
Interest-bearing liabilities:			
Interest-bearing checking accounts	$ 37	$ 99	$ 136
Money market accounts	58	192	250
Savings accounts	7	2	9
Certificate accounts	(283)	(179)	(462)
Borrowings	171	986	1,157
Total interest-bearing liabilities	(10)	1,100	1,090
Net increase in tax equivalent interest income	$ 7,734	$ (2,187)	$ 5,547

(1) Interest income used in the rate calculation includes the tax equivalent adjustment of $611,000 and $655,000 for the three months ended December 31, 2016 and 2015, respectively, calculated based on a federal tax rate of 34%. Interest income used in the average interest/earned and yield calculation includes the tax equivalent adjustment of $1,775,000 and $1,911,000 for the nine months ended March 31, 2017 and 2016, respectively, calculated based on a federal tax rate of 34%.

Comparison of Results of Operation for the Three Months Ended March 31, 2017 and 2016

General. During the three months ended March 31, 2017, we had net income of $274,000 compared to $3.1 million for the three months ended March 31, 2016. The Company's basic and diluted earnings per share were $0.01 for the three months ended March 31, 2017 compared to $0.18 per share for the same period in fiscal 2016. The decrease in earnings was due to the $7.4 million in merger-related expenses incurred during the three months ended March 31, 2017 related to the TriSummit acquisition. Earnings before merger-related expenses, net of tax benefit, were $5.0 million, or $0.27 per share for the third quarter of fiscal year 2017, compared to $3.1 million, or $0.18 per share for the same period in the previous year.

Net Interest Income. Net interest income increased $4.9 million, or 24.0% to $25.1 million for the quarter ended March 31, 2017 compared to $20.2 million for the corresponding period in 2016. The increase in net interest income of the quarter ended March 31, 2017 was driven by a $5.5 million, or 25.2% increase in interest income from an increase in average interest-earning assets, which was partially offset by a $642,000, or 40.7% increase in interest expense.

The average balance of interest-earning assets for the quarter ended March 31, 2017 increased $350.3 million, or 14.1% to $2.8 billion compared to $2.5 billion in the comparable quarter in the previous year. Net interest margin (on a fully taxable-equivalent basis) for the three months ended March 31, 2017 increased 26 basis points to 3.62% from 3.36% for the same period last year. Our leveraging strategy produced an additional $886,000 in interest income during the three months ended March 31, 2017, at an average yield of 1.21%, while the average cost of the borrowings was 0.66%, resulting in approximately $401,000 in net interest income during the period. During the same three-month period in the prior fiscal year, our leveraging strategy produced an additional $923,000 in interest income, at an average yield of 0.92%, while the average cost of borrowings was 0.40%, resulting in approximately $517,000 in net interest income. Excluding the effects of the leveraging strategy, the net interest margin would be 3.98% and 3.91% for the three months ended March 31, 2017 and 2016, respectively.

Total interest income increased $5.5 million, or 25.2% for the three months ended March 31, 2017 as compared to the same period last year. The increase in interest income for the three months ended March 31, 2017 as compared to the same period prior year was primarily driven by a $5.3 million, or 27.3% increase in loan interest income, and a $257,000, or 26.1% increase in interest on securities available for sale. The additional loan interest income for the quarter ended March 31, 2017 was due to the $490.6 million, or 28.0% increase in the average balance of loans receivable as a result of the TriSummit acquisition, increased organic loan growth, and the purchase of HELOCs, which was mainly funded and offset by the cumulative decrease of $140.2 million, or 19.2% in average interest-earning deposits with banks, investment securities available for sale, and other interest-earning assets and an increase in average FHLB borrowings of $122.4, or 25.3% as compared to the same quarter last year. Also driving the increase in loan interest income was a $1.1 million, or 91.7% increase in the accretion of purchase discounts on acquired loans to $2.2 million for the quarter ended March 31, 2017 from $1.2 million for the same quarter in 2016, as a result of full repayments of several loans with large discounts. Accretable income on acquired loans stems from the discount established at the time these loan portfolios were acquired and the related impact of prepayments on purchased loans. Each quarter, the Company analyzes the cash flow assumptions on the PCI loan pools and, at least semi-annually, the Company updates loss estimates, prepayment speeds and other variables when analyzing cash flows. In addition to this accretion income, which is recognized over the estimated life of the loan pools, if a loan is removed from a pool due to payoff or foreclosure, the unaccreted discount in excess of losses is recognized as an accretion gain in interest income. As a result, income from loan pools can be volatile from quarter to quarter. The amortization of purchase accounting discounts on loans increased the net interest margin (on a fully taxable-equivalent basis) by 40 basis points for the quarter ended March 31, 2017 compared to a 27 basis points impact in the corresponding quarter in 2016. Overall, average loan yields decreased six basis points to 4.52% for the quarter ended March 31, 2017 from 4.58% in corresponding quarter in 2016. The decline compared to a year earlier primarily reflects lower average yields on loans recently originated and the refinancing of higher yielding loans. Partially offsetting the increases in interest income was a $142,000, or 14.1% decrease in interest income from interest-earning deposits in other banks due to lower average balances.

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 may be negatively impacted in a rising interest rate environment until such time as the current rate exceeds these interest rate floors. As of March 31, 2017, our loans with interest rate floors totaled approximately $628.7 million and had a weighted average floor rate of 4.01% of which $186.1 million, or 29.6%, had yields that would begin floating again once prime rates increase at least 200 basis points.

Total interest expense increased $642,000, or 40.7% for the quarter ended March 31, 2017 compared to the same period last year. This increase was primarily related to average borrowings, consisting of short-term FHLB advances, increasing by $122.4 million to $605.7 million due to funding for loan growth and the TriSummit acquisition, as well as a 26 basis point increase in the average cost of borrowings during the quarter as compared to the same quarter last year. In addition, the recent TriSummit acquisition was the primary driver of the $160.0 million increase in the average balance of interest-bearing deposits. The overall average cost of funds increased eight basis points to 0.38% for the current quarter as compared to the same quarter last year due primarily to the impact of the recent increases in the federal funds rate on our borrowings.

Provision for Loan Losses. During both the three months ended March 31, 2017 and 2016, there was no provision for loan losses, reflecting continued improvements in our asset quality, which offset the allowance needed for loan growth and changes in the mix of loans. The provision for loan losses reflects the amount required to maintain the allowance for losses at an appropriate level based upon management's evaluation of the adequacy of general and specific loss reserves, trends in delinquencies and net charge-offs and current economic conditions. Net loan recoveries were $111,000 for the three months ended March 31, 2017 compared to net charge-offs of $216,000 for the same period last year. Net recoveries as a percentage of average loans increased to (0.02)% for the three months ended March 31, 2017 from net charge-offs of 0.05% for the same period last fiscal year.

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

Noninterest Income. Noninterest income increased $154,000, or 4.6%, to $3.5 million for the three months ended March 31, 2017 from $3.4 million in the comparative quarter of 2016, primarily due to a $104,000, or 6.4% increase in service charges on deposit accounts from additional accounts acquired from TriSummit and an increase in mortgage banking income and fees of $91,000, or 13.2%.

Noninterest Expense. Noninterest expense for the quarter ended March 31, 2017 increased $9.3 million, or 47.9%, to $28.7 million compared to $19.4 million for the quarter ended March 31, 2016 primarily due to $7.4 million of merger-related expenses related to the TriSummit acquisition. Salaries and employee benefits expenses increased $1.9 million, or 18.9% and net occupancy expense increased $229,000, or 10.3% due primarily to the branch offices and additional staff related to the TriSummit acquisition. These increases in noninterest expense were partially offset by a $211,000, or 44.2% decrease in REO related expenses for the quarter ended March 31, 2017 compared to the same period last year. For the three months ended March 31, 2017, there was an $181,000 gain on REO sales compared to $172,000 loss on REO sales in the corresponding quarter last year partially offset by a $142,000 increase in REO expenses.

Income Taxes. The Company had an income tax benefit of $325,000 for the three months ended March 31, 2017, a decrease of $1.4 million compared to $1.1 million in income tax expense for the three months ended March 31, 2016 as a result of a pretax loss from the merger-related expenses.

Comparison of Results of Operation for the Nine Months Ended March 31, 2017 and 2016

General. During the nine months ended March 31, 2017, we had net income of $7.1 million compared to $8.2 million for the nine months ended March 31, 2016. On a basic and diluted per share basis, the Company earned $0.40 per share for the nine months of fiscal year 2017, compared to $0.46 per share in the same period in fiscal 2016. The decrease in earnings was due to the $7.7 million in merger-related expenses related to the TriSummit acquisition during the nine months ended March 31, 2017. Earnings before merger-related expenses, certain state income tax expenses, and gain from the sale of premises and equipment, net of tax benefit, were $12.3 million, or $0.69 per share for the nine months ended March 31, 2017, compared to $8.7 million, or $0.49 per share for the same period in the previous year.

Net Interest Income. Net interest income increased $5.7 million, or 9.3% to $66.6 million for the nine months March 31, 2017 compared to $60.9 million for the nine months ended March 31, 2016. This increase in net interest income was driven by a $6.8 million, or 10.4% increase in interest income partially offset by a $1.1 million, or 24.6% increase in interest expense.

The average balance of interest-earning assets for the nine months ended March 31, 2017 increased $130.6 million, or 5.2% to $2.6 billion compared to $2.5 billion for the corresponding period in the previous year. Net interest margin (on a fully taxable-equivalent basis) for the nine months ended March 31, 2017 increased 11 basis points to 3.47% from 3.36% for the same period last year. Our leveraging strategy produced an additional $2.8 million in interest income during the nine months ended March 31, 2017, at an average yield of 1.09%, while the average cost of the borrowings was 0.50%, resulting in approximately $1.5 million in net interest income during the period. During the corresponding period in the prior fiscal year, our leveraging strategy produced an additional $2.3 million in interest income, at an average yield of 0.75%, while the average cost of borrowings was 0.28%, resulting in approximately $1.5 million in net interest income. Excluding the effects of the leveraging strategy, the net interest margin would be 3.90% and 3.93% for the nine months ended March 31, 2017 and 2016, respectively.

Total interest income increased $6.8 million, or 10.4% for the nine months ended March 31, 2017 as compared to the same period last year. The increase in interest income for the nine months ended March 31, 2017 as compared to the same period prior year was primarily driven by a $6.7 million, or 11.5% increase in loan interest income, a $159,000, or 5.9% increase in interest from deposits in other banks and a $161,000, or 15.3% increase in other investment income, which were partially offset by a $237,000, or 7.4% decrease in interest from securities available for sale. The additional loan interest income was due to the $256.5 million, or 14.7% increase in average balance of loan receivables due to the TriSummit acquisition, increased organic loan growth, and the purchase of HELOCs, which was mainly funded by the cumulative decrease of $125.9 million, or 16.7% in average interest-earning deposits with banks, securities available for sale, and other interest-earning assets and an increase in average FHLB borrowings of $81.2 million, or 16.9%. Also impacting interest income was an increase of $1.4 million in the accretion of purchase discounts on acquired loans to $4.8 million for the nine months ended March 31, 2017 from $3.4 million for the same period in 2016 as a result of early prepayments. The amortization of purchase accounting discounts on loans increased the net interest margin (on a fully taxable-equivalent basis) by 33 basis points for the nine months ended March 31, 2017 compared to a 26 basis points impact in the corresponding period in 2016. Average loan yields decreased 15 basis points to 4.46% for the nine months ended March 31, 2017 from 4.61% in corresponding period in the prior year.

Total interest expense increased $1.1 million, or 24.6% for the nine months ended March 31, 2017 compared to the same period last year. This increase was primarily related to the increase in average borrowings and the 23 basis point increase in the average cost of borrowings, resulting in interest expense increasing $1.2 million to $2.2 million for the nine-month period as compared to the same period last year. For both the nine months ended March 31, 2017 and March 31, 2016, average interest-bearing deposits were $1.6 billion. The overall average cost of funds for the nine months ended March 31, 2017 increased six basis points as compared to the same period last year due primarily to the impact of the increase in the federal funds rate on our borrowings.

Provision for Loan Losses. There was no provision for loan losses during the nine months ended March 31, 2017 or 2016 as improved credit quality measures have been sufficient to cover reserves needed for loan growth and for changes in the mix of loans. Net charge-offs for the nine months ended March 31, 2017 decreased to $195,000 from $613,000 for the same period in 2016. Net charge-offs as a percentage of average loans decreased slightly to 0.01% for the nine months ended March 31, 2017 from 0.05% for the same period last fiscal year.

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

Noninterest Income. Noninterest income increased $1.6 million, or 16.6%, to $11.4 million for the nine months ended March 31, 2017 from $9.8 million for the nine months ended March 31, 2016. The increase was primarily the result of higher service charges on deposit accounts, mortgage banking income and fees, and the gain on the sale of premises and equipment. Service charges on deposit accounts increased $249,000, or 5.0% and mortgage banking income and fees increased $686,000, or 34.2%, as a result of an increase in loan sales due to higher originations of loans held for sale for the nine months ended March 31, 2017 as compared to the same period last year. The $385,000 gain on the sale of premises and equipment was a result of the sale of a previously closed branch office building during the first quarter of fiscal 2017.

Noninterest Expense. Noninterest expense for the nine months ended March 31, 2017 increased $8.9 million, or 15.0%, to $67.9 million compared to $59.1 million for the nine months ended March 31, 2016. The increase in salaries and employee benefits expenses of $2.7 million, or 8.5% was caused primarily by the TriSummit acquisition and an increase in stock-based compensation expense primarily driven by the increase in the Company's stock price during the nine months ended March 31, 2017 compared to the same period in fiscal 2016. As a result of management's continued commitment to reduce operating expenses and the consolidation of six branches during second quarter of fiscal 2016, there was a cumulative decrease of $1.1 million, or 10.4% in net occupancy expense; marketing and advertising; and telephone, postage, and supplies, which was partially offset by a $388,000, or 8.8% increase in computer services as a result of the TriSummit acquisition. In addition, deposit insurance premiums decreased $622,000, or 41.3% due to a decline in the rates charged by the FDIC that occurred during the first quarter of fiscal 2017. Merger-related expenses for the nine months ended March 31, 2017 totaled $7.7 million compared to none in the same period in 2016 related to the TriSummit acquisition. REO-related expenses decreased $40,000 as a result of $22,000 decrease in net losses on the sale of REO properties and an $18,000 decrease in REO expenses.

Income Taxes. For the nine months ended March 31, 2017, the Company's income tax expense was $3.0 million, an decrease of $503,000, or 14.4% compared to $3.5 million for the nine months ended March 31, 2016. The decrease was a result of lower pretax income for the nine months ended March 31, 2017 over the comparative period in prior year. In addition, the Company had a $490,000 and a $526,000 charge during the nine months ended March 31, 2017 and 2016, respectively, related to the decrease in value of our deferred tax assets based on recent decreases in North Carolina's corporate tax rate. The rate was reduced to 4.0% in August 2015 and to 3.0% in August 2016 once certain state revenue triggers were achieved. The Company's effective income tax rate for the nine months ended March 31, 2017 was 29.7% compared to 30.0% for the nine months ended March 31, 2016.

Liquidity

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

In addition to these primary sources of funds, management has several secondary sources available to meet potential funding requirements. As of March 31, 2017, the Bank had an additional borrowing capacity of $3.5 million with the FHLB of Atlanta, a $265.0 million line of credit with the FRB and three lines of credit with three unaffiliated banks totaling $60.0 million. At March 31, 2017, we had $626.0 million in FHLB advances outstanding and nothing outstanding under our other lines of credit. Additionally, the Company classifies its securities portfolio as available for sale, providing an additional source of liquidity. Management believes that our security portfolio is of high quality and the securities would therefore be marketable. In addition, we have historically sold longer term fixed-rate mortgage loans in the secondary market to reduce interest rate risk and to create still another source of liquidity. From time to time we also utilize brokered time deposits to supplement our other sources of funds. Brokered time deposits are obtained by utilizing an outside broker that is paid a fee. This funding requires advance notification to structure the type of deposit desired by us. Brokered deposits can vary in term from one month to several years and have the benefit of being a source of longer-term funding. We also utilize brokered deposits to help manage interest rate risk by extending the term to repricing of our liabilities, enhance our liquidity and fund asset growth. Brokered deposits are typically from outside our primary market areas, and our brokered deposit levels may vary from time to time depending on competitive interest rate conditions and other factors. At March 31, 2017 brokered deposits totaled $19.8 million, or 0.9% of total deposits.

Liquidity management is both a daily and long-term function of business management. Excess liquidity is generally invested in short-term investments, such as overnight deposits and federal funds. On a longer term basis, we maintain a strategy of investing in various lending products and investment securities, including mortgage-backed securities and commercial paper. HomeTrust Bancshares on a stand-alone level is a separate legal entity from the Bank and must provide for its own liquidity and pay its own operating expenses. The Company's primary source of funds consists of the net proceeds retained from the Conversion. The Company also has the ability to receive dividends or capital distributions from the Bank, although there are regulatory restrictions on the ability of the Bank to pay dividends. At March 31, 2017, the Company (on an unconsolidated basis) had liquid assets of $16.5 million.

We use our sources of funds primarily to meet our ongoing commitments, pay maturing deposits and fund withdrawals, and to fund loan commitments. At March 31, 2017, the total approved loan commitments and unused lines of credit outstanding amounted to $183.0 million and $410.6 million, respectively, as compared to $164.8 million and $340.4 million, respectively, as of June 30, 2016. Certificates of deposit scheduled to mature in one year or less at March 31, 2017, totaled $327.8 million. It is management's policy to manage deposit rates that are competitive with other local financial institutions. Based on this management strategy, we believe that a majority of maturing deposits will remain with us.

During the first nine months of fiscal 2017, cash and cash equivalents increased $27.7 million, or 52.6%, from $52.6 million as of June 30, 2016 to $80.3 million as of March 31, 2017. Cash provided by financing and operating activities was $91.2 million and $8.8 million, respectively; while cash used in investing activities was $72.4 million. Primary sources of cash for the nine months ended March 31, 2017 included $40.0 million in proceeds from the maturities and sales of securities available for sale, a net decrease in commercial paper of $61.4 million, $23.1 million in maturities of certificates of deposits in other banks, net of purchases, $18.3 million in principal repayments from mortgage-backed securities, and an $87.5 million increase in borrowings. Primary uses of cash during the period included $15.1 million in purchases of available

for sale securities, an increase in loans of $187.0 million, and $10.8 million in acquisition costs related to the TriSummit acquisition. All sources and uses of cash reflect our cash management strategy to increase our number of higher yielding investments and loans by increasing lower costing borrowings and reducing our holdings in lower yielding investments.

Off-Balance Sheet Activities

In the normal course of operations, we engage in a variety of financial transactions that are not recorded in our financial statements. These transactions involve varying degrees of off-balance sheet credit, interest rate and liquidity risks. These transactions are used primarily to manage customers' requests for funding and take the form of loan commitments and lines of credit. For the nine months ended March 31, 2017, we engaged in no off-balance sheet transactions likely to have a material effect on our financial condition, results of operations or cash flows.

A summary of our off-balance sheet commitments to extend credit at March 31, 2017, is as follows (in thousands):

Commitments to make loans	$	183,016
Unused lines of credit		410,559
Total loan commitments	$	593,575

Capital Resources

At March 31, 2017, stockholder's equity totaled $390.7 million. HomeTrust Bancshares, Inc. is a bank holding company and a financial holding company subject to regulation by the Federal Reserve. As a bank holding company, we are subject to capital adequacy requirements of the Federal Reserve under the Bank Holding Company Act of 1956, as amended and the regulations of the Federal Reserve. Our subsidiary, the Bank, an FDIC-insured, North Carolina state-chartered bank and a member of the Federal Reserve System, is supervised and regulated by the Federal Reserve and the NCCOB and is subject to minimum capital requirements applicable to state member banks established by the Federal Reserve that are calculated in a manner similar to those applicable to bank holding companies.

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

At March 31, 2017, HomeTrust Bancshares, Inc. and the Bank each exceeded all regulatory capital requirements as of that date. Consistent with our goals to operate a sound and profitable organization, our policy is for the Bank to maintain a “well-capitalized” status under the regulatory capital categories of the Federal Reserve. The Bank was categorized as "well-capitalized" at March 31, 2017 under applicable regulatory requirements.

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

	Actual		Regulatory Requirements			
			Minimum for Capital Adequacy Purposes		Minimum to Be Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
HomeTrust Bancshares, Inc.						
As of March 31, 2017						
Common Equity Tier I Capital to Risk-Weighted Assets	$ 332,166	13.00%	$ 114,971	4.50%	$ 166,070	6.50%
Tier I Capital (to Total Adjusted Assets)	$ 332,166	10.86%	$ 122,351	4.00%	$ 152,939	5.00%
Tier I Capital (to Risk-weighted Assets)	$ 332,166	13.00%	$ 153,295	6.00%	$ 204,394	8.00%
Total Risk-based Capital (to Risk-weighted Assets)	$ 353,718	13.84%	$ 204,394	8.00%	$ 255,492	10.00%
As of June 30, 2016						
Common Equity Tier I Capital to Risk-Weighted Assets	$ 317,258	14.39%	$ 99,197	4.50%	$ 143,285	6.50%
Tier I Capital (to Total Adjusted Assets)	$ 317,258	11.78%	$ 107,687	4.00%	$ 134,609	5.00%
Tier I Capital (to Risk-weighted Assets)	$ 317,258	14.39%	$ 132,263	6.00%	$ 176,350	8.00%
Total Risk-based Capital (to Risk-weighted Assets)	$ 339,005	15.38%	$ 176,350	8.00%	$ 220,438	10.00%
HomeTrust Bank:						
As of March 31, 2017						
Common Equity Tier I Capital to Risk-Weighted Assets	$ 296,411	11.65%	$ 114,508	4.50%	$ 165,401	6.50%
Tier I Capital (to Total Adjusted Assets)	$ 296,411	9.75%	$ 121,643	4.00%	$ 152,053	5.00%
Tier I Capital (to Risk-weighted Assets)	$ 296,411	11.65%	$ 152,678	6.00%	$ 203,571	8.00%
Total Risk-based Capital (to Risk-weighted Assets)	$ 317,777	12.49%	$ 203,571	8.00%	$ 254,463	10.00%
As of June 30, 2016						
Common Equity Tier I Capital to Risk-Weighted Assets	$ 280,598	12.80%	$ 98,634	4.50%	$ 142,471	6.50%
Tier I Capital (to Total Adjusted Assets)	$ 280,598	10.50%	$ 106,852	4.00%	$ 133,565	5.00%
Tier I Capital (to Risk-weighted Assets)	$ 280,598	12.80%	$ 131,512	6.00%	$ 175,349	8.00%
Total Risk-based Capital (to Risk-weighted Assets)	$ 302,271	13.79%	$ 175,349	8.00%	$ 219,187	10.00%

In addition to the minimum common equity Tier 1 ("CET1"), Tier 1 and total risk-based capital ratios, HomeTrust Bancshares, Inc. and the Bank now have to maintain a capital conservation buffer consisting of additional CET1 capital above the required minimum levels in order to avoid limitations on paying dividends, engaging in share repurchases, and paying discretionary bonuses based on percentages of eligible retained income that could be utilized for such actions. This new capital conservation buffer requirement began to be phased in beginning in January 2016 at 0.625% of risk-weighted assets and will increase each calendar year by 0.625% of risk-weighted assets until fully implemented to an amount equal to 2.5% of risk-weighted assets in January 2019. At March 31, 2017, the Bank's CET1 capital exceeded the required capital conservation buffer.

Impact of Inflation

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

Item 3. Quantitative and Qualitative Disclosure About Market Risk

There has not been any material change in the market risk disclosures contained in our 2016 Form 10-K.

Item 4. Controls and Procedures

An evaluation of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934 (the "Act")) as of March 31, 2017, was carried out under the supervision and with the participation of the Company's Chief Executive Officer, Chief Financial Officer and several other members of the Company's senior management. The Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures in effect as of March 31, 2017, were effective in ensuring that the information required to be disclosed by the Company in the reports it files or submits under the Act is: (i) accumulated and communicated to the Company's management (including the Chief Executive Officer and Chief Financial Officer) in a timely manner and (ii) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. In addition, there have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Act) that occurred during the quarter ended March 31, 2017, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The "Litigation" section of Note 9 to the Consolidated Financial Statements included in Part I, Item 1 is incorporated herein by reference.

Item 1A. Risk Factors

There have been no material changes in the Risk Factors previously disclosed in Item 1A of the Company's 2016 Form 10-K.

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

(a) Not applicable

(b) Not applicable

(c) The table below sets forth information regarding HomeTrust Bancshares' common stock repurchases during the three months ended March 31, 2017.

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 Publicly Announced Plans
January 1 - January 31, 2017	—	$ —	—	443,155
February 1 - February 28, 2017	—	—	—	443,155
March 1 - March 31, 2017	—	—	—	443,155
Total	—	$ —	—	443,155

On December 15, 2015 the Company announced that its Board of Directors had authorized the repurchase of up to 922,855 shares of the Company's common stock, representing 5% of the Company's outstanding shares at the time of the announcement. The shares may be purchased in the open market or in privately negotiated transactions, from time to time depending upon market conditions and other factors. As of March 31, 2017, 479,700 of the shares approved on December 15, 2015 were purchased at an average price of $18.00.

Item 3. Defaults Upon Senior Securities

Nothing to report.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Nothing to report.

Item 6. Exhibits

See Exhibit Index.

SIGNATURES

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

HomeTrust Bancshares, Inc.

Date: May 10, 2017	By:	/s/ Dana L. Stonestreet
		Dana L. Stonestreet
		Chairman, President and CEO
		(Duly Authorized Officer)
Date: May 10, 2017	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	Agreement and Plan of Merger, dated as of September 20, 2016, by and between HomeTrust Bancshares, Inc. and TriSummit Bancorp, Inc.	(a)
3.1	Charter of HomeTrust Bancshares, Inc.	(b)
3.2	Articles Supplementary to the Charter of HomeTrust Bancshares, Inc. for HomeTrust Bancshares, Inc.'s Junior Participating Preferred Stock, Series A	(c)
3.3	Bylaws of HomeTrust Bancshares, Inc.	(d)
4.1	Tax Benefits Preservation Plan, dated as of September 25, 2012, between HomeTrust Bancshares, Inc. and Registrar and Transfer Company, as Rights Agent	(e)
4.2	Amendment No. 1, dated as of August 31, 2015, to Tax Benefit Preservation Plan, dated as of September 25, 2012, between HomeTrust Bancshares, Inc. and Computershare Trust Company, N.A., as successor rights agent to Registrar and Transfer Company	(m)
10.1	Employment Agreement entered into between HomeTrust Bancshares, Inc. and F. Edward Broadwell, Jr.	(b)
10.2	Amended and Restated Employment Agreement entered into between HomeTrust Bancshares, Inc. and Dana L. Stonestreet	(e)
10.3	Employment Agreement entered into between HomeTrust Bancshares, Inc. and each of Tony J. VunCannon and Howard L. Sellinger	(b)
10.4	Employment Agreement entered into between HomeTrust Bancshares, Inc. and C. Hunter Westbrook	(f)
10.5	Employment Agreement between HomeTrust Bank and Sidney A. Biesecker	(b)
10.6	Employment Agreement between HomeTrust Bank and Stan Allen	(b)
10.7	HomeTrust Bank Executive Supplemental Retirement Income Master Agreement ("SERP")	(b)
10.7A	SERP Joinder Agreement for F. Edward Broadwell, Jr.	(b)
10.7B	SERP Joinder Agreement for Dana L. Stonestreet	(b)
10.7C	SERP Joinder Agreement for Tony J. VunCannon	(b)
10.7D	SERP Joinder Agreement for Howard L. Sellinger	(b)
10.7E	SERP Joinder Agreement for Stan Allen	(b)
10.7F	SERP Joinder Agreement for Sidney A. Biesecker	(b)
10.7G	SERP Joinder Agreement for Peggy C. Melville	(b)
10.7H	SERP Joinder Agreement for William T. Flynt	(b)
10.7I	Amended and Restated Supplemental Income Agreement between HomeTrust Bank, as successor to Industrial Federal Savings Bank, and Sidney Biesecker	(g)
10.8	HomeTrust Bank Director Emeritus Plan ("Director Emeritus Plan")	(b)
10.8A	Director Emeritus Plan Joinder Agreement for William T. Flynt	(b)
10.8B	Director Emeritus Plan Joinder Agreement for J. Steven Goforth	(b)
10.8C	Director Emeritus Plan Joinder Agreement for Craig C. Koontz	(b)
10.8D	Director Emeritus Plan Joinder Agreement for Larry S. McDevitt	(b)
10.8E	Director Emeritus Plan Joinder Agreement for F.K. McFarland, III	(b)
10.8F	Director Emeritus Plan Joinder Agreement for Peggy C. Melville	(b)
10.8G	Director Emeritus Plan Joinder Agreement for Robert E. Shepherd, Sr.	(b)
10.9	HomeTrust Bank Defined Contribution Executive Medical Care Plan	(b)
10.10	HomeTrust Bank 2005 Deferred Compensation Plan	(b)
10.11	HomeTrust Bank Pre-2005 Deferred Compensation Plan	(b)
10.12	HomeTrust Bancshares, Inc. Strategic Operating Committee Incentive Plan	(n)
10.13	HomeTrust Bancshares, Inc. 2013 Omnibus Incentive Plan ("Omnibus Incentive Plan")	(h)
10.14	Form of Incentive Stock Option Award Agreement under Omnibus Incentive Plan	(i)

10.15	Form of Non-Qualified Stock Option Award Agreement under Omnibus Incentive Plan	(i)
10.16	Form of Stock Appreciation Right Award Agreement under Omnibus Incentive Plan	(i)
10.17	Form of Restricted Stock Award Agreement under Omnibus Incentive Plan	(i)
10.18	Form of Restricted Stock Unit Award Agreement under Omnibus Incentive Plan	(i)
10.19	Fully Restated Employment Agreement between HomeTrust Bank and Anderson L. Smith	(j)
10.20	Amended and Restated Jefferson Federal Bank Supplemental Executive Retirement Plan	(k)
10.21	Money Purchase Deferred Compensation Agreement, dated as of September 1, 1987, between HomeTrust Bank and F. Edward Broadwell, Jr.	(l)
10.22	Retirement Payment Agreement, dated as of September 1, 1987, between HomeTrust Bank and F. Edward Broadwell, Jr., as amended	(l)
10.23	Retirement Payment Agreement, dated as of September 1, 1987, between HomeTrust Bank and Larry S. McDevitt, as amended	(l)
10.24	Retirement Payment Agreement, dated as of September 1, 1987, between HomeTrust Bank and Peggy C. Melville, as amended	(l)
10.25	Retirement Payment Agreement, dated as of August 1, 1988, between HomeTrust Bank and Robert E. Shepherd, Sr., as amended	(l)
10.26	Retirement Payment Agreement, dated as of May 1, 1991, between HomeTrust Bank and William T. Flynt, as amended	(l)
10.27	Offer Letter between HomeTrust Bank and Keith J. Houghton	(n)
10.28	Form of Relocation Repayment Agreement between HomeTrust Bank and Keith J. Houghton	(n)
10.29	Form of Change in Control Severance Agreement between HomeTrust Bancshares, Inc. and each of Keith J. Houghton, R. Parrish Little, and Teresa White	(o)
31.1	Certification of Chief Executive Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	31.1
31.2	Certification of Chief Financial Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	31.2
32	Certificate of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	32.0
101	The following materials from HomeTrust Bancshares' Quarterly Report on Form 10-Q for the quarter ended March 31, 2017, formatted in Extensible Business Reporting Language (XBRL): (a) Consolidated Balance Sheets; (b) Consolidated Statements of Income; (c) Consolidated Statements of Comprehensive Income; (d) Consolidated Statements of Changes in Stockholders' Equity; (e) Consolidated Statements of Cash Flows; and (f) Notes to Consolidated Financial Statements.	101

(a) Attached as Appendix A to the proxy statement/prospectus filed by HomeTrust Bancshares on November 2, 2016 pursuant to Rule 424(b) of the Securities Act of 1933.
(b) Filed as an exhibit to HomeTrust Bancshares's Registration Statement on Form S-1 (File No. 333-178817) filed on December 29, 2011.
(c) Filed as an exhibit to HomeTrust Bancshares's Current Report on Form 8-K filed on September 25, 2012 (File No. 001-35593).
(d) Filed as an exhibit to HomeTrust Bancshares's Current Report on Form 8-K filed on January 29, 2014 (File No. 001-35593).
(e) Filed as an exhibit to HomeTrust Bancshares's Current Report on Form 8-K filed on November 27, 2013 (File No. 001-35593).
(f) Filed as an exhibit to HomeTrust Bancshares's Annual Report on Form 10-K for the fiscal year ended June 30, 2012 (File No. 001-35593).
(g) Filed as an exhibit to Amendment No. One to HomeTrust Bancshares's Registration Statement on Form S-1 (File No. 333-178817) filed on March 9, 2012.
(h) Attached as Appendix A to HomeTrust Bancshares's definitive proxy statement filed on December 5, 2012 (File No. 001-35593).
(i) Filed as an exhibit to HomeTrust Bancshares's Registration Statement on Form S-8 (File No. 333-186666) filed on February 13, 2013.
(j) Filed as an exhibit to HomeTrust Bancshares's Current Report on Form 8-K filed on June 3, 2014 (File No. 001-35593).
(k) Filed as an exhibit to Jefferson Bancshares, Inc.'s Quarterly Report on Form 10-Q for the quarter ended December 31, 2008 (File No. 000-50347).
(l) Filed as an exhibit to HomeTrust Bancshares's Annual Report on Form 10-K for the fiscal year ended June 30, 2014 (File No. 001-35593).
(m) Filed as an exhibit to HomeTrust Bancshares's Current Report on Form 8-K filed on August 31, 2015 (File No. 001-35593)
(n) Filed as an exhibit to HomeTrust Bancshares's Annual Report on Form 10-K for the fiscal year ended June 30, 2015 (File No. 001-35593).
(o) Filed as an exhibit to HomeTrust Bancshares's Current Report on Form 8-K filed on January 29, 2016 (File No. 001-35593)

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.

May 10, 2017 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.

May 10, 2017

By: /s/ Tony J. VunCannon

Tony J. VunCannon

Executive Vice President, CFO, and Treasurer

Exhibit 32

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 March 31, 2017, 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.

May 10, 2017	By:	/s/ Dana L. Stonestreet
		Dana L. Stonestreet
		Chairman, President, and CEO

May 10, 2017	By:	/s/ Tony J. VunCannon
		Tony J. VunCannon
		Executive Vice President, CFO, and Treasurer