UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended **March 31, 2021**

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

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)	(I.R.S. 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)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $.01 per share	**HTBI**	**The NASDAQ Stock Market LLC**

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☒ 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 ☒

Non-accelerated filer ☐ Smaller reporting company ☐

Emerging growth company ☐

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 ☒

There were 16,616,594 shares of common stock, par value of $.01 per share, issued and outstanding as of May 4, 2021.

HOMETRUST BANCSHARES, INC. AND SUBSIDIARIES
10-Q
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Glossary of Defined Terms

The following items may be used throughout this Form 10-Q, including the Notes to Consolidated Financial Statements in Item 1 and Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 2 of this Form 10-Q.

Term	Definition
ACL	Allowance for Credit Losses
AFS	Available-For-Sale
ASC	Accounting Standard Codification
ASU	Accounting Standard Update
BOLI	Bank Owned Life Insurance
CARES Act	Coronavirus Aid, Relief, and Economic Security Act of 2020
CD	Certificates of Deposit
CDA	Collateral Dependent Asset
CECL	Current Expected Credit Losses
CET1	Common Equity Tier 1
COVID-19	Coronavirus Disease 2019
CPI	Consumer Price Index
DCF	Discounted Cash Flow
ECL	Expected Credit Losses
EPS	Earnings Per Share
ESOP	Employee Stock Ownership Plan
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
FHLB	Federal Home Loan Bank
FRB	Federal Reserve Bank of Richmond
GAAP	Generally Accepted Accounting Principles in the United States
GSE	Government-Sponsored Enterprises
HELOC	Home Equity Line of Credit
LIBOR	London Interbank Offered Rate
MBS	Mortgage-Backed Security
NCCOB	North Carolina Office of the Commissioner of Banks
OTTI	Other Than Temporary Impairment
PCD	Purchased Credit Deteriorated
PCI	Purchase Credit Impaired
PPP	Paycheck Protection Program
REO	Real Estate Owned
ROU	Right of Use
SEC	Securities and Exchange Commission
SBA	Small Business Administration
SBIC	Small Business Investment Companies
TDR	Troubled Debt Restructuring

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, 2021	June 30, 2020 [1]
Assets		
Cash	$ 24,621	$ 31,908
Interest-bearing deposits	139,474	89,714
Cash and cash equivalents	164,095	121,622
Commercial paper, net	238,445	304,967
Certificates of deposit in other banks	42,015	55,689
Debt securities available for sale, at fair value (amortized cost of $160,521 and $124,918 at March 31, 2021 and June 30, 2020, respectively)	162,417	127,537
Other investments, at cost	28,899	38,946
Loans held for sale	86,708	77,177
Total loans, net of deferred loan costs	2,690,153	2,769,119
Allowance for credit losses	(36,059)	(28,072)
Net loans	2,654,094	2,741,047
Premises and equipment, net	70,886	58,462
Accrued interest receivable	8,271	12,312
REO	143	337
Deferred income taxes	16,889	16,334
BOLI	93,877	92,187
Goodwill	25,638	25,638
Core deposit intangibles	473	1,078
Other assets	55,763	49,519
Total Assets	$ 3,648,613	$ 3,722,852
Liabilities and Stockholders' Equity		
Liabilities		
Deposits	$ 2,908,478	$ 2,785,756
Borrowings	275,000	475,000
Other liabilities	58,683	53,833
Total liabilities	3,242,161	3,314,589
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, 16,655,347 shares issued and outstanding at March 31, 2021; 17,021,357 at June 30, 2020	167	170
Additional paid in capital	162,010	169,648
Retained earnings	248,767	242,776
Unearned ESOP shares	(5,951)	(6,348)
Accumulated other comprehensive income	1,459	2,017
Total stockholders' equity	406,452	408,263
Total Liabilities and Stockholders' Equity	$ 3,648,613	$ 3,722,852

(1) Derived from audited financial statements.

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,	
	2021	2020	2021	2020
Interest and Dividend Income				
Loans	$ 27,629	$ 29,781	$ 84,564	$ 94,166
Commercial paper and interest-bearing deposits	611	1,794	2,106	5,959
Securities available for sale	496	912	1,528	2,901
Other investments	585	550	1,729	2,154
Total interest and dividend income	29,321	33,037	89,927	105,180
Interest Expense				
Deposits	1,996	5,971	7,596	18,145
Borrowings	1,632	1,757	5,007	7,619
Total interest expense	3,628	7,728	12,603	25,764
Net Interest Income	25,693	25,309	77,324	79,416
Provision (Benefit) for Credit Losses	(4,100)	5,400	(6,180)	5,800
Net Interest Income after Provision (Benefit) for Credit Losses	29,793	19,909	83,504	73,616
Noninterest Income				
Service charges and fees on deposit accounts	2,194	2,304	6,707	7,352
Loan income and fees	636	294	1,679	2,047
Gain on sale of loans held for sale	4,881	1,503	11,929	7,577
BOLI income	508	518	1,551	1,724
Other, net	2,459	1,756	6,795	4,409
Total noninterest income	10,678	6,375	28,661	23,109
Noninterest Expense				
Salaries and employee benefits	15,784	14,455	46,691	42,537
Net occupancy expense	2,456	2,246	7,010	6,972
Computer services	2,581	2,023	7,108	6,032
Telephone, postage, and supplies	812	862	2,345	2,462
Marketing and advertising	319	396	971	1,716
Deposit insurance premiums	363	462	1,361	474
Loss (gain) on sale and impairment of REO	(14)	(15)	(49)	88
REO expense	98	250	511	746
Core deposit intangible amortization	165	334	605	1,118
Prepayment penalty on borrowings	3,656	—	3,656	—
Other	4,286	3,890	12,740	10,332
Total noninterest expense	30,506	24,903	82,949	72,477
Income Before Income Taxes	9,965	1,381	29,216	24,248
Income Tax Expense	2,096	188	6,133	5,060
Net Income	$ 7,869	$ 1,193	$ 23,083	$ 19,188
Per Share Data:				
Net income per common share:				
Basic	$ 0.49	$ 0.07	$ 1.42	$ 1.12
Diluted	$ 0.48	$ 0.07	$ 1.40	$ 1.08
Average shares outstanding:				
Basic	15,979,590	16,688,646	16,139,059	16,898,391
Diluted	16,485,718	17,258,428	16,339,130	17,524,252

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,	
	2021	2020	2021	2020
Net Income	$ 7,869	$ 1,193	$ 23,083	$ 19,188
Other Comprehensive Income (Loss)				
Unrealized holding gains (losses) on securities available for sale				
Gains (losses) arising during the period	(839)	395	(724)	419
Deferred income tax benefit (expense)	193	(91)	166	(96)
Total other comprehensive income (loss)	$ (646)	$ 304	$ (558)	$ 323
Comprehensive Income	$ 7,223	$ 1,497	$ 22,525	$ 19,511

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)

(Unaudited)
Three Months Ended March 31, 2021

	Common Stock		Additional Paid In Capital	Retained Earnings	Unearned ESOP Shares	Accumulated Other Comprehensive Income (loss)	Total Stockholders' Equity
	Shares	Amount					
Balance at December 31, 2020	16,791,027	$ 168	$ 166,352	$ 242,182	$ (6,083)	$ 2,105	$ 404,724
Net income	—	—	—	7,869	—	—	7,869
Cash dividends declared on common stock, $0.08/common share	—	—	—	(1,284)	—	—	(1,284)
Stock repurchased	(289,333)	(3)	(6,541)	—	—	—	(6,544)
Forfeited restricted stock	—	—	—	—	—	—	—
Retired stock	(8,473)	—	(195)	—	—	—	(195)
Granted restricted stock	43,260	—	—	—	—	—	—
Exercised stock options	118,866	2	1,712	—	—	—	1,714
Stock option expense	—	—	156	—	—	—	156
Restricted stock expense	—	—	333	—	—	—	333
ESOP shares allocated	—	—	193	—	132	—	325
Other comprehensive loss	—	—	—	—	—	(646)	(646)
Balance at March 31, 2021	16,655,347	$ 167	$ 162,010	$ 248,767	$ (5,951)	$ 1,459	$ 406,452

(Unaudited)
Nine Months Ended March 31, 2021

	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, 2020	17,021,357	$ 170	$ 169,648	$ 242,776	$ (6,348)	$ 2,017	$ 408,263
Net income	—	—	—	23,083	—	—	23,083
Cumulative-effect adjustment due to the adoption of ASU 2016-13	—	—	—	(13,358)	—	—	(13,358)
Cash dividends declared on common stock, $0.23/common share	—	—	—	(3,734)	—	—	(3,734)
Stock repurchased	(566,455)	(6)	(11,717)	—	—	—	(11,723)
Forfeited restricted stock	(6,575)	—	—	—	—	—	—
Retired stock	(9,106)	—	(204)	—	—	—	(204)
Granted restricted stock	43,260	—	—	—	—	—	—
Exercised stock options	172,866	3	2,487	—	—	—	2,490
Stock option expense	—	—	473	—	—	—	473
Restricted stock expense	—	—	976	—	—	—	976
ESOP shares allocated	—	—	347	—	397	—	744
Other comprehensive loss	—	—	—	—	—	(558)	(558)
Balance at March 31, 2021	16,655,347	$ 167	$ 162,010	$ 248,767	$ (5,951)	$ 1,459	$ 406,452

HOMETRUST BANCSHARES, INC. AND SUBSIDIARY

Consolidated Statements of Changes in Stockholders' Equity (continued)
(Dollars in thousands)

(Unaudited)
Three Months Ended March 31, 2020

	Common Stock		Additional Paid In Capital	Retained Earnings	Unearned ESOP Shares	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	Shares	Amount					
Balance at December 31, 2019	17,664,384	$ 177	$ 182,366	$ 240,312	$ (6,612)	$ 752	$ 416,995
Net income	—	—	—	1,193	—	—	1,193
Cash dividends declared on common stock, $0.07/common share	—	—	—	(1,180)	—	—	(1,180)
Stock repurchased	(635,800)	(7)	(12,996)	—	—	—	(13,003)
Forfeited restricted stock		—	(215)	—	—	—	(215)
Retired stock	(7,950)	—	—	—	—	—	—
Granted restricted stock	41,306	—	—	—	—	—	—
Exercised stock options	40,014	1	577	—	—	—	578
Stock option expense	—	—	168	—	—	—	168
Restricted stock expense	—	—	290	—	—	—	290
ESOP shares allocated	—	—	178	—	132	—	310
Other comprehensive income	—	—	—	—	—	304	304
Balance at March 31, 2020	17,101,954	$ 171	$ 170,368	$ 240,325	$ (6,480)	$ 1,056	$ 405,440

(Unaudited)
Nine Months Ended March 31, 2020

	Common Stock		Additional Paid In Capital	Retained Earnings	Unearned ESOP Shares	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	Shares	Amount					
Balance at June 30, 2019	17,984,105	$ 180	$ 190,315	$ 224,545	$ (6,877)	$ 733	$ 408,896
Net income	—	—	—	19,188	—	—	19,188
Cash dividends declared on common stock, $0.20/common share	—	—	—	(3,408)	—	—	(3,408)
Stock repurchased	(1,032,221)	(11)	(23,211)	—	—	—	(23,222)
Forfeited restricted stock	(3,200)	—	—	—	—	—	—
Retired stock	(7,950)	—	(215)	—	—		(215)
Granted restricted stock	54,306	—	—	—	—		—
Exercised stock options	106,914	2	1,539	—	—	—	1,541
Stock option expense	—	—	556	—	—	—	556
Restricted stock expense	—	—	785	—	—	—	785
ESOP shares allocated	—	—	599	—	397	—	996
Other comprehensive income	—	—	—	—	—	323	323
Balance at March 31, 2020	17,101,954	$ 171	$ 170,368	$ 240,325	$ (6,480)	$ 1,056	$ 405,440

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,	
	2021	**2020**
Operating Activities:		
Net income	$ 23,083	$ 19,188
Adjustments to reconcile net income to net cash used in operating activities:		
Provision (benefit) for credit losses	(6,180)	5,800
Depreciation	7,042	4,137
Deferred income tax expense	3,600	4,677
Net amortization and accretion	(1,248)	(4,275)
Prepayment penalty paid on borrowings	3,656	—
Gain (loss) on sale and impairment of REO	(49)	88
Gain on sale of loans held for sale	(11,929)	(7,577)
Origination of loans held for sale	(464,173)	(226,834)
Proceeds from sales of loans held for sale	443,380	200,512
Increase in deferred loan costs, net	(541)	(1,017)
Decrease (increase) in accrued interest receivable and other assets	1,238	(571)
Amortization of core deposit intangibles	605	1,118
BOLI income	(1,551)	(1,724)
ESOP compensation expense	744	996
Restricted stock and stock option expense	1,449	1,341
Increase (decrease) in other liabilities	2,552	(12,515)
Net cash provided by (used in) operating activities	1,678	(16,656)
Investing Activities:		
Purchase of securities available for sale	(95,636)	(75,530)
Proceeds from maturities of securities available for sale	47,272	27,823
Net proceeds (purchases) of commercial paper	67,081	(35,949)
Purchase of certificates of deposit in other banks	(4,930)	(24,200)
Maturities of certificates of deposit in other banks	18,604	18,661
Principal repayments of mortgage-backed securities	11,749	10,902
Net redemptions of other investments	10,047	4,177
Proceeds from sale of loans not originated for sale	—	154,870
Net decrease (increase) in loans	103,407	(99,116)
Purchase of BOLI	(139)	(111)
Proceeds from redemption of BOLI	—	477
Purchase of premises and equipment	(15,095)	(2,321)
Purchase of operating lease equipment	(7,812)	(11,047)
Proceeds from sale of REO	352	1,812
Net cash provided by (used in) investing activities	134,900	(29,552)
Financing Activities:		
Net increase in deposits	122,722	227,530
Net decrease in borrowings	(203,656)	(145,000)
Common stock repurchased	(11,723)	(23,222)
Cash dividends paid	(3,734)	(3,408)
Retired stock	(204)	(215)
Exercised stock options	2,490	1,541
Net cash provided by (used in) financing activities	(94,105)	57,226
Net Increase in Cash and Cash Equivalents	42,473	11,018
Cash and Cash Equivalents at Beginning of Period	121,622	71,043
Cash and Cash Equivalents at End of Period	$ 164,095	$ 82,061

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

Supplemental Disclosures:	**(Unaudited) Nine Months Ended March 31,**	
	2021	**2020**
Cash paid during the period for:		
Interest	$ 13,302	$ 26,708
Income taxes	472	1,300
Noncash transactions:		
Unrealized gain in value of securities available for sale, net of income taxes	(558)	323
Transfer of loans to REO	108	46
Transfer of loans held for sale to total loans	14,702	96,962
Transfer of one-to-four family loans to held for sale	—	240,453
Transfer of land from property and equipment to other assets for new finance lease accounting	—	2,052
ROU asset and lease liabilities for operating lease accounting	599	5,296

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.

The accompanying unaudited consolidated financial statements have been prepared in accordance with 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 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, 2020 ("2020 Form 10-K") filed with the SEC on September 11, 2020. The results of operations for the nine months ended March 31, 2021 are not necessarily indicative of results that may be expected for the entire fiscal year ending June 30, 2021.

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 two 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 credit losses on loans and (ii) the valuation of goodwill and other intangible assets. These policies and judgments, estimates and assumptions are described in greater detail in notes to the Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations (Critical Accounting Policies) in the Company's 2020 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.

Operating, Accounting and Reporting Considerations related to COVID-19

The COVID-19 pandemic has negatively impacted the global economy. In response to this crisis, the CARES Act was passed by Congress and signed into law on March 27, 2020. The CARES Act provides an estimated $2.2 trillion to fight the COVID-19 pandemic and stimulate the economy by supporting individuals and businesses through loans, grants, tax changes, and other types of relief. Some of the provisions applicable to the Company include, but are not limited to:

- Accounting for Loan Modifications - The CARES Act provides that a financial institution may elect to suspend (i) the requirements under GAAP for certain loan modifications that would otherwise be categorized as a TDR and (ii) any determination that such loan modifications would be considered a TDR, including the related impairment for accounting purposes. The Bank has elected this as a policy change.

- PPP - The CARES Act established the PPP, an expansion of the SBA's 7(a) loan program and the Economic Injury Disaster Loan Program, administered directly by the SBA.

On December 27, 2020, the 2021 Consolidated Appropriations Act was signed into law providing $900 billion in stimulus relief for the COVID-19 pandemic. The legislation extends certain relief provisions from the March CARES Act that were set to expire at the end of 2020. This new legislation extends the relief to financial institutions to suspend TDR assessment and reporting requirements under GAAP for loan modifications to the earlier of 60 days after the national emergency termination date or January 1, 2022. The legislation includes additional funding for businesses that did not receive PPP funds under the CARES Act, especially minority- and women-owned businesses. In addition, it allows businesses another opportunity to borrow PPP funds if they can show losses of 25% or more in 2020 based on their 2020 revenue. The Company expects a smaller number of applications to be made by its customers for these additional PPP funds.

Also in response to the COVID-19 pandemic, the Board of Governors of the Federal Reserve System, the FDIC, the National Credit Union Administration, the Office of the Comptroller of the Currency, and the Consumer Financial Protection Bureau, in consultation with the state financial regulators (collectively, the "agencies") issued a joint interagency statement (issued March 22, 2020; revised statement issued April 7, 2020). Some of the provisions applicable to the Company include, but are not limited to:

- Accounting for Loan Modifications - A loan modification that does not meet the conditions of the CARES Act may still qualify as a modification that does not need to be accounted for as a TDR. The agencies confirmed with FASB staff that short-term modifications made on a good faith basis in response to COVID-19 to borrowers who were current prior to any relief are not TDRs. This includes short-term (e.g., six months) modifications such as payment deferrals, fee waivers, extensions of repayment terms, or insignificant delays in payment.

• Past Due Reporting - With regard to loans not otherwise reportable as past due, financial institutions are not expected to designate loans with deferrals granted due to COVID-19 as past due because of the deferral. A loan's payment date is governed by the due date stipulated in the legal agreement. If a financial institution agrees to a payment deferral, these loans would not be considered past due during the period of the deferral.

• Nonaccrual Status and Charge-offs - While short-term COVID-19 modifications are in effect, these loans generally should not be reported as nonaccrual or as classified.

See "Note 6 – Loans and Allowance for Credit Losses on Loans" for more information on COVID-19 specific loans that have been modified or in deferral.

Adoption of CECL standard

On July 1, 2020, the Company adopted ASU No. 2016-13, "Financial Instruments-Credit Losses ("Topic 326"): Measurement of Credit Losses on Financial Instruments", sometimes referred to herein as ASU 2016-13. Topic 326 was subsequently amended by ASU No. 2019-11, Codification Improvements to Topic 326, Financial Instruments-Credit Losses; ASU No. 2019-05, Codification Improvements to Topic 326, Financial Instruments-Credit Losses; and ASU No. 2019-04, Codification Improvements to Topic 326, Financial Instruments-Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments. This standard applies to all financial assets measured at amortized cost and off balance sheet credit exposures, including loans, investment securities and unfunded commitments. The Company applied the standard's provisions using the modified retrospective method as a cumulative effect adjustment to retained earnings as of July 1, 2020. With this transition method, the Company did not have to restate comparative prior periods presented in the financial statements related to Topic 326, but will present comparative prior period disclosures using the previous accounting guidance for the allowance for loan losses. This adoption method is considered a change in accounting principle requiring additional disclosure regarding the nature of and reason for the change, which is solely a result of the adoption of the required standard.

ACL – Investment Securities

Management uses a systematic methodology to determine its ACL for investment securities held to maturity. The ACL is a valuation account that is deducted from the amortized cost basis to present the net amount expected to be collected on the held-to-maturity portfolio. Management considers the effects of past events, current conditions, and reasonable and supportable forecasts on the collectability of the portfolio. The Company's estimate of its ACL involves a high degree of judgment; therefore, management's process for determining expected credit losses may result in a range of expected credit losses. Management monitors the held-to-maturity portfolio to determine whether a valuation account would need to be recorded. The Company currently has no investment securities held to maturity.

Management excludes the accrued interest receivable balance from the amortized cost basis in measuring expected credit losses on investment securities and does not record an allowance for credit losses on accrued interest receivable. As of March 31, 2021, the accrued interest receivable for investment securities available for sale was $588.

The Company's estimate of expected credit losses includes a measure of the expected risk of credit loss even if that risk is remote. However, the Company does not measure expected credit losses on an investment security in which historical credit loss information adjusted for current conditions and reasonable and supportable forecast results in an expectation that nonpayment of the amortized cost basis is zero. Management does not expect nonpayment of the amortized cost basis to be zero solely on the basis of the current value of collateral securing the security but, instead, also considers the nature of the collateral, potential future changes in collateral values, default rates, delinquency rates, third-party guarantees, credit ratings, interest rate changes since purchase, volatility of the security's fair value and historical loss information for financial assets secured with similar collateral. The Company performed an analysis that determined that the following securities have a zero expected credit loss: U.S. government agencies, residential MBS of U.S. government agencies and GSEs, and municipal bonds. All of the U.S. government agencies and U.S. government agency backed securities have the full faith and credit backing of the United States Government or one of its agencies. Municipal bonds that do not have a zero expected credit loss will be evaluated quarterly to determine whether there is a credit loss associated with a decline in fair value.

Management no longer evaluates securities for OTTI, as ASC Subtopic 326-30, "Financial Instruments—Credit Losses—Available-for-Sale Debt Securities," changes the accounting for recognizing impairment on available-for-sale debt securities. Each quarter management evaluates impairment where there has been a decline in fair value below the amortized cost basis of a security to determine whether there is a credit loss associated with the decline in fair value. Management considers the nature of the collateral, potential future changes in collateral values, default rates, delinquency rates, third-party guarantees, credit ratings, interest rate changes since purchase, volatility of the security's fair value and historical loss information for financial assets secured with similar collateral among other factors. Credit losses are calculated individually, rather than collectively, using a DCF method, whereby management compares the present value of expected cash flows with the amortized cost basis of the security. The credit loss component would be recognized through the provision for credit losses in the Consolidated Statements of Income.

ACL - Loans and leases

The ACL reflects management's estimate of losses that will result from the inability of its borrowers to make required loan payments. The Company established the incremental increase in the ACL at adoption of the CECL standard through the cumulative effect adjustment to equity and subsequent adjustments will be made through a provision for credit losses charged against earnings. Management records loans charged off against the ACL and subsequent recoveries, if any, increase the ACL when they are recognized.

Management uses a systematic methodology to determine its ACL for loans held for investment and certain off-balance-sheet credit exposures. The ACL is a valuation account that is deducted from the amortized cost basis to present the net amount expected to be collected on the loan portfolio. Management considers the effects of past events, current conditions, and reasonable and supportable forecasts on the collectability of the loan portfolio. The Company's estimate of its ACL involves a high degree of judgment; therefore, management's process for determining expected credit losses may result in a range of expected credit losses. The Company's ACL recorded in the balance sheet reflects management's best estimate within the range of expected credit losses. The Company recognizes in net income the amount needed to adjust the ACL for management's current estimate of expected credit losses. The Company's ACL is calculated using collectively evaluated and individually evaluated loans.

The Company collectively evaluates loans that share similar risk characteristics. In general, management has segmented loans by regulatory call code category and collectively evaluates loans within the retail and commercial categories. Loans within the retail consumer category include: one-to-four family, HELOCs - originated, HELOCs - purchased, construction and land/lots, indirect auto finance, and consumer. Loans within the commercial category include: commercial real estate, construction and development, commercial and industrial, equipment finance, and municipal leases.

For collectively evaluated loans, the Company uses a DCF method for each loan in a pool, and the results are aggregated at the pool level. A periodic tendency to default and absolute loss given default are applied to a projective model of the loan's cash flow while considering prepayment and principal curtailment effects. The analysis produces expected cash flows for each instrument in the pool by pairing loan-level term information (maturity date, payment amount, interest rate, etc.) with top-down pool assumptions (default rates, prepayment speeds). The Company has identified the following portfolio segments for the current calculation: one-to-four family construction, one-to-four family mortgage – jr. lien, one-to-four family mortgage – sr. lien, commercial and industrial, commercial leases, construction – multi-family, construction – non-owner occupied, construction – owner occupied, consumer – auto, consumer – other, consumer – revolving, farmland, land and lot, multifamily, municipal leases, non-owner occupied CRE, owner occupied CRE, and HELOCs. PPP loans are fully guaranteed by the SBA; therefore, management estimates a zero reserve for PPP loans within its allowance for credit losses.

Management has determined that the peer loss experience provides the best basis for its assessment of expected credit losses to determine the ACL. The Company utilized peer call report data to measure historical credit loss experience with similar risk characteristics within the segments over an economic cycle. Management reviewed the historical loss information to appropriately adjust for differences in current asset specific risk characteristics. Management also considered further adjustments to historical loss information for current conditions and reasonable and supportable forecasts that differ from the conditions that existed for the period over which historical information was evaluated. For all segment models for collectively evaluated loans (except for HELOCs), the Company incorporated one macroeconomic driver using a statistical regression modeling methodology. The HELOC segment incorporated two macroeconomic drivers. Due to the low loss rates of municipal leases and the expectation of them remaining low, management has elected to separately pool these loans. Management has elected to use readily available municipal default rates and loss given defaults in order to calculate expected credit losses.

Management considers forward-looking information in estimating expected credit losses. The Company uses the Fannie Mae quarterly economic forecast which is a baseline outlook for the United States economy. Management has evaluated the appropriateness of the reasonable and supportable forecast for the current period along with the inputs used in the estimation of expected credit losses. For the contractual term that extends beyond the reasonable and supportable forecast period, the Company reverts to historical loss information within four quarters using a straight-line approach. Management may apply different reversion techniques depending on the economic environment for the financial asset portfolio and as of the current period has utilized a linear reversion technique. Management has evaluated the appropriateness of a reversion period for the current period and noted that it was reasonable.

Included in its systematic methodology to determine its ACL for loans held for investment and certain off-balance-sheet credit exposures, management considers the need to qualitatively adjust expected credit losses for information not already captured in the loss estimation process. These qualitative adjustments can either increase or decrease the quantitative model estimation (i.e. formulaic model results). Each period the Company considers qualitative factors that are relevant within the qualitative framework that include the following: 1) lending policies and procedures, 2) credit review function, 3) experience and depth of management and staff, 4) external factors, and 5) actual and expected changes in economic and business conditions.

When a loan no longer shares similar risk characteristics with its segment, the asset is assessed to determine whether it should be included in another pool or should be individually evaluated. For these individually evaluated loans, the Company maintains specific book balance thresholds for retail or consumer loans, commercial loans, municipal and equipment leases, and unsecured commercial loans. Management would adjust these thresholds if future analysis suggests a change is needed based on the credit environment at that time. Generally, individually evaluated loans other than TDRs are on nonaccrual status. Based on the thresholds above, financial assets will generally remain in pools unless they meet the dollar threshold or foreclosure is probable. The expected credit losses on individually evaluated loans will be estimated based on DCF analysis unless the loan meets the criteria for use of the fair value of collateral, either by virtue of an expected foreclosure or through meeting the definition of collateral dependent. Financial assets that have been individually evaluated can be returned to a pool for purposes of estimating the expected credit loss insofar as their credit profile improves and that the repayment terms are not considered to be unique to the asset.

Management measures expected credit losses over the contractual term of the loans. When determining the contractual term, the Company considers expected prepayments but is precluded from considering expected extensions, renewals, or modifications, unless the Company reasonably expects it will execute a TDR with a borrower. In the event of a reasonably-expected TDR, the Company factors the reasonably-expected TDR into the current expected credit losses estimate. The effects of a TDR are recorded when an individual asset is specifically identified as a reasonably-expected TDR. The Company identifies the point at which it offers the modification to the borrower as the point at which the TDR is reasonably expected for both commercial and consumer loans. The Company uses a DCF methodology to calculate the effect of the concession provided to the borrower in TDR within the ACL.

(Dollars in thousands, except per share data)

PCD assets are defined as acquired individual financial assets (or acquired groups of financial assets with similar risk characteristics) that, as of the date of acquisition, have experienced a more-than-insignificant deterioration in credit quality since origination, as determined by the Company’s assessment. The Company records acquired PCD loans by adding the expected credit losses (i.e., ACL) to the purchase price of the financial assets rather than recording through the provision for credit losses in the income statement. The expected credit loss, as of the acquisition day, of a PCD loan is added to the ACL. The non-credit discount or premium is the difference between the unpaid principal balance and the amortized cost basis as of the acquisition date. Subsequent to the acquisition date, the change in the ACL on PCD loans is recognized through the provision for credit losses. The non-credit discount or premium is accreted or amortized, respectively, into interest income over the remaining life of the PCD loan on a level-yield basis. In accordance with the transition requirements within the standard, the Company’s PCI loans were treated as PCD loans.

The Company follows its nonaccrual policy by reversing contractual interest income in the income statement when the Company places a loan on nonaccrual status. Therefore, management excludes the accrued interest receivable balance from the amortized cost basis in measuring expected credit losses on the portfolio and does not record an ACL on accrued interest receivable.

The Company has a variety of assets that have a component that qualifies as an off-balance sheet exposure. These primarily include undrawn portions of revolving lines of credit and standby letters of credit. The expected losses associated with these exposures within the unfunded portion of the expected credit loss will be recorded as a liability on the balance sheet with an offset to the provision for credit losses. Management has determined that a majority of the Company’s off-balance-sheet credit exposures are not unconditionally cancellable. See "Note 6 – Loans and Allowance for Credit Losses on Loans" for additional details related to the Company's off-balance-sheet credit exposure. The current adjustment to the ACL for unfunded commitments would be recognized through the provision for credit losses in the Statement of Income.

2. Recent Accounting Pronouncements

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. The Company adopted this ASU on July 1, 2020, applying the modified-retrospective method. Related to the implementation of this ASU, the Company recorded additional ACL on financial instruments of $15,059, additional deferred tax assets of $3,989, additional reserve for unfunded commitments of $2,288, and a reduction to retained earnings of $13,358. The adoption of this ASU did not have an effect on AFS debt securities. See "Note 1 – Summary of Significant Accounting Policies" and "Note 6 – Loans and Allowance for Credit Losses on Loans" for additional details related to the adoption of this ASU.

See table below for impact of this ASU on the Company's consolidated balance sheet:

	July 1, 2020		
	As Reported Under ASC 326	**Pre-ASC 326 Adoption**	**Impact of ASC 326 Adoption**
Assets:			
ACL on commercial paper	$ (250)	$ —	$ (250)
ACL on loans:			
Retail consumer loans	$ (17,692)	$ (6,956)	$ (10,736)
Commercial loans	(25,189)	(21,116)	(4,073)
Total ACL on loans	$ (42,881)	$ (28,072)	$ (14,809)
Deferred income taxes	$ 20,323	$ 16,334	$ 3,989
Liabilities:			
Liability for credit losses on off-balance sheet credit exposures	$ 2,288	$ —	$ 2,288
Equity:			
Retained earnings	$ 229,418	$ 242,776	$ (13,358)

In August 2018, the FASB issued ASU 2018-13, "Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement." The amendments in this ASU remove, modify, and add certain disclosure requirements related to fair value measurements in ASC 820. The Company adopted this ASU on July 1, 2020. The adoption did not have a material effect on the Company's Consolidated Financial Statements.

In November 2018, the FASB issued ASU 2018-19, "Codification Improvements to Topic 326, Financial Instruments—Credit Losses." This update clarifies that receivables arising from operating leases are not within the scope of Subtopic 326-20. Instead, impairment of receivables arising from operating leases should be accounted for in accordance with Topic 842, Leases. The Company adopted this ASU on July 1, 2020. The adoption did not have a material effect on the Company's Consolidated Financial Statements.

In April 2019, the FASB issued ASU 2019-04, "Codification Improvements to Topic 326, Financial Instruments-Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments." The amendments in this update are part of the FASB's ongoing project to improve codification and correcting unintended application. The items within this ASU are not expected to have a significant effect on current accounting practice. The Company adopted the amendments to Financial Instruments (ASU 2016-01) on July 1, 2020. The Company adopted the amendments to Financial Instruments-Credit Losses (ASU 2016-13) on July 1, 2020. The Company adopted the amendments to Derivatives and Hedging (ASU 2017-12) on July 1, 2019. The adoption did not have a material effect on the Company's Consolidated Financial Statements.

In May 2019, the FASB issued ASU 2019-05, "Financial Instruments - Credit Losses (Topic 326): Targeted Transition Relief." The amendments in this update allow companies to irrevocably elect, upon the adoption of ASU 2016-13, the fair value option for financial instruments that i) were previously recorded at amortized cost and ii) are within the scope of the credit losses guidance in ASC 326-20, iii) are eligible for the fair value option under ASC 825-10, and iv) are not held-to-maturity debt securities. The Company adopted this ASU on July 1, 2020. The adoption did not have a material effect on the Company's Consolidated Financial Statements.

In November 2019, the FASB issued ASU 2019-11, "Codification Improvements to Topic 326, Financial Instruments-Credit Losses." This ASU clarifies certain aspects of the amendments in ASU 2016-13 and is part of the FASB's ongoing project to improve codification and correcting unintended application. The items within this ASU are not expected to have a significant effect on current accounting practice. The Company adopted this ASU on July 1, 2020. The adoption did not have a material effect on the Company's Consolidated Financial Statements.

In December 2019, the FASB issued ASU 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes." This ASU is part of the FASB's simplification initiative to reduce complexity in accounting standards. The items within this ASU are not expected to have a significant effect on current accounting practice. The effective date and transition requirements for the first and second items of this ASU are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2020 and early adoption is permitted. The adoption of ASU No. 2019-12 is not expected to have a material impact on the Company's Consolidated Financial Statements.

In January 2020, the FASB issued ASU 2020-01, "Investment—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815): Clarifying the Interactions between Topic 321, Topic 323, and Topic 815." This ASU clarified the interaction of the accounting for equity securities under Topic 321 and investments accounted for under the equity method of accounting in Topic 323 and the accounting for certain forward contracts and purchased options accounted for under Topic 815. The amendments in this ASU are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2021 and early adoption is permitted. The adoption of this ASU is not expected to have a material impact on the Company's Consolidated Financial Statements.

In March 2020, the FASB issued ASU 2020-03, "Codification Improvements to Financial Instruments." This ASU makes certain narrow-scope amendments to the following: i) clarified that all entities are required to provide fair value option disclosures; ii) clarified the applicability of the portfolio exception in ASC 820 to nonfinancial items; iii) aligned disclosures for depository and lending institutions (Topic 942) with guidance in Topic 320; iv) added cross-references to guidance in ASC 470-50 on line-of-credit or revolving-debt arrangements; v) added cross-references to net asset value practical expedient in ASC 820-10; vi) clarified the interaction between ASC 842 and ASC 326; and vii) clarified the interaction between ASC 326 and ASC 860-20. The amendments for issues i, ii, iv, and v became effective upon issuance and did not have a material effect on the Company's Consolidated Financial Statements. The Company adopted the amendments related to issue iii, vi, and vii on July 1, 2020. The adoption did not have a material effect on the Company's Consolidated Financial Statements.

In September 2020, the FASB issued ASU 2020-06, "Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging-Contracts in Entity's Own Equity (Subtopic 815-40)." This ASU simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity's own equity. Specifically the ASU removes: i) major separation models required under GAAP and ii) certain settlement conditions that are required for equity contracts to qualify for the derivative scope exception, which will permit more equity contract to qualify for the exception. The amendments in this ASU are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2021 and early adoption is permitted.The adoption of this ASU is not expected to have a material impact on the Company's Consolidated Financial Statements.

In October 2020, the FASB issued ASU 2020-08, "Codification Improvements to Subtopic 310-20, Receivables—Nonrefundable Fees and Other Costs." This ASU clarified that entities should reevaluate whether a callable debt security is within the scope of paragraph 310-20-35-33 for each reporting period. The amendments in this ASU are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2020. The adoption of this ASU is not expected to have a material impact on the Company's Consolidated Financial Statements.

In October 2020, the FASB issued ASU 2020-09, "Debt (Topic 470): Amendments to SEC Paragraphs Pursuant to SEC Release No. 33-10762." This ASU updates financial disclosure requirements for subsidiary issuers and guarantors of registered debt securities and affinities whose securities are pledged as collateral for registered securities. The amendments in this ASU are effective January 4, 2021.The adoption did not have an effect on the Company's Consolidated Financial Statements.

In October 2020, the FASB issued ASU 2020-10, "Codification Improvements." The amendments in this update are part of the FASB's ongoing project to improve codification and correcting unintended application. This ASU, i) removes references to various FASB Concepts Statements, ii) situates all disclosure guidance in the appropriate disclosure section of the Codification, and iii) makes other improvements and technical corrections to the Codification. The items within this ASU are not expected to have a significant effect on current accounting practice. The amendments in this ASU are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2020 and early adoption is permitted. The adoption of this ASU is not expected to have a material impact on the Company's Consolidated Financial Statements.

(Dollars in thousands, except per share data)

3. Debt Securities

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

	March 31, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. government agencies	$ 18,970	$ 159	$ (21)	$ 19,108
Residential MBS of U.S. government agencies and GSEs	41,053	1,300	(116)	42,237
Municipal bonds	9,112	488	—	9,600
Corporate bonds	91,386	232	(146)	91,472
Total	$ 160,521	$ 2,179	$ (283)	$ 162,417

	June 30, 2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. government agencies	$ 3,957	$ 216	$ —	$ 4,173
Residential MBS of U.S. government agencies and GSEs	46,629	1,776	(50)	48,355
Municipal bonds	16,090	541	—	16,631
Corporate bonds	58,242	270	(134)	58,378
Total	$ 124,918	$ 2,803	$ (184)	$ 127,537

Debt securities available for sale by contractual maturity at March 31, 2021 are shown below. MBS 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, 2021	
	Amortized Cost	Estimated Fair Value
Due within one year	$ 36,400	$ 36,466
Due after one year through five years	81,053	81,489
Due after five years through ten years	2,015	2,225
Due after ten years	—	—
Mortgage-backed securities	41,053	42,237
Total	$ 160,521	$ 162,417

The Company had no sales of securities available for sale during the three and nine months ended March 31, 2021 and 2020. There were no gross realized gains or losses for the three and nine months ended March 31, 2021 and 2020.

Securities available for sale with costs totaling $92,815 and $82,888 and market values of $94,031 and $84,456 at March 31, 2021 and June 30, 2020, 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, 2021 and June 30, 2020 were as follows:

	March 31, 2021					
	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	$ 14,979	$ (21)	$ —	$ —	$ 14,979	$ (21)
Residential MBS of U.S. government agencies and GSEs	4,674	(85)	1,516	(31)	6,190	(116)
Corporate bonds	48,823	(146)	—	—	48,823	(146)
Total	$ 68,476	$ (252)	$ 1,516	$ (31)	$ 69,992	$ (283)

(Dollars in thousands, except per share data)

	June 30, 2020					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Residential MBS of U.S. government agencies and GSEs	$ 227	$ (10)	$ 2,435	$ (40)	$ 2,662	$ (50)
Corporate bonds	11,779	(134)	—	—	11,779	(134)
Total	$ 12,006	$ (144)	$ 2,435	$ (40)	$ 14,441	$ (184)

The total number of securities with unrealized losses at March 31, 2021, and June 30, 2020 were 14 and 24, respectively.

Management evaluates securities for impairment where there has been a decline in fair value below the amortized cost basis of a security to determine whether there is a credit loss associated with the decline in fair value on at least a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. All debt securities available for sale in an unrealized loss position as of March 31, 2021 continue to perform as scheduled and management does not believe that there is a credit loss or that a provision for credit losses is necessary. Also, as part of management's evaluation of its intent and ability to hold investments for a period of time sufficient to allow for any anticipated recovery in the market, management considers its investment strategy, cash flow needs, liquidity position, capital adequacy and interest rate risk position. Management does not currently intend to sell the securities within the portfolio and it is not more-likely-than-not that securities will be required to be sold. See "Note 1 – Summary of Significant Account Policies" for further discussion.

Management continues to monitor all of its securities with a high degree of scrutiny. There can be no assurance that management will not conclude in future periods that conditions existing at that time indicate some or all of its securities may be sold or would require a charge to earnings as a provision for credit losses in such periods.

4. Other Investments

Other investments, at cost consist of the following at the dates indicated:

	March 31, 2021	June 30, 2020
LB of Atlanta stock	$ 12,152	$ 23,309
B stock	7,379	7,368
IC investments	9,368	8,269
al	$ 28,899	$ 38,946

As a requirement for membership, the Bank invests in the stock of both the FHLB of Atlanta and the FRB. No ready market exists for these securities so carrying value, or cost, approximates their fair value based on the redemption provisions of the FHLB of Atlanta and the FRB, respectively. SBIC investments are equity securities without a readily determinable fair value and are recorded at cost.

5. Loans Held For Sale

Loans held for sale as of the dates indicated consist of the following:

	March 31, 2021	June 30, 2020
e-to-four family	$ 45,182	$ 28,152
A	7,090	1,240
LOCs	34,436	47,785
al	$ 86,708	$ 77,177

(Dollars in thousands, except per share data)

6. Loans and Allowance for Credit Losses on Loans

Loans consist of the following at the dates indicated:

	March 31, 2021	June 30, 2020 (1)
Commercial loans:		
Commercial real estate	$ 1,088,178	$ 1,052,906
Construction and development	162,820	215,934
Commercial and industrial	140,579	154,825
Equipment finance	291,950	229,239
Municipal finance	129,141	127,987
PPP	73,090	80,697
Total commercial loans	1,885,758	1,861,588
Retail consumer loans:		
One-to-four family	430,001	473,693
HELOCs - originated	131,867	137,447
HELOCs - purchased	46,086	71,781
Construction and land/lots	68,118	81,859
Indirect auto finance	119,656	132,303
Consumer	8,667	10,259
Total retail consumer loans	804,395	907,342
Total loans	2,690,153	2,768,930
Deferred loan costs, net (2)	—	189
Total loans, net of deferred loan costs	2,690,153	2,769,119
Allowance for credit losses	(36,059)	(28,072)
Loans, net	$ 2,654,094	$ 2,741,047

(1) The June 30, 2020 information in the above table reflects the loan portfolio prior to the adoption of ASU 2016-13. This information was reported as shown in the below tables under "Loans and Allowance for Loan Losses - Pre ASU 2016-13", with the acquired loans being net of earned income and related discounts, which includes the credit discount on the acquired credit impaired loans.

(2) In accordance with the adoption of ASU 2016-13, the loan portfolio is shown at the amortized cost basis as of March 31, 2021, to include net deferred cost of $1,420 and unamortized discount total related to loans acquired of $4,998. Accrued interest receivable at March 31, 2021 of $7,688 is accounted for separately from the amortized cost basis. The ACL at June 30, 2020 includes the valuation allowance on PCI loans of $182.

All qualifying one-to-four family first mortgage loans, HELOCs, commercial real estate loans, and FHLB of Atlanta stock are pledged as collateral by a blanket pledge to secure any outstanding FHLB advances.

Loans are monitored for credit quality on a recurring basis and the composition of the loans outstanding by credit quality indicator is provided below. Loan credit quality indicators are developed through review of individual borrowers on an ongoing basis. Generally, loans are monitored for performance on a quarterly basis with the credit quality indicators adjusted as needed. The indicators represent the rating for loans as of the date presented based on the most recent assessment performed. These credit quality indicators are defined as follows:

Pass—A pass rated asset is not adversely classified because it does not display any of the characteristics for adverse classification.

Special Mention—A special mention asset has potential weaknesses that deserve management’s close attention. If left uncorrected, such potential weaknesses may result in deterioration of the repayment prospects or collateral position at some future date. Special mention assets are not adversely classified and do not warrant adverse classification.

Substandard—A substandard asset is inadequately protected by the current net worth and paying capacity of the obligor, or of the collateral pledged, if any. Assets classified as substandard generally have a well-defined weakness, or weaknesses, that jeopardize the liquidation of the debt. These assets are characterized by the distinct possibility of loss if the deficiencies are not corrected.

Doubtful—An asset classified doubtful has all the weaknesses inherent in an asset classified substandard with the added characteristic that the weaknesses make collection or liquidation in full highly questionable and improbable, on the basis of currently existing facts, conditions, and values.

Loss—Assets classified loss are considered uncollectible and of such little value that their continuing to be carried as an asset is not warranted. This classification is not necessarily equivalent to no potential for recovery or salvage value, but rather that it is not appropriate to defer a full write-off even though partial recovery may be effected in the future.

(Dollars in thousands, except per share data)

The following table presents the credit risk profile by risk grade for commercial loans by origination year:

	Term Loans By Origination Fiscal Year							
March 31, 2021	**2021**	**2020**	**2019**	**2018**	**2017**	**Prior**	**Revolving**	**Total**
Commercial real estate								
Risk rating:								
Pass	$ 134,202	$ 181,796	$ 142,372	$ 171,079	$ 161,912	$ 233,191	$ 33,651	$ 1,058,203
Special mention	—	—	—	15,197	1,268	3,182	143	19,790
Substandard	—	—	148	628	5,416	3,987	—	10,179
Doubtful	—	—	—	—	—	—	—	—
Loss	—	6	—	—	—	—	—	6
Total commercial real estate	$ 134,202	$ 181,802	$ 142,520	$ 186,904	$ 168,596	$ 240,360	$ 33,794	$ 1,088,178
Construction and development								
Risk rating:								
Pass	$ 9,493	$ 9,101	$ 6,849	$ 5,415	$ 1,594	$ 7,331	$ 119,362	$ 159,145
Special mention	—	—	—	—	—	319	2,858	3,177
Substandard	—	—	—	—	—	498	—	498
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total construction and development	$ 9,493	$ 9,101	$ 6,849	$ 5,415	$ 1,594	$ 8,148	$ 122,220	$ 162,820
Commercial and industrial								
Risk rating:								
Pass	$ 25,006	$ 16,553	$ 19,337	$ 11,806	$ 16,399	$ 11,302	$ 30,287	$ 130,690
Special mention	—	—	1,194	—	53	123	3,261	4,631
Substandard	33	—	300	4,824	—	99	—	5,256
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	2	—	2
Total commercial and industrial	$ 25,039	$ 16,553	$ 20,831	$ 16,630	$ 16,452	$ 11,526	$ 33,548	$ 140,579
Equipment finance								
Risk rating:								
Pass	$ 110,595	$ 113,114	$ 62,000	$ 5,460	$ —	$ —	$ —	$ 291,169
Special mention	—	304	176	—	—	—	—	480
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	301	—	—	—	—	301
Loss	—	—	—	—	—	—	—	—
Total equipment finance	$ 110,595	$ 113,418	$ 62,477	$ 5,460	$ —	$ —	$ —	$ 291,950
Municipal leases								
Risk rating:								
Pass	$ 6,697	$ 19,030	$ 14,251	$ 18,977	$ 10,241	$ 51,242	$ 8,430	$ 128,868
Special mention	—	—	—	—	—	273	—	273
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total municipal leases	$ 6,697	$ 19,030	$ 14,251	$ 18,977	$ 10,241	$ 51,515	$ 8,430	$ 129,141
PPP								
Risk rating:								
Pass	$ 29,667	$ 43,423	$ —	$ —	$ —	$ —	$ —	$ 73,090
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total PPP	$ 29,667	$ 43,423	$ —	$ —	$ —	$ —	$ —	$ 73,090
Total commercial loans								
Risk rating:								
Pass	$ 315,660	$ 383,017	$ 244,809	$ 212,737	$ 190,146	$ 303,066	$ 191,730	$ 1,841,165
Special mention	—	304	1,370	15,197	1,321	3,897	6,262	28,351
Substandard	33	—	448	5,452	5,416	4,584	—	15,933
Doubtful	—	—	301	—	—	—	—	301
Loss	—	6	—	—	—	2	—	8
Total commercial loans	$ 315,693	$ 383,327	$ 246,928	$ 233,386	$ 196,883	$ 311,549	$ 197,992	$ 1,885,758

(Dollars in thousands, except per share data)

The following table presents the credit risk profile by risk grade for consumer loans by origination year:

	Term Loans By Origination Fiscal Year							
March 31, 2021	**2021**	**2020**	**2019**	**2018**	**2017**	**Prior**	**Revolving**	**Total**
One-to-four family								
Risk rating:								
Pass	$ 60,542	$ 58,360	$ 56,263	$ 45,972	$ 40,624	$ 156,075	$ 2,495	$ 420,331
Special mention	—	—	—	—	28	1,402	—	1,430
Substandard	248	988	—	218	89	6,177	—	7,720
Doubtful	—	—	—	—	—	195	—	195
Loss	—	—	—	—	—	325	—	325
Total one-to-four family	$ 60,790	$ 59,348	$ 56,263	$ 46,190	$ 40,741	$ 164,174	$ 2,495	$ 430,001
HELOCs - originated								
Risk rating:								
Pass	$ 2,386	$ 978	$ 1,440	$ 192	$ 768	$ 9,686	$ 114,870	$ 130,320
Special mention	—	—	—	—	—	273	—	273
Substandard	—	—	—	—	38	1,112	124	1,274
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total HELOCs - originated	$ 2,386	$ 978	$ 1,440	$ 192	$ 806	$ 11,071	$ 114,994	$ 131,867
HELOCs - purchased								
Risk rating:								
Pass	$ —	$ —	$ —	$ —	$ —	$ —	$ 46,086	$ 46,086
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total HELOCs - purchased	$ —	$ —	$ —	$ —	$ —	$ —	$ 46,086	$ 46,086
Construction and land/lots								
Risk rating:								
Pass	$ 3,122	$ 13,305	$ 4,212	$ 527	$ —	$ 4,438	$ 41,995	$ 67,599
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	98	—	421	—	519
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total construction and land/lots	$ 3,122	$ 13,305	$ 4,212	$ 625	$ —	$ 4,859	$ 41,995	$ 68,118
Indirect auto finance								
Risk rating:								
Pass	$ 33,168	$ 31,016	$ 18,993	$ 22,467	$ 9,539	$ 3,087	$ —	$ 118,270
Special mention	—	0 —	—	—	—	—	—	—
Substandard	56	371	249	376	207	123	—	1,382
Doubtful	—	—	—	—	—	—	—	—
Loss	2	1	1	—	—	—	—	4
Total indirect auto finance	$ 33,226	$ 31,388	$ 19,243	$ 22,843	$ 9,746	$ 3,210	$ —	$ 119,656
Total consumer loans								
Risk rating:								
Pass	$ 1,049	$ 1,079	$ 5,583	$ 321	$ 109	$ 95	$ 370	$ 8,606
Special mention	—	—	—	—	—	—	—	—
Substandard	—	16	4	7	—	4	29	60
Doubtful	—	—	—	—	—	—	—	—
Loss	—	1	—	—	—	—	—	1
Total consumer loans	$ 1,049	$ 1,096	$ 5,587	$ 328	$ 109	$ 99	$ 399	$ 8,667
Total retail consumer loans								
Risk rating:								
Pass	$ 100,267	$ 104,738	$ 86,491	$ 69,479	$ 51,040	$ 173,381	$ 205,816	$ 791,212
Special mention	—	—	—	—	28	1,675	—	1,703
Substandard	304	1,375	253	699	334	7,837	153	10,955
Doubtful	—	—	—	—	—	195	—	195
Loss	2	2	1	—	—	325	—	330
Total retail consumer loans	$ 100,573	$ 106,115	$ 86,745	$ 70,178	$ 51,402	$ 183,413	$ 205,969	$ 804,395

(Dollars in thousands, except per share data)

The following table presents the credit risk profile by risk grade for total non-purchased and purchased performing consumer and commercial loans, prior to the adoption of ASU 2016-13:

	Pass	Special Mention	Substandard	Doubtful	Loss	Total
June 30, 2020						
Commercial loans:						
Commercial real estate	$ 1,028,709	$ 7,580	$ 10,779	$ —	$ 16	$ 1,047,084
Construction and development	212,370	2,723	250	1	—	215,344
Commercial and industrial	130,202	20,439	2,622	—	—	153,263
Equipment finance	228,288	150	801	—	—	229,239
Municipal finance	127,706	281	—	—	—	127,987
PPP	80,697	—	—	—	—	80,697
Retail consumer loans:						
One-to-four family	458,248	1,724	9,042	206	—	469,220
HELOCs - originated	134,697	902	1,848	—	—	137,447
HELOCs - purchased	71,119	—	662	—	—	71,781
Construction and land/lots	81,112	—	402	—	—	81,514
Indirect auto finance	130,975	—	1,328	—	—	132,303
Consumer	9,894	4	361	—	—	10,259
Total loans	$ 2,694,017	$ 33,803	$ 28,095	$ 207	$ 16	$ 2,756,138

The following table presents the credit risk profile by risk grade for PCI consumer and commercial loans, prior to the adoption of ASU 2016-13:

	Pass	Special Mention	Substandard	Doubtful	Loss	Total
June 30, 2020						
Commercial loans:						
Commercial real estate	$ 3,181	$ 1,742	$ 899	$ —	$ —	$ 5,822
Construction and development	271	—	319	—	—	590
Commercial and industrial	1,556	—	3	—	3	1,562
Retail consumer loans:						
One-to-four family	2,994	465	1,014	—	—	4,473
Construction and land/lots	108	—	237	—	—	345
Total loans	$ 8,110	$ 2,207	$ 2,472	$ —	$ 3	$ 12,792

(Dollars in thousands, except per share data)

The following table presents an aging analysis of past due loans (includes nonaccrual loans) by segment and class:

	Past Due				Total
	30-89 Days	90 Days+	Total	Current	Loans
March 31, 2021					
Commercial loans:					
Commercial real estate	$ —	$ 1,863	$ 1,863	$ 1,086,315	$ 1,088,178
Construction and development	—	37	37	162,783	162,820
Commercial and industrial	12	22	34	140,545	140,579
Equipment finance	—	328	328	291,622	291,950
Municipal finance	—	—	—	129,141	129,141
PPP	—	—	—	73,090	73,090
Retail consumer loans:					
One-to-four family	824	2,046	2,870	427,131	430,001
HELOCs - originated	32	78	110	131,757	131,867
HELOCs - purchased	50	97	147	45,939	46,086
Construction and land/lots	—	—	—	68,118	68,118
Indirect auto finance	385	362	747	118,909	119,656
Consumer	271	27	298	8,369	8,667
Total loans	$ 1,574	$ 4,860	$ 6,434	$ 2,683,719	$ 2,690,153

The following table presents an aging analysis of past due loans by segment and class, prior to the adoption of ASU 2016-13:

	Past Due				Total
	30-89 Days	90 Days+	Total	Current	Loans
June 30, 2020					
Commercial loans:					
Commercial real estate	$ 4,528	$ 2,892	$ 7,420	$ 1,045,486	$ 1,052,906
Construction and development	293	341	634	215,300	215,934
Commercial and industrial	—	91	91	154,734	154,825
Equipment finance	303	498	801	228,438	229,239
Municipal finance	—	—	—	127,987	127,987
PPP	—	—	—	80,697	80,697
Retail consumer loans:					
One-to-four family	1,679	3,147	4,826	468,867	473,693
HELOCs - originated	442	310	752	136,695	137,447
HELOCs - purchased	214	47	261	71,520	71,781
Construction and land/lots	—	252	252	81,607	81,859
Indirect auto finance	756	285	1,041	131,262	132,303
Consumer	30	25	55	10,204	10,259
Total loans	$ 8,245	$ 7,888	$ 16,133	$ 2,752,797	$ 2,768,930

(Dollars in thousands, except per share data)

The following table presents recorded investment in loans on nonaccrual status, by segment and class, including restructured loans. It also includes interest income recognized on nonaccrual loans for the nine months ended March 31, 2021.

	March 31, 2021	June 30, 2020	90 Days + & still accruing as of March 31, 2021	Nonaccrual with no allowance as of March 31, 2021	Interest income recognized
Commercial loans:					
Commercial real estate	$ 7,764	$ 8,869	$ —	$ 4,369	$ 371
Construction and development	498	465	—	80	53
Commercial and industrial	59	259	—	22	68
Equipment finance	310	801	—	291	104
Municipal finance	—	—	—	—	—
Retail consumer loans:					
One-to-four family	3,132	3,582	—	812	161
HELOCs - originated	253	531	—	—	36
HELOCs - purchased	245	662	—	—	39
Construction and land/lots	22	37	—	—	—
Indirect auto finance	642	668	—	—	66
Consumer	300	49	—	—	7
Total loans	$ 13,225	$ 15,923	$ —	$ 5,574	$ 905

The decrease in the nonaccrual balance in the above schedule, compared to June 30, 2020, is mainly due to one large commercial nonaccrual loan paying off partially offset by the addition to nonaccrual loans of $486 of PCI loans, formerly accounted for as credit impaired loans, prior to the adoption of ASU 2016-13. These loans were previously excluded from nonaccrual loans. The adoption of CECL resulted in the discontinuation of pool-level accounting for acquired credit impaired loans which was replaced with a loan-level evaluation for nonaccrual status.

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.

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

	March 31, 2021	June 30, 2020
Performing TDRs	$ 11,941	$ 13,153

The following table presents a breakdown of the provision (benefit) for credit losses included in our Consolidated Statements of Income:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2021	2020	2021	2020
Provision (benefit) for credit losses:				
Loans	$ (3,970)	$ 5,400	$ (6,370)	$ 5,800
Off-balance-sheet credit exposure	(130)	—	10	—
Commercial paper	—	—	180	—
Total provision (benefit) for credit losses	$ (4,100)	$ 5,400	$ (6,180)	$ 5,800

(Dollars in thousands, except per share data)

The following table presents an analysis of the ACL on loans by segment:

	Three Months Ended March 31, 2021			Nine Months Ended March 31, 2021		
	Commercial	Retail Consumer	Total	Commercial	Retail Consumer	Total
Balance at beginning of period	$ 24,899	$ 14,945	$ 39,844	$ 21,116	$ 6,956	$ 28,072
Impact of adoption ASU 2016-13	—	—	—	4,073	10,736	14,809
Provision (benefit) for credit losses	(1,750)	(2,220)	(3,970)	(1,750)	(4,620)	(6,370)
Charge-offs	(107)	(318)	(425)	(1,510)	(1,253)	(2,763)
Recoveries	356	254	610	1,469	842	2,311
Net recoveries (charge-offs)	249	(64)	185	(41)	(411)	(452)
Balance at end of period	$ 23,398	$ 12,661	$ 36,059	$ 23,398	$ 12,661	$ 36,059

The following table presents an analysis of the allowance for loan losses by segment, prior to the adoption of ASU 2016-13:

	Three Months Ended March 31, 2020				Nine Months Ended March 31, 2020			
	PCI	Commercial	Retail Consumer	Total	PCI	Commercial	Retail Consumer	Total
Balance at beginning of period	$ 152	$ 16,479	$ 5,400	$ 22,031	$ 201	$ 14,809	$ 6,419	$ 21,429
Provision for (recovery of) loan losses	30	3,851	1,519	5,400	(19)	5,899	(80)	5,800
Charge-offs	—	(706)	(295)	(1,001)	—	(1,448)	(678)	(2,126)
Recoveries	—	61	359	420	—	425	1,322	1,747
Balance at end of period	$ 182	$ 19,685	$ 6,983	$ 26,850	$ 182	$ 19,685	$ 6,983	$ 26,850

The following table presents ending balances of loans and the related ACL, by segment and class:

	Allowance for Credit Losses			Total Loans Receivable		
	Loans individually evaluated	Loans collectively evaluated	Total	Loans individually evaluated	Loans collectively evaluated	Total
March 31, 2021						
Commercial loans:						
Commercial real estate	$ 83	$ 12,184	$ 12,267	$ 6,252	$ 1,081,926	$ 1,088,178
Construction and development	—	1,837	1,837	8	162,812	162,820
Commercial and industrial	—	2,645	2,645	780	139,799	140,579
Equipment finance	7	6,196	6,203	364	291,586	291,950
Municipal finance	—	446	446	—	129,141	129,141
PPP	—	—	—	—	73,090	73,090
Retail consumer loans:						
One-to-four family	6	6,550	6,556	2,323	427,678	430,001
HELOCs - originated	—	1,591	1,591	—	131,867	131,867
HELOCs - purchased	—	556	556	—	46,086	46,086
Construction and land/lots	—	1,006	1,006	—	68,118	68,118
Indirect auto finance	—	2,745	2,745	—	119,656	119,656
Consumer	—	207	207	—	8,667	8,667
Total	$ 96	$ 35,963	$ 36,059	$ 9,727	$ 2,680,426	$ 2,690,153

(Dollars in thousands, except per share data)

The following table presents ending balances of loans and the related allowance, by segment and class, prior to the adoption of ASU 2016-13:

	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
June 30, 2020								
Commercial loans:								
Commercial real estate	$ 113	$ 961	$ 10,731	$ 11,805	$ 5,822	$ 7,924	$ 1,039,160	$ 1,052,906
Construction and development	4	5	3,599	3,608	590	299	215,045	215,934
Commercial and industrial	15	31	2,153	2,199	1,562	852	152,411	154,825
Equipment finance	—	209	2,598	2,807	—	801	228,438	229,239
Municipal finance	—	—	697	697	—	—	127,987	127,987
PPP	—	—	—	—	—	—	80,697	80,697
Retail consumer loans:								
One-to-four family	17	52	2,400	2,469	4,473	4,304	464,916	473,693
HELOCs - originated	—	—	1,344	1,344	—	—	137,447	137,447
HELOCs - purchased	—	—	430	430	—	—	71,781	71,781
Construction and land/lots	33	—	1,409	1,442	345	296	81,218	81,859
Indirect auto finance	—	—	1,136	1,136	—	10	132,293	132,303
Consumer	—	—	135	135	—	—	10,259	10,259
Total	$ 182	$ 1,258	$ 26,632	$ 28,072	$ 12,792	$ 14,486	$ 2,741,652	$ 2,768,930

Prior to the adoption of ASU 2016-13, loans acquired through acquisitions were initially excluded from the allowance for loan losses in accordance with the acquisition method of accounting for business combinations. The Company recorded these loans at fair value, which includes a credit discount; therefore, no allowance for loan losses was established for these acquired loans at acquisition. A provision for loan losses was recorded for any further deterioration in these acquired loans subsequent to the acquisition.

The following table presents impaired loans and the related allowance, by segment and class, excluding PCI loans, prior to the adoption of ASU 2016-13:

	Total Impaired Loans				
	Unpaid Principal Balance	Recorded Investment With a Recorded Allowance	Recorded Investment With No Recorded Allowance	Total	Related Recorded Allowance
June 30, 2020					
Commercial loans:					
Commercial real estate	$ 10,401	$ 8,062	$ 1,068	$ 9,130	$ 976
Construction and development	1,785	818	80	898	11
Commercial and industrial	9,782	1,058	26	1,084	34
Equipment finance	2,631	303	498	801	209
Retail consumer loans:					
One-to-four family	16,560	10,805	3,374	14,179	412
HELOCs - originated	2,087	1,585	53	1,638	43
HELOCs - purchased	662	662	—	662	3
Construction and land/lots	1,585	749	296	1,045	13
Indirect auto finance	1,075	486	241	727	5
Consumer	297	38	27	65	2
Total impaired loans	$ 46,865	$ 24,566	$ 5,663	$ 30,229	$ 1,708

The table above includes $15,743, of impaired loans that were not individually evaluated because these loans did not meet the Company's threshold for individual impairment evaluation. The recorded allowance above includes $450 related to these loans that were not individually evaluated.

(Dollars in thousands, except per share data)

The following table presents average recorded investments in impaired loans and interest income recognized on impaired loans, prior to the adoption of ASU 2016-13:

	Three Months Ended March 31, 2020		Nine Months Ended March 31, 2020	
	Average Recorded Investment	**Interest Income Recognized**	**Average Recorded Investment**	**Interest Income Recognized**
Commercial loans:				
Commercial real estate	$ 8,728	$ 59	$ 8,496	$ 237
Construction and development	712	10	1,323	36
Commercial and industrial	1,119	11	812	103
Equipment finance	727	3	664	6
Retail consumer loans:				
One-to-four family	14,189	175	14,861	560
HELOCs - originated	1,724	23	1,706	76
HELOCs - purchased	474	30	524	37
Construction and land/lots	1,091	19	1,174	63
Indirect auto finance	625	8	506	42
Consumer	53	3	229	9
Total loans	$ 29,442	$ 341	$ 30,295	$ 1,169

The following table presents a summary of changes in the accretable yield for PCI loans, prior to the adoption of ASU 2016-13:

	Three Months Ended March 31, 2020	Nine Months Ended March 31, 2020
Accretable yield, beginning of period	$ 4,355	$ 5,259
Reclass from nonaccretable yield (1)	171	421
Other changes, net (2)	(23)	(332)
Interest income	(378)	(1,223)
Accretable yield, end of period	$ 4,125	$ 4,125

(1) Represents changes attributable to expected loss 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.

(Dollars in thousands, except per share data)

In estimating ECL, ASC 326 prescribes that if foreclosure is probable, a CDA is required to be measured at the fair value of collateral, but as a practical expedient, if foreclosure is not probable, fair value measurement is optional. For those CDA loans measured at the fair value of collateral, a credit loss expense is recorded for loan amounts in excess of fair value. The following table provides a breakdown between loans identified as CDAs and non-CDAs, by segment and class, and securing collateral, as well as collateral coverage for those loans at March 31, 2021:

	Type of Collateral and Extent to Which Collateral Secures Financial Assets					
	Residential Property	Investment Property	Commercial Property	Business Assets	Financial Assets Not Considered Collateral Dependent	Total
Commercial loans:						
Commercial real estate	$ —	$ 3,800	$ 2,452	$ —	$ 1,081,926	$ 1,088,178
Construction and development	—	80	—	—	162,740	162,820
Commercial and industrial	—	—	—	25	140,554	140,579
Equipment finance	—	—	—	79	291,871	291,950
Municipal finance	—	—	—	—	129,141	129,141
PPP	—	—	—	—	73,090	73,090
Retail consumer loans:						
One-to-four family	812	—	—	—	429,189	430,001
HELOCs - originated	—	—	—	—	131,867	131,867
HELOCs - purchased	—	—	—	—	46,086	46,086
Construction and land/lots	—	—	—	—	68,118	68,118
Indirect auto finance	—	—	—	—	119,656	119,656
Consumer	—	—	—	—	8,667	8,667
Total	$ 812	$ 3,880	$ 2,452	$ 104	$ 2,682,905	$ 2,690,153
Total Collateral Value	$ 1,034	$ 3,924	$ 2,506	$ 180		

(Dollars in thousands, except per share data)

For the three and nine months ended March 31, 2021 and 2020, the following table presents a breakdown of the types of concessions made on TDRs by loan class:

	Three Months Ended March 31, 2021			Three Months Ended March 31, 2020		
	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
Commercial:						
Commercial real estate	—	$ —	$ —	1	$ 30	$ 30
Retail consumer:						
One-to-four family	2	212	212	2	319	317
HELOCs - originated	2	53	74	—	—	—
Indirect auto finance	3	28	32	—	—	—
Consumer	—	—	—	—	—	—
Total	7	$ 293	$ 318	3	$ 349	$ 347

	Nine Months Ended March 31, 2021			Nine Months Ended March 31, 2020		
	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:						
Commercial:						
Commercial real estate	—	$ —	$ —	1	$ 88	$ 87
Total	—	—	—	1	88	87
Extended payment terms:						
Commercial:						
Commercial and industrial	—	—	—	1	826	826
Retail consumer:						
One-to-four family	—	—	—	2	70	67
Total	—	—	—	3	896	893
Other TDRs:						
Commercial:						
Commercial real estate	—	—	—	1	30	30
Construction and development	—	—	—	1	182	79
Commercial and industrial	1	4,408	4,407	—	—	—
Retail consumer:						
One-to-four family	4	269	261	4	353	348
HELOCs - originated	2	53	74	—	—	—
Construction and land/lots	1	225	219	—	—	—
Indirect auto finance	11	150	110	4	68	57
Total	19	$ 5,105	$ 5,071	10	$ 633	$ 514
Total	19	$ 5,105	$ 5,071	14	$ 1,617	$ 1,494

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.

(Dollars in thousands, except per share data)

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, 2021 and 2020:

	Three Months Ended March 31, 2021		Three Months Ended March 31, 2020	
	Number of Loans	**Recorded Investment**	**Number of Loans**	**Recorded Investment**
Other TDRs:				
Retail consumer:				
Indirect auto finance	1	$ 1	—	$ —
Total	1	$ 1	—	$ —

	Nine Months Ended March 31, 2021		Nine Months Ended March 31, 2020	
	Number of Loans	**Recorded Investment**	**Number of Loans**	**Recorded Investment**
Other TDRs:				
Retail consumer:				
One-to-four family	—	$ —	2	$ 49
Indirect auto finance	2	26	—	—
Total	2	$ 26	2	$ 49

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

Off-Balance-Sheet Credit Exposure

The Company maintains a separate reserve for credit losses on off-balance-sheet credit exposures, including unfunded loan commitments, which is included in other liabilities on the consolidated balance sheet. The reserve for credit losses on off-balance-sheet credit exposures is adjusted as a provision for credit losses in the consolidated statement of income. The estimate includes consideration of the likelihood that funding will occur and an estimate of ECLs on commitments expected to be funded over its estimated life, utilizing the same models and approaches for the Company's other loan portfolio segments described above, as these unfunded commitments share similar risk characteristics as its loan portfolio segments. The Company has identified the unfunded portion of certain lines of credit as unconditionally cancellable credit exposures, meaning the Company can cancel the unfunded commitment at any time. No credit loss estimate is reported for off-balance-sheet credit exposures that are unconditionally cancellable by the Company or for undrawn amounts under such arrangements that may be drawn prior to the cancellation of the arrangement. At March 31, 2021, the liability for credit losses on off-balance-sheet credit exposures included in other liabilities was $2,298.

Modifications in Response to COVID-19

Beginning in March 2020, the Company began offering short-term loan modifications to assist borrowers during the COVID-19 pandemic. The CARES Act along with a joint agency statement issued by banking agencies and confirmed by FASB staff that short-term modifications made in response to COVID-19 are not TDRs. Accordingly, the Company does not account for such loan modifications as TDRs. As of March 31, 2021, the Company had outstanding modifications totaling $1,182 and $81,328 in retail consumer loans and commercial loans, respectively.

The Bank is offering payment and financial relief programs for borrowers impacted by COVID-19. These programs include loan payment deferrals for up to 90 days (which can be renewed for another 90 days under certain circumstances) waived late fees, and suspension of foreclosure proceedings and repossessions. Since March 2020, the Company has received numerous requests from borrowers for some type of payment relief; however, the majority of these payment deferrals have ended and borrowers are again making regular loan payments. The breakout of loans deferred by loan type as of the dates indicated is as follows:

(Dollars in thousands, except per share data)

Principal and Interest Payment Deferrals by Loan Types [(1) (2)]

	March 31, 2021		June 30, 2020	
	Deferral	Percent of Total Loan Portfolio	Deferral	Percent of Total Loan Portfolio
Lodging	$ —	— %	$ 108,171	4.0 %
Other commercial real estate, construction and development, and commercial and industrial	2,193	0.1	367,443	13.7
Equipment finance	2,382	0.1	33,693	1.3
One-to-four family	—	—	36,821	1.4
Other consumer loans	1,182	—	5,203	0.2
Total	$ 5,757	0.2 %	$ 551,331	20.6 %

(1) Modified loans are not included in classified assets or nonperforming assets.
(2) Principal and interest is being deferred

A majority of loans placed on principal and interest payment deferral during the pandemic had come out of deferral by March 31, 2021. However, the Company has allowed for continued relief to borrowers in the form of interest-only payments for certain loans recently coming out of full deferral. At March 31, 2021, the Company had $76,753 in commercial loans on interest-only payments for a period of time no greater than 12 months before requiring that they return to their original contractual payments.

(Dollars in thousands, except per share data)

7. Real Estate Owned

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2021	2020	2021	2020
Balance at beginning of period	$ 252	$ 1,451	$ 337	$ 2,929
Transfers from loans	—	—	108	46
Sales, net of gain or loss	(109)	(376)	(302)	(1,722)
Writedowns	—	—	—	(178)
Balance at end of period	$ 143	$ 1,075	$ 143	$ 1,075

At March 31, 2021 and June 30, 2020, the Bank had $0 and $97, 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 $0 and $1,318 at March 31, 2021 and June 30, 2020, respectively.

8. Net Income per Share

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2021	2020	2021	2020
Numerator:				
Net income	$ 7,869	$ 1,193	$ 23,083	$ 19,188
Allocation of earnings to participating securities	(72)	(11)	(209)	(167)
Numerator for basic EPS - Net income available to common stockholders	$ 7,797	$ 1,182	$ 22,874	$ 19,021
Effect of dilutive securities:				
Dilutive effect to participating securities	2	2	2	6
Numerator for diluted EPS	$ 7,799	$ 1,184	$ 22,876	$ 19,027
Denominator:				
Weighted-average common shares outstanding - basic	15,979,590	16,688,646	16,139,059	16,898,391
Effect of dilutive shares	506,128	569,782	200,071	625,861
Weighted-average common shares outstanding - diluted	16,485,718	17,258,428	16,339,130	17,524,252
Net income per share - basic	$ 0.49	$ 0.07	$ 1.42	$ 1.12
Net income per share - diluted	$ 0.48	$ 0.07	$ 1.40	$ 1.08

Potential dilutive shares are excluded from the computation of earnings per share if their effect is anti-dilutive. There were 524,850 stock options that were anti-dilutive for the three and nine months ended March 31, 2021, respectively. There were 506,800 stock options that were anti-dilutive for the three and nine months ended March 31, 2020, respectively.

9. 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, directors emeritus, officers, employees and advisory directors. The cost of equity-based awards under the 2013 Omnibus Incentive Plan generally is based on the fair value of the awards on their grant date. The maximum number of shares that may be utilized for awards under the plan is 2,962,400, including 2,116,000 for stock options and stock appreciation rights and 846,400 for awards of restricted stock and restricted stock units. Shares of common stock issued under the plan would be issued out of authorized but unissued shares, some or all of which may be repurchased shares. As of June 30, 2013, the Company had repurchased all 846,400 shares on the open market for issuance under the 2013 Omnibus Incentive Plan, for $13,297, at an average cost of $15.71 per share.

(Dollars in thousands, except per share data)

The table below presents share-based compensation expense and the estimated related tax benefit for stock options and restricted stock for the three and nine months ended March 31, 2021 and 2020, respectively:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2021	2020	2021	2020
Share-based compensation expense	$ 489	$ 458	$ 1,449	$ 1,341
Tax benefit	$ 115	$ 108	$ 341	$ 315

The table below presents stock option activity for the nine months ended March 31, 2021 and 2020:

	Options	Weighted-average exercise price	Remaining contractual life (years)	Aggregate Intrinsic Value
Options outstanding at June 30, 2019	1,657,214	$ 17.59	5.0	$ 12,909
Granted	61,000	26.40	—	—
Exercised	106,914	14.41	—	—
Forfeited	800	17.35	—	—
Options outstanding at March 31, 2020	1,610,500	$ 18.13	4.6	$ 1,617
Exercisable at March 31, 2020	1,298,000	$ 15.45	3.7	$ 1,617
Non-vested at March 31, 2020	312,500	$ 25.86	8.2	$ —
Options outstanding at June 30, 2020	1,615,500	$ 18.12	4.4	$ 1,711
Granted	44,750	22.92	—	—
Exercised	172,866	14.40	—	—
Forfeited	26,900	25.77	—	—
Options outstanding at March 31, 2021	1,460,484	$ 18.57	3.9	$ 9,268
Exercisable at March 31, 2021	1,220,734	$ 17.24	3.2	$ 9,152
Non-vested at March 31, 2021	239,750	$ 25.31	7.7	$ 116

Assumptions used in estimating the fair value of options granted during the nine months ended March 31, 2021 and March 31, 2020 are presented below:

	March 31, 2021	March 31, 2020
Weighted-average volatility	28.30 %	17.77 %
Expected dividend yield	1.35 %	0.98 %
Risk-free interest rate	0.72 %	1.50 %
Expected life (years)	6.5	6.5
Weighted-average fair value of options granted	$ 5.61	$ 4.79

At March 31, 2021, the Company had $1,460 of unrecognized compensation expense related to 239,750 stock options scheduled to vest over a five-year vesting period. The weighted average period over which compensation cost related to non-vested awards expected to be recognized was 2.0 years at March 31, 2021. At March 31, 2020, the Company had $1,853 of unrecognized compensation expense related to 312,500 stock options originally scheduled to vest over five-year vesting period. The weighted average period over which compensation cost related to non-vested awards expected to be recognized was 2.0 years at March 31, 2020.

(Dollars in thousands, except per share data)

The table below presents restricted stock award activity for the nine months ended March 31, 2021 and 2020:

	Restricted stock awards	Weighted-average grant date fair value	Aggregate Intrinsic Value
Non-vested at June 30, 2019	123,800	$ 24.65	$ 3,322
Granted	65,556	26.76	—
Vested	37,425	22.90	—
Forfeited	3,200	20.62	—
Non-vested at March 31, 2020	148,731	$ 26.11	$ 2,638
Non-vested at June 30, 2020	144,046	$ 25.89	$ 2,305
Granted	56,547	22.92	—
Vested	45,296	25.17	—
Forfeited	7,650	25.65	—
Non-vested at March 31, 2021	147,647	$ 24.98	$ 2,118,734

The table above includes non-vested performance-based restrictive stock units totaling 28,852 and 21,625 at March 31, 2021 and 2020, respectively. Each issuance of these stock units is scheduled to vest over 3.0 years assuming certain performance metrics are met.

At March 31, 2021, unrecognized compensation expense was $3,196 related to 147,647 shares of restricted stock scheduled to vest over three- and five-year vesting periods. The weighted average period over which compensation cost related to non-vested awards is expected to be recognized was 1.9 years at March 31, 2021. At March 31, 2020, unrecognized compensation expense was $3,736 related to 148,731 shares of restricted stock originally scheduled to vest over three- and five-year vesting periods. The weighted average period over which compensation cost related to non-vested awards is expected to be recognized was 2.0 years at March 31, 2020.

10. 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, 2021 and June 30, 2020, respectively, loan commitments (excluding $217,142 and $141,557 of undisbursed portions of construction loans) totaled $146,578 and $57,798 of which $24,883 and $10,678 were variable rate commitments and $121,695 and $47,120 were fixed rate commitments. The fixed rate loans had interest rates ranging from 1.08% to 8.78% at March 31, 2021 and 1.74% to 8.54% at June 30, 2020, 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 $556,501 and $398,781 at March 31, 2021 and June 30, 2020, 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 certain one-to-four family 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, the Company enters 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 interest rate lock commitments was not material at March 31, 2021 or June 30, 2020.

The Company grants construction and permanent loans collateralized primarily by residential and commercial real estate to customers throughout its primary market areas. In addition, the Company grants equipment financing throughout the United States and municipal financing 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 significant concentration of credit in the loan portfolio.

Restrictions on Cash – In response to COVID-19, the FRB reduced the reserve requirements to zero on March 15, 2020. Prior to this change the Bank was required by regulation to maintain a varying cash reserve balance with 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, 2021 and June 30, 2020 were $9,213 and $7,766, respectively. There was no liability recorded for these letters of credit at March 31, 2021 or June 30, 2020, respectively.

Litigation – From time to time, the Company is involved in 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.

11. 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. The fair value of financial instruments presented in this note are based on the same methodology as presented in "Note 21 – Fair Value of Financial Instruments" of the Notes to Consolidated Financial Statements contained in the Company's 2020 Form 10-K.

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

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

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

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

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

Investment Securities Available for Sale
Securities available for sale are valued on a recurring basis at quoted market prices where available. If quoted market prices are not available, fair values are based on quoted prices of comparable securities. Level 1 securities include those traded on an active exchange, such as the New York Stock Exchange or U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter markets and money market funds. Level 2 securities include mortgage-backed securities and debentures issued by government sponsored enterprises, municipal bonds, and corporate debt securities. The Company has no Level 3 securities.

Loans Held for Sale
Loans held for sale are adjusted to lower of cost or fair value. Fair value is based on commitments on hand from investors or, if commitments have not yet been obtained, what investors are currently offering for loans with similar characteristics. The Company considers all loans held for sale carried at fair value as nonrecurring Level 3.

Individually Evaluated Loans
The Company does not record loans at fair value on a recurring basis. From time to time, however, a loan is individually evaluated and an allowance for credit loss is established. Loans for which it is probable that payment of principal and interest will not be made in accordance with the contractual terms of the loan agreement are individually evaluated. Once a loan is identified, the fair value is estimated using one of two ways, which include collateral value and discounted cash flows. The Company reviews all individually evaluated loans each quarter to determine if an allowance is necessary. Those individually evaluated 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.

Loans are considered collateral dependent if repayment is expected solely from the collateral. For these collateral dependent 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 individually evaluated 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. Individually evaluated 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 loans as a nonrecurring Level 3 in the fair value hierarchy.

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.

(Dollars in thousands, except per share data)

Financial Assets Recorded at Fair Value on a Recurring Basis

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

	March 31, 2021			
Description	Total	Level 1	Level 2	Level 3
U.S government agencies	$ 19,108	$ —	$ 19,108	$ —
Residential MBS of U.S. government agencies and GSEs	42,237	—	42,237	—
Municipal bonds	9,600	—	9,600	—
Corporate bonds	91,472	—	91,472	—
Total	$ 162,417	$ —	$ 162,417	$ —

	June 30, 2020			
Description	Total	Level 1	Level 2	Level 3
U.S government agencies	$ 4,173	$ —	$ 4,173	$ —
Residential MBS of U.S. government agencies and GSEs	48,355	—	48,355	—
Municipal bonds	16,631	—	16,631	—
Corporate bonds	58,378	—	58,378	—
Total	$ 127,537	$ —	$ 127,537	$ —

There were no transfers between levels during the nine months ended March 31, 2021.

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

	March 31, 2021			
Description	Total	Level 1	Level 2	Level 3
Individually evaluated loans	$ 10,188	$ —	$ —	$ 10,188

	June 30, 2020			
Description	Total	Level 1	Level 2	Level 3
Individually evaluated loans	$ 9,168	$ —	$ —	$ 9,168
REO	97	—	—	97
Total	$ 9,265	$ —	$ —	$ 9,265

Quantitative information about Level 3 fair value measurements during the period ended March 31, 2021 is shown in the table below:

Nonrecurring measurements:	Fair Value at March 31, 2021	Valuation Techniques	Unobservable Input	Range	Weighted Average
Individually evaluated loans	$ 10,188	Discounted appraisals and discounted cash flows	Collateral discounts and discount spread	0% - 52% 0% - 2%	17%

(Dollars in thousands, except per share data)

The stated carrying value and estimated fair value amounts of financial instruments as of March 31, 2021 and June 30, 2020, are summarized below:

	March 31, 2021				
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Assets:					
Cash and interest-bearing deposits	$ 164,095	$ 164,095	$ 164,095	$ —	$ —
Commercial paper	238,445	238,445	238,445	—	—
Certificates of deposit in other banks	42,015	42,015	—	42,015	—
Securities available for sale	162,417	162,417	—	162,417	—
Loans, net	2,654,094	2,633,221	—	—	2,633,221
Loans held for sale	86,708	88,292	—	—	88,292
FHLB stock	12,152	12,152	12,152	—	—
FRB stock	7,379	7,379	7,379	—	—
SBIC investments	9,368	9,368	—	—	9,368
Accrued interest receivable	8,271	8,271	—	582	7,689
Liabilities:					
Noninterest-bearing and NOW deposits	1,255,951	1,255,951	—	1,255,951	—
Money market accounts	927,519	927,519	—	927,519	—
Savings accounts	221,537	221,537	—	221,537	—
Certificates of deposit	503,471	505,865	—	505,865	—
Borrowings	275,000	291,259	—	291,259	—
Accrued interest payable	388	388	—	388	—

	June 30, 2020				
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Assets:					
Cash and interest-bearing deposits	$ 121,622	$ 121,622	$ 121,622	$ —	$ —
Commercial paper	304,967	304,967	304,967	—	—
Certificates of deposit in other banks	55,689	55,689	—	55,689	—
Securities available for sale	127,537	127,537	—	127,537	—
Loans, net	2,741,047	2,692,265	—	—	2,692,265
Loans held for sale	77,177	78,129	—	—	78,129
FHLB stock	23,309	23,309	23,309	—	—
FRB stock	7,368	7,368	7,368	—	—
SBIC investments	8,269	8,269	—	—	8,269
Accrued interest receivable	12,312	12,312	208	744	11,360
Liabilities:					
Noninterest-bearing and NOW deposits	1,012,200	1,012,200	—	1,012,200	—
Money market accounts	836,738	836,738	—	836,738	—
Savings accounts	197,676	197,676	—	197,676	—
Certificates of deposit	739,142	745,078	—	745,078	—
Borrowings	475,000	511,529	—	511,529	—
Accrued interest payable	1,087	1,087	—	1,087	—

The Company had off-balance sheet financial commitments, which included approximately $920,221 and $598,136 of commitments to originate loans, undisbursed portions of interim construction loans, and unused lines of credit at March 31, 2021 and June 30, 2020, respectively (see "Note 10 – Commitments and Contingencies"). 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:

<u>Cash and interest-bearing deposits</u> – 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 mortgage 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. The fair value of SBA loans and HELOCs held for sale is based on what investors are currently offering for loans with similar characteristics.

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. A liquidity premium assumption is used as an estimate for the additional return required by an investor of assets that are potentially considered illiquid.

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.

SBIC investments – No ready market exists for these investments and they have no quoted market value. SBIC investments are valued at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions of identical or similar investments. 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. 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.

12. Leases

As Lessee - Operating Leases

The Company's operating leases primarily include office space and bank branches. Certain leases include one or more options to renew, with renewal terms that can extend the lease term up to 15 additional years. The exercise of lease renewal options is at management's sole discretion. When it is reasonably certain that the Company will exercise its option to renew or extend the lease term, that option is included in estimating the value of the ROU and lease liability. At March 31, 2021, the Company had one lease that had not yet commenced for which it had created a ROU asset and a lease liability. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants. Most of the Company's lease agreements include periodic rate adjustments for inflation. The depreciable life of ROU assets and leasehold improvements are limited to the shorter of the useful life or the expected lease term. Leases with an initial term of 12 months or less are not recorded on the Company's Consolidated Balance Sheets. The Company recognizes lease expenses for these leases over the lease term.

(Dollars in thousands, except per share data)

The following table presents supplemental balance sheet information related to operating leases. ROU assets are included in other assets and lease liabilities are included in other liabilities.

Supplemental Balance Sheet Information:	March 31, 2021	June 30, 2020
ROU assets	$ 6,208	$ 4,601
Lease liabilities	6,227	4,590
Weighted-average remaining lease terms (years)	4.39	5.02
Weighted-average discount rate	2.82 %	2.97 %

The following schedule summarizes aggregate future minimum lease payments under these operating leases at March 31, 2021:

Fiscal year ending June 30:	
Remaining 2021	$ 351
2022	1,399
2023	1,347
2024	876
2025	492
Thereafter	2,746
Total of future minimum payments	$ 7,211

The following table presents components of operating lease expense for the three and nine months ended March 31, 2021 and 2020:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2021	2020	2021	2020
Operating lease cost (included in occupancy expense)	$ 444	$ 436	$ 1,335	$ 1,368
Sublease income (included in other, net noninterest income)	(47)	(61)	(169)	(181)
Total operating lease expense, net	$ 397	$ 375	$ 1,166	$ 1,187

As Lessee - Finance Lease

The Company currently leases land for one of its branch office locations under a finance lease. The ROU asset for the finance lease totaled $2,052 at March 31, 2021 and June 30, 2020 and is included in other assets. The corresponding lease liability totaled $1,813 and $1,843 at March 31, 2021 and June 30, 2020, respectively, and is included in other liabilities. For the three and nine months ended March 31, 2021, interest expense on the lease liability totaled $24 and $71, respectively. For the three and nine months ended March 31, 2020, interest expense on the lease liability totaled $24 and $73, respectively.The finance lease has a maturity date of July 2028 and a discount rate of 5.18%.

The following schedule summarizes aggregate future minimum lease payments under this finance lease obligation at March 31, 2021:

Fiscal year ending June 30:	
Remaining 2021	$ 33
2022	134
2023	134
2024	145
2025	146
Thereafter	1,848
Total minimum lease payments	2,440
Less: amount representing interest	(627)
Present value of net minimum lease payments	$ 1,813

Supplemental lease cash flow information for the nine months ended March 31, 2021 and 2020:

	2021	2020
ROU assets - noncash additions (operating leases)	$ 599	$ 5,296
ROU assets - noncash addition (finance lease)	—	2,052
Cash paid for amounts included in the measurement of lease liabilities (operating leases)	1,632	1,609
Cash paid for amounts included in the measurement of lease liabilities (finance leases)	100	67

(Dollars in thousands, except per share data)

As Lessor - General

The Company leases equipment to commercial end users under operating and finance lease arrangements. The Company's equipment finance leases consist mainly of transportation, medical, and agricultural equipment. Many of its operating and finance leases offer the lessee the option to purchase the equipment at fair value or for a nominal fixed purchase option; and most of the leases that do not have a nominal purchase option include renewal provisions resulting in some leases continuing beyond initial contractual terms. The Company's leases do not include early termination options, and continued rent payments are due if leased equipment is not returned at the end of the lease.

As Lessor - Operating Leases

Operating lease income is recognized as a component of noninterest income on a straight-line basis over the lease term. Lease terms range from 1 to 5 years. Assets related to operating leases are included in other assets and the corresponding depreciation expense is recorded on a straight-line basis as a component of other noninterest expense. The net book value of leased assets totaled $24,917 and $21,595 with a residual value of $15,596 and $12,370 as of March 31, 2021 and June 30, 2020, respectively.

The following table presents total equipment finance operating lease income and depreciation expense for the three and nine months ended March 31, 2021 and 2020:

	Three Months Ended March 31,		**Nine Months Ended March 31,**	
	2021	**2020**	**2021**	**2020**
Operating lease income	$ 1,432	$ 989	$ 4,107	$ 2,215
Depreciation expense	1,417	746	4,371	1,554

The following schedule summarizes aggregate future minimum operating lease payments to be received at March 31, 2021:

Fiscal year ending June 30:	
Remaining 2021	$ 1,494
2022	5,224
2023	3,378
2024	1,286
2025	434
Thereafter	131
Total of future minimum payments	$ 11,947

As Lessor - Finance Leases

Finance lease income is recognized as a component of loan interest income over the lease term. The finance leases are included as a component of the equipment finance class of financing receivables under the commercial loan segment. For the three months ended March 31, 2021 and 2020, total interest income on equipment finance leases totaled $638 and $420, respectively. For the nine months ended March 31, 2021 and 2020, total interest income on equipment finance leases totaled $1,736 and $1,121, respectively.

The following table presents components of finance lease net investment included within equipment finance class of financing receivables:

	March 31, 2021	**June 30, 2020**
Lease receivables	$ 56,720	$ 44,927

The following schedule summarizes aggregate future minimum finance lease payments to be received at March 31, 2021:

Fiscal year ending June 30:	
Remaining 2021	$ 2,917
2022	16,038
2023	15,504
2024	13,342
2025	9,359
Thereafter	4,875
Total minimum payments	62,035
Less: amount representing interest	(5,315)
Total	$ 56,720

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, but instead 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. The factors that could result in material differentiation include, but are not limited to: the effect of the COVID-19 pandemic, including on our credit quality and business operations, as well as its impact on general economic and financial market conditions and other uncertainties resulting from the COVID-19 pandemic, such as the extent and duration of the impact on public health, the U.S. and global economies, and consumer and corporate customers, including economic activity, employment levels and market liquidity; 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 credit losses and provision for credit 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; uncertainty regarding the future of LIBOR, and the potential transition away from LIBOR toward new interest rate benchmarks; 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 NCCOB, or other regulatory authorities, including the possibility that any such regulatory authority may, among other things, require us to increase our allowance for credit 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, changes in laws or regulations, changes in regulatory policies and principles or the application or interpretation of laws and regulations by regulatory agencies and tax authorities, including changes in deferred tax asset and liability activity, 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 credit 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; disruptions, security breaches, or other adverse events, failures or interruptions in, or attacks on, our information technology systems or on the third-party vendors who perform several of our critical processing functions; 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; changes in accounting principles, policies or guidelines 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 including the CARES Act; and the other risks detailed from time to time in our filings with the SEC, including our 2020 Form 10-K.

Many 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 subsidiary, HomeTrust Bank (the "Bank"), unless the context indicates otherwise.

Overview

HomeTrust Bancshares, Inc., a Maryland corporation, was formed for the purpose of becoming the holding company for HomeTrust Bank in connection with the Bank’s conversion from mutual to stock form, which was completed on July 10, 2012 (the “Conversion”). As a bank holding company and financial holding company, we are regulated by the Federal Reserve. As a North Carolina state-chartered bank, and member of the FRB, 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 FDIC. The Bank is a member of the FHLB of Atlanta, which is one of the 12 regional banks in the FHLB System. Our headquarters is located in Asheville, North Carolina.

Our principal business consists of attracting deposits from the general public and investing those funds, along with borrowed funds, in commercial real estate loans, construction and development loans, commercial and industrial loans, SBA loans, equipment finance leases, indirect automobile loans, municipal finance agreements, loans secured by first and second mortgages on one-to-four family residences, including home equity loans and construction and land/lot loans. We also work with a third party to originate HELOCs which are pooled and sold. In addition, we purchase investment securities consisting primarily of securities issued by United States Government agencies and GSEs, as well as corporate bonds, commercial paper, and FDIC insured certificates of deposit.

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 is paid on our deposits and borrowings. Changes in levels of interest rates affect our net interest income. Because the length of the COVID-19 pandemic and the efficacy of the extraordinary measures being put in place to address its economic consequences are unknown, including the 150 basis point reduction in the targeted federal funds rate during 2020, until the pandemic subsides, expect our net interest income and net interest margin to be adversely affected throughout fiscal 2021 and possibly longer.

A secondary source of income is noninterest income, which includes revenue we receive from providing products and services, including service charges on deposit accounts, loan income and fees, lease income, gain on sale of loans, and gains and losses from sales of securities.

An offset to net interest income is the provision for credit losses which is required to establish and maintain the ACL. Under the new CECL standard all financial assets measured at amortized cost and off balance sheet credit exposures, including loans, investment securities and unfunded commitments are evaluated for credit losses. See "Note 1 – Summary of Significant Accounting Policies" in this Quarterly Report on Form 10-Q for further discussion.

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.

Our geographic footprint includes seven markets obtained through numerous 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. While COVID-19 has dampened our growth activities, we believe as the local and global economy returns to normalcy it remains in a position to create organic growth through marketing efforts. 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.

At March 31, 2021, we had 41 locations in North Carolina (including the Asheville metropolitan area, the "Piedmont" region, Charlotte, and Raleigh/Cary), 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

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 for credit losses and the ACL, and (ii) the valuation of goodwill and other intangible assets. The ACL reflects management's estimate of losses that will result from the inability of our borrowers to make required loan payments. Management uses a systematic methodology to determine our ACL for loans held for investment and certain off-balance-sheet credit exposures. Management considers the effects of past events, current conditions, and reasonable and supportable forecasts on the collectability of the loan portfolio. Our ACL estimate involves a high degree of judgment; therefore, management's process for determining expected credit losses may result in a range of expected credit losses. It is possible that others, given the same information, may at any point in time reach a different reasonable conclusion. Our recorded ACL in the balance sheet reflects management's best estimate within the range of expected credit losses. In net income, we recognize the amount needed to adjust the ACL for management's estimate of current expected credit losses. See "Note 1 – Summary of Significant Accounting Policies" and "Note 6 – Loans and Allowance for Credit Losses on Loans" in this Quarterly Report on Form 10-Q for further detailed descriptions of our estimation process and methodology related to the ACL. The valuation of goodwill and other intangible assets policy is 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" in our 2020 Form 10-K.

Reclassifications and corrections. To maintain consistency and comparability, certain amounts from prior periods have been reclassified to conform to current period presentation with no effect on net income, stockholders' equity, or cash flows as previously reported.

Recent Accounting Pronouncements. See "Note 2 – Recent Accounting Pronouncements" in this Quarterly Report on Form 10-Q 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; tangible book value per share, tangible equity to tangible assets ratio; and the ratio of the ACL to total loans excluding PPP loans. Management has presented the non-GAAP financial measures in this discussion and analysis because it believes including 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 our earnings over time and in comparison to our competitors. However, these non-GAAP financial measures are supplemental, are not audited and are not a substitute for operating results or any analysis determined in accordance with GAAP. Where applicable, we have also presented comparable earnings information using GAAP financial measures. Because not all companies use the same calculations, our presentation may not be comparable to other similarly titled measures as calculated by other companies. See "Comparison of Results of Operations for the Three Months and Nine Months Ended March 31, 2021 and 2020" for more detailed information about our financial performance.

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

(Dollars in thousands, except per share data)	As of March 31, 2021	As of June 30, 2020	As of March 31, 2020
Total stockholders' equity	$ 406,452	$ 408,263	$ 405,440
Less: goodwill, core deposit intangibles, net of taxes	26,002	26,468	26,701
Tangible book value (1)	$ 380,450	$ 381,795	$ 378,739
Common shares outstanding	16,655,347	17,021,357	17,101,954
Tangible book value per share	$ 22.84	$ 22.43	$ 22.15
Book value per share	$ 24.40	$ 23.99	$ 23.71

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

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

(Dollars in thousands)	As of March 31, 2021	As of June 30, 2020	As of March 31, 2020
Tangible equity (1)	$ 380,450	$ 381,795	$ 378,739
Total assets	3,648,613	3,722,852	3,548,033
Less: goodwill, core deposit intangibles, net of taxes	26,002	26,468	26,701
Total tangible assets(2)	$ 3,622,611	$ 3,696,384	$ 3,521,332
Tangible equity to tangible assets	10.50 %	10.33 %	10.76 %

(1) Tangible equity (or 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 the ACL to total loans (excluding net deferred loan costs) and the allowance for credit losses as adjusted to exclude PPP loans:

(Dollars in thousands)	As of March 31, 2021	As of June 30, 2020	As of March 31, 2020
Total gross loans receivable (GAAP)	$ 2,690,153	$ 2,768,930	$ 2,662,503
Less: PPP loans [(1)]	73,090	80,697	—
Adjusted gross loans (non-GAAP)	$ 2,617,063	$ 2,688,233	$ 2,662,503
ACL (GAAP)	$ 36,059	$ 28,072	$ 26,850
ACL / Adjusted gross loans (non-GAAP)	1.38 %	1.04 %	1.01 %

(1) PPP loans are fully guaranteed loans by the U.S, government.

Recent Developments: COVID-19, the CARES Act, and Our Response

The COVID-19 pandemic has caused economic and social disruption on an unprecedented scale. While some industries have been impacted more severely than others, all businesses have been impacted to some degree. This disruption has resulted in business closures across the country, significant job losses, and aggressive measures by the federal government.

Congress, the President, and the Federal Reserve have taken several actions designed to cushion the economic fallout. Most notably, the CARES Act was signed into law on March 27, 2020 as a $2.2 trillion legislative package. The goal of the CARES Act is to prevent a severe economic downturn through various measures, including direct financial aid to families and economic stimulus to significantly impacted industry sectors. The package also includes extensive emergency funding for hospitals and healthcare providers. In addition to the general impact of COVID-19, certain provisions of the CARES Act as well as other recent legislative and regulatory relief efforts are expected to have a material impact on our operations. While it is not possible to know the full extent of these impacts as of the date of this filing, we are disclosing potentially material items of which we are aware.

On December 27, 2020, the 2021 Consolidated Appropriations Act was signed into law including $900 billion in stimulus relief for the COVID-19 pandemic. The legislation extends certain relief provisions from the CARES Act that were set to expire at the end of 2020. This new legislation extends the relief to financial institutions to suspend TDR assessment and reporting requirements under GAAP for loan modifications to the earlier of 60 days after the national emergency termination date or January 1, 2022. The legislation includes additional funding for businesses that did not receive PPP funds under the CARES Act, especially minority- and women-owned businesses. In addition, it allows businesses another opportunity to borrow PPP funds if they can show losses of 25% or more in 2020 based on their 2020 revenue. We expect a smaller number of applications to be made by our customers for these additional PPP funds.

On March 11, 2021, the American Rescue Plan Act of 2021 was signed into law, a $1.9 trillion COVID-19 relief package. The legislation expanded unemployment benefits through September 2021, approved a third round of stimulus checks for individuals, will send $250 billion to state and local governments, provide aid to schools, special aid for restaurants and bars especially hurt by the pandemic, additional funding for the PPP, as well as numerous provisions aimed at the healthcare industry.

In response to the COVID-19 pandemic, we are offering a variety of relief options designed to support our customers and communities served.

Paycheck Protection Program Participation. The CARES Act authorized the SBA to temporarily guarantee loans under the new PPP loan program. The goal of the PPP was to avoid as many layoffs as possible, and to encourage small businesses to maintain payrolls. As a qualified SBA lender, we were automatically authorized to originate PPP loans upon commencement of the program in April 2020. PPP loans have: (a) an interest rate of 1.0%, (b) a five-year loan term to maturity; and (c) principal and interest payments deferred for ten months from the date of disbursement. The SBA guarantees 100% of the PPP loans made to eligible borrowers. The entire principal amount of the borrower’s PPP loan, including any accrued interest, is eligible to be forgiven and repaid by the SBA so long as employee and compensation levels of the business are maintained and 60% of the loan proceeds are used for payroll expenses, with the remaining 40% of the loan proceeds used for other qualifying expenses.

We continue to offer certain relief options designed to support our customers and communities, including participating in the additional SBA PPP funds recently approved. We originated $29.7 million in second round PPP loans during the three months ended March 31, 2021. As of March 31, 2021, PPP loans outstanding totaled $73.1 million which included $1.4 million in net deferred fees that will be accreted into interest income over the remaining life of the loans unless the loans are forgiven, at which point these fees would be accelerated into income. For the three and nine months ended March 31, 2021, we earned $614,000 and $1.4 million, respectively, in fees through accretion including some accelerated accretion resulting from loan forgiveness. We have worked with the SBA and assisted our customers throughout our participation in the PPP leading to a total of $38.9 million in PPP loans forgiven.

Loan Modifications. We continue to closely monitor the effects of COVID-19 on our loan portfolio and all the associated risks to minimize any potential losses. HomeTrust Bank is offering payment and financial relief programs for borrowers impacted by COVID-19. These programs include loan payment deferrals for up to 90 days, waived late fees, and suspension of foreclosure proceedings and repossessions.

The Bank has continued to experience a decline in requests by borrowers for payment and financial relief programs; however, we will continue to work with individual borrowers in order to minimize the impact to both the Bank and our customers.

The breakout of loans deferred by loan type as of the dates indicated is as follows:

Principal and Interest Payment Deferrals by Loan Types (1) (2)

(Dollars in thousands)	March 31, 2021		December 31, 2020		June 30, 2020	
	Deferral	Percent of Total Loan Portfolio	Deferral	Percent of Total Loan Portfolio	Deferral	Percent of Total Loan Portfolio
Lodging	$ —	— %	$ —	— %	$ 108,171	4.0 %
Other commercial real estate, construction and development, and commercial and industrial	2,193	0.1	4,018	0.1	367,443	13.7
Equipment finance	2,382	0.1	2,196	0.2	33,693	1.3
One-to-four family	—	—	822	—	36,821	1.4
Other consumer loans	1,182	—	832	—	5,203	0.2
Total	$ 5,757	0.2 %	$ 7,868	0.3 %	$ 551,331	20.6 %

(1) Modified loans are not included in classified assets or nonperforming assets.
(2) Principal and interest is being deferred.

A majority of loans placed on payment deferral during 2020 have come out of deferral and borrowers are either making regular loan payments or interest-only payments until the later part of 2021 as a form of continued relief to the borrower. As of March 31, 2021, the Company had $76.8 million in commercial loan deferrals on interest-only payments. As of March 31, 2021, the Company had $5.8 million in loans with full principal and interest payment deferrals compared to $551.3 million at June 30, 2020.

All loans modified due to COVID-19 are separately monitored and any request for continuation of relief beyond the initial modification will be reassessed at that time to determine if a further modification should be granted and if a downgrade in risk rating is appropriate. The deferrals are short-term modifications made on a good faith basis in response to COVID-19 to borrowers who were current as of March 31, 2021 and are not considered TDRs.

We believe the steps we have taken and continue to take are necessary to effectively manage the loan portfolio and assist customers through the ongoing uncertainty surrounding the duration, impact and government response to the COVID-19 pandemic. In addition, we will continue to work with our customers to determine the best option for repayment of accrued interest on the deferred payments.

Branch Operations. Since the beginning of the pandemic, we have taken various steps to ensure the safety of our customers and our team members by limiting branch activities to appointment only and use of our drive-up facilities, and by encouraging the use of our digital and electronic banking channels, all the while adjusting for evolving State and Federal guidelines. On October 13, 2020, we reopened the lobbies of all our branches across our four state footprint with appropriate protective measures to help ensure the safety of our customers and retail banking employees.

Comparison of Financial Condition at March 31, 2021 and June 30, 2020

General. Total assets and liabilities decreased by $74.2 million and $72.4 million down to $3.6 billion and $3.2 billion, respectively, at March 31, 2021 as compared to June 30, 2020. The cumulative increase of $77.4 million, or 31.0% in cash and cash equivalents and securities held for sale was more than offset by the cumulative decrease of $80.2 million, or 22.2% in commercial paper and deposits in other banks as we repositioned our liquidity due to maturities and lower short-term rates during the period. The $9.5 million, or 12.3% increase in loans held for sale primarily relates to additional one-to-four family and home equity loans originated for sale during the period.

On July 1, 2020, we adopted the CECL accounting standard in accordance with ASU 2016-13, "Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." The cumulative effect adjustment from this change in accounting standard resulted in an increase in our ACL for loans of $14.8 million, additional deferred tax assets of $3.9 million, additional reserve for unfunded loan commitments of $2.3 million, and a reduction to retained earnings of $13.2 million. In addition, an ACL for commercial paper was established for $250,000 with a deferred tax asset of $58,000. The adoption of this ASU did not have an effect on available for sale debt securities for the nine months ended March 31, 2021.

Cash, cash equivalents, and commercial paper. Total cash and cash equivalents increased $42.5 million, or 34.9% to $164.1 million at March 31, 2021 from $121.6 million at June 30, 2020. Commercial paper decreased $66.5 million, or 21.8% to $238.4 million at March 31, 2021 from $305.0 million at June 30, 2020 as a result of the lower interest rate environment. Our investments in commercial paper have short-term maturities and limited exposure of $15.0 million or less per each highly-rated company.

Investments. Debt securities available for sale increased $34.9 million, or 27.3%, to $162.4 million at March 31, 2021 from $127.5 million at June 30, 2020. During the nine months ended March 31, 2021, $95.6 million of securities were purchased, $47.3 million of securities matured, and $11.7 million of MBS principal payments were received. At March 31, 2021, certificates of deposit in other banks decreased $13.7 million, or 24.6% to $42.0 million compared to $55.7 million at June 30, 2020. The decrease in certificates of deposit in other banks was due to $18.6 million in maturities partially offset by $4.9 million in purchases. All certificates of deposit in other banks are fully insured by the FDIC. Management evaluates securities for impairment where there has been a decline in fair value below the amortized cost basis of a security to determine whether there is a credit loss associated with the decline in fair value on at least a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Management does not believe that there were any credit losses at March 31, 2021; therefore, no impairment losses were recorded during the first nine months of fiscal 2021. Other investments at cost decreased $10.0 million, or 25.8%, to $28.9 million at March 31, 2021 from $38.9 million at June 30, 2020. Other investments at cost included FHLB stock, FRB stock, and SBIC investments totaling $12.2 million, $7.4 million, and $9.4 million, respectively. The overall decrease was driven by a $11.2 million, or 47.9% reduction in FHLB stock as a result of $200.0 million in borrowings being paid down during the first nine months of fiscal 2021.

Loans held for sale. Loans held for sale increased $9.5 million, or 12.3% to $86.7 million at March 31, 2021 from $77.2 million at June 30, 2020. The increase was primarily driven by a $17.0 million, or 60.5% increase in mortgage loans held for sale and a $5.8 million, or 471.7% increase in SBA loans held for sale, partially offset by a $13.3 million, or 27.9% decrease in HELOCs originated for sale.

Loans. Total loans receivable decreased $79.0 million, or 2.9% to $2.7 billion at March 31, 2021 from $2.8 billion at June 30, 2020. The decrease was driven by two large commercial relationship payoffs totaling $52.8 million, PPP loan forgiveness of $38.9 million, and the continued payoff of purchased HELOCs of $25.7 million.

Commercial and retail consumer loans consist of the following at the dates indicated:

(Dollars in thousands)	As of March 31, 2021	As of June 30, 2020	Change $	Change %	Percent of total March 31, 2021	Percent of total June 30, 2020
Commercial loans:						
Commercial real estate	$ 1,088,178	$ 1,052,906	$ 35,272	3.3 %	40.5 %	38.0 %
Construction and development	162,820	215,934	(53,114)	(24.6)	6.1	7.8
Commercial and industrial	140,579	154,825	(14,246)	(9.2)	5.2	5.6
Equipment finance	291,950	229,239	62,711	27.4	10.9	8.3
Municipal leases	129,141	127,987	1,154	0.9	4.8	4.6
PPP loans	73,090	80,697	(7,607)	(9.4)	2.7	2.9
Total commercial loans	1,885,758	1,861,588	24,170	1.3	70.2	67.2
Retail consumer loans:						
One-to-four family	430,001	473,693	(43,692)	(9.2)	16.0	17.1
HELOCs - originated	131,867	137,447	(5,580)	(4.1)	4.9	5.0
HELOCs - purchased	46,086	71,781	(25,695)	(35.8)	1.7	2.6
Construction and land/lots	68,118	81,859	(13,741)	(16.8)	2.5	3.0
Indirect auto finance	119,656	132,303	(12,647)	(9.6)	4.4	4.8
Consumer	8,667	10,259	(1,592)	(15.5)	0.3	0.4
Total retail consumer loans	804,395	907,342	(102,947)	(11.3)	29.8	32.8
Total loans	$ 2,690,153	$ 2,768,930	$ (78,777)	(2.8)%	100.0 %	100.0 %

Asset Quality. Our overall asset quality metrics continue to demonstrate our commitment to growing and maintaining a loan portfolio with a moderate risk profile; however, we will remain diligent in our review of the portfolio and overall economy as we continue to maneuver through the uncertainty surrounding COVID-19. See "Recent Developments: COVID-19, the CARES Act, and Our Response" on page 43 for additional information regarding our response to COVID-19.

Nonperforming assets decreased by $2.9 million, or 17.8% to $13.4 million, or 0.37% of total assets at March 31, 2021 from $16.3 million, or 0.44% of total assets at June 30, 2020. Nonperforming assets included $13.2 million in nonaccruing loans and $143,000 in REO at March 31, 2021, compared to $15.9 million and $337,000 in nonaccruing loans and REO, respectively, at June 30, 2020. Included in nonperforming loans at March 31, 2021 are $5.9 million of TDR loans of which $4.1 million were current with respect to their modified payment terms. At March 31, 2021, $7.3 million, or 55.4%, of nonaccruing loans were current on their loan payments. The ratio of nonperforming loans to total loans was 0.49% at March 31, 2021 and 0.58% at June 30, 2020. Performing TDRs that were excluded from nonaccruing loans totaled $11.9 million and $13.2 million at March 31, 2021 and June 30, 2020, respectively.

The ratio of classified assets to total assets decreased to 0.76% at March 31, 2021 from 0.84% at June 30, 2020. Classified assets decreased to $27.8 million at March 31, 2021 compared to $31.1 million at June 30, 2020 primarily due to $4.9 million in payoffs and $1.5 million in charge-offs during the nine months ended March 31, 2021.

Our individually evaluated loans are comprised of loans meeting certain thresholds, on nonaccrual status, and all TDRs, whether performing or on nonaccrual status under their restructured terms. Individually evaluated loans may be evaluated for reserve purposes using either the cash flow or the collateral valuation method. As of March 31, 2021, there were $9.7 million in loans individually evaluated. For more information on these individually evaluated loans, see "Note 6 - Loans and Allowance for Credit Losses on Loans" in this Quarterly Report on Form 10-Q.

Allowance for credit losses. On July 1, 2020, we adopted the CECL accounting standard in accordance with ASU 2016-13, "Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." See "Note 1 – Summary of Significant Accounting Policies" and "Note 6 – Loans and Allowance for Credit Losses on Loans" in this Quarterly Report on Form 10-Q for additional details related to the adoption of CECL.

The ACL was $36.1 million, or 1.34% of total loans at March 31, 2021 compared to $28.1 million, or 1.01% of total loans at June 30, 2020. The ACL to gross loans excluding PPP loans was 1.38% at March 31, 2021, compared to 1.04% at June 30, 2020. The overall increase was driven by the additional allowance stemming from our adoption of the new CECL accounting standard.

There was a net benefit of $6.2 million for the provision for credit losses for the nine months ended March 31, 2021, compared to a $5.8 million provision for the corresponding period in fiscal year 2020. The net benefit of provision was primarily driven by changes in the economic forecast which improved in outlook since the adoption of the standard and a decline in the balance of total loans. Net loan charge-offs totaled $452,000 for the nine months ended March 31, 2021, compared to $379,000 for the same period last year. Net charge-offs as a percentage of average loans remained the same at 0.02% for each of the nine months ended March 31, 2021 and 2020.

The allowance as a percentage of nonaccruing loans increased to 272.64% at March 31, 2021 from 176.30% at June 30, 2020.

Management believes the ACL as of March 31, 2021 was adequate to absorb the estimated losses in the loan portfolio at that date. While management believes 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 ACL 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. Lastly, a further decline in national and local economic conditions, as a result of the COVID-19 pandemic or other factors, could result in a material increase in the ACL and may adversely affect our financial condition and results of operations.

Real estate owned. REO decreased $194,000, or 57.6% to $143,000 at March 31, 2021 due to $303,000 in REO sales partially offset by $109,000 in transfers from loans during the nine months ended March 31, 2021.

Deferred income taxes. Deferred income taxes increased $555,000, or 3.4%, to $16.9 million at March 31, 2021 from $16.3 million at June 30, 2020. The increase was primarily driven by the the adoption of the CECL standard which resulted in an increase of $3.9 million, which was partially offset by the realization of net operating losses.

Premises and equipment, net. Premises and equipment, net increased $12.4 million, or 21.3% to $70.9 million at March 31, 2021 from $58.5 million at June 30, 2020. The increase was a result of the purchase of an office building in Charlotte, N.C. for use as a future branch location and other Bank office space.

Goodwill. Goodwill remained unchanged at $25.6 million at March 31, 2021 and June 30, 2020.

Other assets. Other assets increased $6.2 million, or 12.6%, to $55.8 million at March 31, 2021 from $49.5 million at June 30, 2020. The increase was primarily driven by operating leases from our equipment finance line of business.

Deposits. Deposits increased $122.7 million, or 4.4% during the nine months ended March 31, 2021 to $2.9 billion from $2.8 billion at June 30, 2020 which was driven by a $358.4 million, or 17.5% increase in core deposits as a result of additional funds to customers from government stimulus and our focused effort to realign the deposit mix. As part of a managed runoff, certificates of deposit and brokered deposits decreased $235.7 million, or 31.9% to $503.5 million at March 31, 2021. This decrease was partially offset by successful efforts to increase core deposits which increased $358.4 million, or 17.5%.

The following table sets forth our deposits by type of deposit account as of the dates indicated:

(Dollars in thousands)	As of March 31, 2021	As of June 30, 2020	Change $	Change %	Percent of total March 31, 2021	Percent of total June 30, 2020
Core deposits:						
Noninterest-bearing accounts	$ 528,711	$ 429,901	$ 98,810	23.0 %	18.2 %	15.4 %
NOW accounts	727,240	582,299	144,941	24.9 %	25.0 %	20.9 %
Money market accounts	927,519	836,738	90,781	10.8 %	31.9 %	30.0 %
Savings accounts	221,537	197,676	23,861	12.1 %	7.7 %	7.1 %
Core deposits	2,405,007	2,046,614	358,393	17.5 %	82.7 %	73.5 %
Certificates of deposit	503,471	739,142	(235,671)	(31.9)%	17.3 %	26.5 %
Total	$ 2,908,478	$ 2,785,756	$ 122,722	4.4 %	100.0 %	100.0 %

Borrowings. Borrowings decreased $200.0 million, or 42.1% to $275.0 million at March 31, 2021 compared to $475,000 at June 30, 2020. The decrease was related to the early retirement of borrowings completed in an effort to improve future profitability. At March 31, 2021 all FHLB advances had maturities of seven years or more (but are callable in less than one year) with a weighted average interest rate of 1.81%.

Equity. Stockholders' equity at March 31, 2021 decreased $1.8 million, or 0.4% to $406.5 million from $408.3 million at June 30, 2020. Changes within stockholders' equity included $23.1 million in net income and $4.7 million in stock-based compensation, ESOP shares allocated, and stock option exercises, offset by $13.4 million related to the adoption of the new CECL accounting standard, 566,455 shares of common stock being repurchased at an average cost of $20.69 per share, or approximately $11.7 million in total, and $3.7 million related to cash dividends declared. As of March 31, 2021, the Bank and the Company were considered "well capitalized" in accordance with the regulatory capital guidelines and exceeded all regulatory capital requirements.

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.

(Dollars in thousands)	For the Three Months Ended March 31, 2021 Average Balance Outstanding	2021 Interest Earned/ Paid(2)	2021 Yield/ Rate(2)	2020 Average Balance Outstanding	2020 Interest Earned/ Paid(2)	2020 Yield/ Rate(2)
Assets:						
Interest-earning assets:						
Loans receivable(1)	$ 2,779,094	$ 27,955	4.08 %	$ 2,669,796	$ 30,086	4.51 %
Commercial paper and deposits in other banks	522,256	611	0.47 %	378,296	1,794	1.90 %
Securities available for sale	153,871	496	1.31 %	154,108	912	2.37 %
Other interest-earning assets(3)	39,184	585	6.05 %	37,877	550	5.81 %
Total interest-earning assets	3,494,405	29,647	3.44 %	3,240,077	33,342	4.12 %
Other assets	258,858			265,139		
Total assets	$ 3,753,263			$ 3,505,216		
Liabilities and equity:						
Interest-bearing deposits:						
Interest-bearing checking accounts	$ 637,381	$ 391	0.25 %	$ 451,335	$ 412	0.36 %
Money market accounts	907,228	373	0.17 %	792,313	1,916	0.97 %
Savings accounts	212,809	39	0.08 %	159,641	50	0.12 %
Certificate accounts	516,221	1,193	0.94 %	783,758	3,593	1.83 %
Total interest-bearing deposits	2,273,639	1,996	0.36 %	2,187,047	5,971	1.09 %
Borrowings	465,111	1,632	1.42 %	473,319	1,757	1.48 %
Total interest-bearing liabilities	2,738,750	3,628	0.54 %	2,660,366	7,728	1.16 %
Noninterest-bearing deposits	553,045			342,581		
Other liabilities	56,655			88,725		
Total liabilities	3,348,450			3,091,672		
Stockholders' equity	404,813			413,544		
Total liabilities and stockholders' equity	$ 3,753,263			$ 3,505,216		
Net earning assets	$ 755,655			$ 579,711		
Average interest-earning assets to average interest-bearing liabilities	127.59 %			121.79 %		
Tax-equivalent:						
Net interest income		$ 26,019			$ 25,614	
Interest rate spread			2.90 %			2.96 %
Net interest margin(4)			3.02 %			3.16 %
Non-tax-equivalent:						
Net interest income		$ 25,693			$ 25,309	
Interest rate spread			2.87 %			2.92 %
Net interest margin(4)			2.98 %			3.12 %

(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 $326 and $305 for the three months ended March 31, 2021 and 2020, respectively, calculated based on a combined federal and state tax rate of 24%.
(3) The average other interest-earning assets consist of FRB stock, FHLB stock, and SBIC investments.
(4) Net interest income divided by average interest-earning assets.

(Dollars in thousands)	For the Nine Months Ended March 31, 2021 Average Balance Outstanding	2021 Interest Earned/ Paid[2]	2021 Yield/ Rate[2]	2020 Average Balance Outstanding	2020 Interest Earned/ Paid[2]	2020 Yield/ Rate[2]
Assets:						
Interest-earning assets:						
Loans receivable[1]	$ 2,826,886	$ 85,505	4.03 %	$ 2,734,249	$ 95,045	4.63 %
Commercial paper and deposits in other banks	454,609	2,106	0.62 %	362,598	5,959	2.19 %
Securities available for sale	131,332	1,528	1.55 %	152,798	2,901	2.53 %
Other interest-earning assets[3]	39,140	1,729	5.88 %	42,662	2,154	6.73 %
Total interest-earning assets	3,451,967	90,868	3.51 %	3,292,307	106,059	4.30 %
Other assets	256,026			266,097		
Total assets	$ 3,707,993			$ 3,558,404		
Liabilities and equity:						
Interest-bearing liabilities:						
Interest-bearing checking accounts	$ 593,815	$ 1,142	0.26 %	$ 449,560	$ 1,105	0.33 %
Money market accounts	860,170	1,337	0.21 %	765,492	5,760	1.00 %
Savings accounts	206,478	114	0.07 %	166,711	153	0.12 %
Certificate accounts	594,565	5,003	1.12 %	769,073	11,127	1.93 %
Total interest-bearing deposits	2,255,028	7,596	0.45 %	2,150,836	18,145	1.12 %
Borrowings	471,716	5,007	1.41 %	587,822	7,619	1.73 %
Total interest-bearing liabilities	2,726,744	12,603	0.62 %	2,738,658	25,764	1.25 %
Noninterest-bearing deposits	522,406			336,496		
Other liabilities	56,141			70,175		
Total liabilities	3,305,291			3,145,329		
Stockholders' equity	402,702			413,075		
Total liabilities and stockholders' equity	$ 3,707,993			$ 3,558,404		
Net earning assets	$ 725,223			$ 553,649		
Average interest-earning assets to average interest-bearing liabilities	126.60 %			120.22 %		
Tax-equivalent:						
Net interest income		$ 78,265			$ 80,295	
Interest rate spread			2.89 %			3.05 %
Net interest margin[4]			3.02 %			3.25 %
Non-tax-equivalent:						
Net interest income		$ 77,324			$ 79,416	
Interest rate spread			2.85 %			3.01 %
Net interest margin[4]			2.99 %			3.22 %

(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 $941 and $879 for the nine months ended March 31, 2021 and 2020, respectively, calculated based on a combined federal and state tax rate of 24%.
(3) The average other interest-earning assets consist of FRB stock, FHLB stock, and SBIC investments.
(4) Net interest income divided by average interest-earning assets.

Rate/Volume Analysis

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

(Dollars in thousands)	Three Months Ended March 31, 2021 Compared to Three Months Ended March 31, 2020		
	Increase/ (decrease) due to		
	Volume	Rate	Total increase/(decrease)
Interest-earning assets:			
Loans receivable[1]	$ 6,070	$ (8,201)	$ (2,131)
Commercial paper and deposits in other banks	3,203	(4,386)	(1,183)
Securities available for sale	(1)	(415)	(416)
Other interest-earning assets	15	20	35
Total interest-earning assets	$ 9,287	$ (12,982)	$ (3,695)
Interest-bearing liabilities:			
Interest-bearing checking accounts	$ 572	$ (593)	$ (21)
Money market accounts	1,651	(3,194)	(1,543)
Savings accounts	67	(78)	(11)
Certificate accounts	(990)	(1,410)	(2,400)
Borrowings	(40)	(85)	(125)
Total interest-bearing liabilities	1,260	(5,360)	(4,100)
Net increase (decrease) in tax equivalent interest income	$ 8,027	$ (7,622)	$ 405

(Dollars in thousands)	Nine Months Ended March 31, 2021 Compared to Nine Months Ended March 31, 2020		
	Increase/ (decrease) due to		
	Volume	Rate	Total increase/(decrease)
Interest-earning assets:			
Loans receivable[1]	$ 4,806	$ (14,346)	$ (9,540)
Commercial paper and deposits in other banks	1,968	(5,821)	(3,853)
Securities available for sale	(366)	(1,007)	(1,373)
Other interest-earning assets	(170)	(255)	(425)
Total interest-earning assets	$ 6,238	$ (21,429)	$ (15,191)
Interest-bearing liabilities:			
Interest-bearing checking accounts	$ 403	$ (366)	$ 37
Money market accounts	1,044	(5,467)	(4,423)
Savings accounts	46	(85)	(39)
Certificate accounts	(2,155)	(3,969)	(6,124)
Borrowings	(1,365)	(1,247)	(2,612)
Total interest-bearing liabilities	(2,027)	(11,134)	(13,161)
Net increase (decrease) in tax equivalent interest income	$ 8,265	$ (10,295)	$ (2,030)

(1) Interest income used in the average interest earned and yield calculation includes the tax equivalent adjustment of $326 and $305 for the three months ended March 31, 2021 and 2020, respectively, calculated based on a combined federal and state income tax rate of 24%. Interest income used in the average interest earned and yield calculation includes the tax equivalent adjustment of $941 and $879 for the nine months ended March 31, 2021 and 2020, respectively, calculated based on a combined federal and state income tax rate of 24%.

Comparison of Results of Operations for the Three Months Ended March 31, 2021 and 2020

General. During the three months ended March 31, 2021, net income increased $6.7 million, or 559.7% to $7.9 million compared to $1.2 million for the three months ended March 31, 2020. Our diluted earnings per share increased to $0.48 for the three months ended March 31, 2021 compared to $0.07 for the same period in fiscal 2020. Third quarter earnings were positively impacted by a $4.1 million net benefit in the provision for credit losses and a $3.4 million increase in the gain on sale of loans held for sale mainly driven by residential mortgage loans given the continued low rate environment. Partially offsetting these was a $3.7 million prepayment penalty related to the previously discussed early retirement of borrowings.

Net Interest Income. Net interest income increased $384,000, or 1.5% to $25.7 million for the quarter ended March 31, 2021, compared to $25.3 million for the comparative quarter in fiscal 2020. Interest and dividend income decreased by $3.7 million, or 11.2%, primarily driven by lower yields on loans and commercial paper as a result of lower federal funds and other market interest rates. This decrease was more than offset by a $4.1 million decrease in interest expense.

Average interest-earning assets increased $254.3 million, or 7.9% to $3.5 billion for the quarter ended March 31, 2021. The average balance of total loans receivable increased by $109.3 million, or 4.1% compared to the same quarter last year primarily due to PPP loan originations and to a lesser extent organic loan growth. The average balance of commercial paper and deposits in other banks increased $144.0 million, or 38.1% driven by increases in commercial paper investments as a result of our increased liquidity between the periods. Our investments in commercial paper have short-term maturities and limited exposure of $15.0 million or less per each highly-rated company. The overall increase in interest-earning assets was primarily funded by a $297.1 million, or 11.7% increase in average interest and noninterest-bearing deposits as compared to the same quarter last year. Net interest margin (on a fully taxable-equivalent basis) for the three months ended March 31, 2021 decreased to 3.02% from 3.16% for the same period a year ago.

Total interest and dividend income decreased $3.7 million, or 11.2% for the three months ended March 31, 2021 as compared to the same period last year, which was primarily driven by a $2.2 million, or 7.2% decrease in loan interest income, a $1.2 million, or 65.9% decrease in interest income from commercial paper and deposits in other banks, and a $416,000, or 45.6% decrease in interest income on securities available for sale. The lower interest income in each category was driven by the decrease in yields caused by the significant reduction in current market rates compared to the same quarter last year. Average loan yields decreased 43 basis points to 4.08% for the quarter ended March 31, 2021 from 4.51% in the corresponding quarter last year. Average yields on commercial paper and deposits in other banks decreased 143 basis points to 0.47% for the quarter ended March 31, 2021 from 1.90% in the corresponding quarter last year. Average yields on securities available for sale decreased 106 basis points to 1.31% for the quarter ended March 31, 2021 from 2.37% in the corresponding quarter last year. Average yields on total interest-earning assets decreased 68 basis points to 3.44% for the quarter ended March 31, 2021 from 4.12% in the corresponding quarter last year.

Total interest expense decreased $4.1 million, or 53.1% for the quarter ended March 31, 2021 compared to the same period last year. The decrease was driven by a $4.0 million, or 66.6% decrease in interest expense on deposits and a $125,000, or 7.1% decrease in interest expense on borrowings. Average interest-bearing deposits for the quarter ended March 31, 2021 increased $86.6 million, or 4.0%, but was more than offset by the 73 basis point decrease in cost of deposits, down to 0.36% compared to 1.09% in the same period in fiscal 2020. Average borrowings for the quarter ended March 31, 2021 decreased $8.2 million, or 1.7% along with a six basis point decrease in the average cost of borrowings compared to the same period last year. The increase in average deposits (interest and noninterest-bearing) was due to successful deposit gathering campaigns and funds from PPP loans and other government stimulus. The decrease in the average cost of borrowing was driven by the lower federal funds rate during the current quarter compared to the prior year. The overall average cost of funds decreased 62 basis points to 0.54% for the current quarter compared to 1.16% in the same quarter last year due primarily to the impact of lower rates.

Provision (Benefit) for Credit Losses. During the three months ended March 31, 2021 there was a $4.1 million net benefit of the provision for credit losses compared to a $5.4 million provision for the corresponding quarter of fiscal 2020. The net benefit of provision relates to the previously discussed changes in the economic forecast since December 31, 2020 and the decline in the balance of total loans. Net loan recoveries totaled $185,000 for the three months ended March 31, 2021, compared to net charge-offs of $581,000 for the same period last year. Net recoveries as a percentage of average loans were (0.03)% for the quarter ended March 31, 2021 compared to net charge-offs as a percentage of average loans of 0.09% for the quarter ended March 31, 2020.

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

Noninterest Income. Noninterest income increased $4.3 million, or 67.5% to $10.7 million for the three months ended March 31, 2021 from $6.4 million for the same period in the previous year primarily due to a $3.4 million, or 224.8% increase in gain on sale of loans held for sale, a $703,000, or 40.0% increase in other noninterest income, a $342,000, or 116.3% increase in loan income and fees, partially offset by a $110,000, or 4.8% decrease in service charges and fees on deposit accounts. The increase in gain on the sale of loans held for sale was driven by an increase in gains from sales of mortgage, home equity, and SBA loans. During the quarter ended March 31, 2021, $20.2 million of the guaranteed portion of SBA commercial loans were sold with gains of $1.8 million compared to $6.8 million sold and gains of $469,000 in the corresponding quarter in the prior year. There were $106.5 million of residential mortgage loans originated for sale which were sold with gains of $2.7 million compared to $32.2 million sold and gains of $852,000 in the corresponding quarter in the prior year. In addition, $43.8 million of home equity loans were sold during the quarter ended March 31, 2021 for a gain of $301,000 compared to $18.0 million sold and gains of $183,000 in the corresponding quarter. The increase in other noninterest income primarily related to operating lease income from the continued growth in the equipment finance line of business. The increase in loan income and fees is primarily a result of higher fees from the adjustable rate conversion program and other servicing fees. The decrease in service charges on deposit accounts was primarily related to lower nonsufficient fund fees as customers have decreased spending during the pandemic.

Noninterest Expense. Noninterest expense for the three months ended March 31, 2021 increased $5.6 million, or 22.5% to $30.5 million compared to $24.9 million for the three months ended March 31, 2020. The increase was primarily due to $3.7 million in prepayment penalties on borrowings; a $1.3 million, or 9.2% increase in salaries and employee benefits as a result of new positions, mortgage loan origination incentives, and annual salary increases; a $558,000, or 27.6% increase in computer services as a result of increased processing charges; a $396,000, or 10.2% increase in other expenses, mainly driven by depreciation from our equipment finance line of business; and a $210,000, or 9.3% increase in net occupancy expense from investments in infrastructure. Partially offsetting these increases was a cumulative decrease of $394,000, or 19.2% in telephone, postage, and supplies expense; marketing and advertising expense; deposit insurance premiums, and core deposit intangible amortization for the three months ended March 31, 2021 compared to the same period last year. In addition, there was a $152,000, or 60.8% decrease in REO related expenses as a result of fewer properties held and no post-foreclosure writedowns.

Income Taxes. Our income tax expense for the three months ended March 31, 2021 increased $1.9 million to $2.1 million from $188,000 for the three months ended March 31, 2020. Pretax income in the current period was positively impacted by the $4.1 million net benefit of the provision for credit losses compared to the $5.4 million provision for the corresponding quarter of fiscal 2020. As a result, tax-free income from our municipal lease portfolio was 10.7% of pretax income in the current period compared to 73.7% for the same period in the prior year resulting in effective tax rates of 21.0% and 13.6% for the three months ended March 31, 2021 and 2020, respectively.

Comparison of Results of Operations for the Nine Months Ended March 31, 2021 and 2020

General. During the nine months ended March 31, 2021, net income increased by $3.9 million, or 20.3% to $23.1 million from $19.2 million for the nine months ended March 31, 2020. Our diluted earnings per share increased to $1.40 for the nine months ended March 31, 2021 compared to $1.08 in the same period in fiscal 2021. For the nine months ended March 31, 2021 as compared to the prior comparable nine-month period, earnings were positively impacted by a $6.2 million net benefit in the provision for credit losses and a $4.4 million increase in the gain on sale of loans held for sale partially offset by the previously mentioned prepayment penalty on the early retirement of borrowings.

Net Interest Income. Net interest income decreased to $77.3 million for the nine months ended March 31, 2021, compared to $79.4 million for the comparative period in fiscal 2020. The $2.1 million, or 2.6% decrease was due to a $15.3 million decrease in interest and dividend income partially offset by a $13.2 million decrease in interest expense, both of which were driven by the lower rate environment in the current period.

Average interest-earning assets increased $159.7 million, or 4.8% to $3.5 billion for the nine months ended March 31, 2021 compared to $3.3 billion in the corresponding prior period. The average balance of total loans receivable increased by $92.6 million, or 3.4% compared to the same period last year. The average balance of commercial paper and deposits in other banks increased $92.0 million, or 25.4% between the periods. These increases were funded by a $21.5 million, or 14.1% decrease in securities available for sale, a $3.5 million, or 8.3% decrease in other interest-earning assets, and a $185.9 million, or 55.3% increase in average noninterest-bearing deposits partially offset by a $11.9 million, or 0.4% decrease in average interest-bearing liabilities as compared to the same period last year. Net interest margin (on a fully taxable-equivalent basis) for the nine months ended March 31, 2021 decreased to 3.02% from 3.25% for the same period a year ago.

Total interest and dividend income decreased $15.3 million, or 14.5% for the nine months ended March 31, 2021 as compared to the same period last year, which was primarily driven by a $9.6 million, or 10.2% decrease in loan interest income, a $3.8 million, or 64.7% decrease in interest income from commercial paper and deposits in other banks, a $1.4 million, or 47.3% decrease in interest income on securities available for sale, and a $425,000, or 19.7% decrease in interest income on other interest-earning assets. The lower interest income was driven by the decrease in market yields compared to the prior year period. Average loan yields decreased 60 basis points to 4.03% for the nine months ended March 31, 2021 from 4.63% in the corresponding period last year. Average yields on commercial paper and deposits in other banks decreased 157 basis points to 0.62% for the nine months ended March 31, 2021 from 2.19% in the corresponding period last year. Average yields on securities available for sale decreased 98 basis points to 1.55% for the nine months ended March 31, 2021 from 2.53% in the corresponding period last year. Average yields on total interest-earning assets decreased 79 basis points to 3.51% for the nine months ended March 31, 2021 from 4.30% in the corresponding period last year.

Total interest expense decreased $13.2 million, or 51.1% for the nine months ended March 31, 2021 compared to the same period last year. The decrease was driven by a $10.5 million, or 58.1% decrease in interest expense on deposits and a $2.6 million, or 34.3% decrease in interest expense on borrowings. The $104.2 million, or 4.8% increase in average interest-bearing deposits for the nine months ended March 31, 2021 was more than offset by the 67 basis point decrease down to 0.45% in the corresponding cost of funds compared to 1.12%. Average borrowings for the nine months ended March 31, 2021 decreased $116.1 million, or 19.8% along with a 32 basis point decrease in the average cost of borrowings compared to the same period last year. The overall average cost of funds decreased 63 basis points to 0.62% for the nine month period compared to 1.25% in the same period last year due primarily to the impact of the lower amount of borrowings and rates.

Provision (Benefit) for Loan Losses. During the nine months ended March 31, 2021 there was a $6.2 million net benefit of the provision for credit losses compared to a $5.8 million provision for the corresponding period of fiscal 2020. The net benefit of provision relates to the previously discussed changes in the economic forecast since the adoption of CECL and the decline in the balance of total loans. Net loan charge-offs totaled $452,000 for the nine months ended March 31, 2021, compared to $379,000 for the same period last year. Net charge-offs as a percentage of average loans was 0.02% for each of the nine months ended March 31, 2021 and 2020.

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

Noninterest Income. Noninterest income increased $5.6 million, or 24.0%, to $28.7 million for the nine months ended March 31, 2021 from $23.1 million for the nine months ended March 31, 2020, primarily due to a $4.4 million, or 57.4% increase in gain of sale of loans held for sale and a $2.4 million, or 54.1% increase in other noninterest income, partially offset by a $645,000, or 8.8% decrease in service charges and fees on deposit accounts, a $368,000, or 18.0% decrease in loan income and fees, and a $173,000, or 10.0% decrease in income from BOLI. The increase in gain on the sale of loans held for sale was driven by an increase in sales of mortgage, home equity, and SBA loans. There were $297.2 million of residential mortgage loans originated for sale which were sold with gains of $7.7 million compared to $135.4 million sold and gains of $3.6 million in the corresponding period in the prior year. Included in the prior year's gain on sale of loans was an additional $1.3 million non-recurring gain related to one-to-four family loans of $154.9 million that were sold during the corresponding period last year. During the nine months ended March 31, 2021, $44.6 million of the guaranteed portion of SBA commercial loans were sold with gains of $3.7 million compared to $36.0 million sold and gains of $2.5 million in the corresponding period in the prior year. In addition, $85.9 million of home equity loans were sold during the nine months ended March 31, 2021 for a gain of $559,000 compared to $18.0 million sold and gains of $183,000 in the corresponding period in the prior year. The increase in other noninterest income was primarily related to operating lease income from the equipment finance line of business. The decrease in service charges on deposit accounts was primarily related to lower nonsufficient fund fees as customers have decreased spending during the pandemic. The decrease in loan income and fees was primarily a result of lower fees from the our adjustable rate conversion program. The decrease in BOLI income was driven by lower interest rates.

Noninterest Expense. Noninterest expense for the nine months ended March 31, 2021 increased $10.5 million, or 14.4%, to $82.9 million compared to $72.5 million for the nine months ended March 31, 2020. The increase was primarily due to a $4.2 million, or 9.8% increase in salaries and employee benefits; the previously mentioned $3.7 million prepayment penalty; a $2.4 million, or 23.3% increase in other expenses, driven by depreciation from the Company's equipment finance line of business; a $1.1 million, or 17.8% increase in computer services; and a $887,000 increase in deposit insurance premiums as a result of credits issued by the FDIC being utilized in the prior year period. Partially offsetting these increases was a cumulative decrease of $1.4 million, or 26.0% in telephone, postage, and supplies expense; marketing and advertising expense; and core deposit intangible amortization for the nine months ended March 31, 2021 compared to the same period last year. In addition, there was a $372,000, or 44.6% decrease in REO related expenses as a result of fewer properties held, no post-foreclosure writedowns, and a gain on on the sale of REO in the current period compared to a loss in the comparative period last year.

Income Taxes. For the nine months ended March 31, 2021, the Company's income tax expense increased $1.1 million, or 21.2% to $6.1 million from $5.1 million as a result of higher taxable income. The effective tax rate for the nine months ended March 31, 2021 and 2020 was 21.0% and 20.9%, respectively.

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, cash flows from loan payments, commercial paper, 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, 2021, the Bank had an available borrowing capacity of $232.3 million with the FHLB of Atlanta, a $96.8 million line of credit with the FRB and a line of credit with each of three unaffiliated banks totaling $100.0 million. At March 31, 2021, we had $275.0 million in FHLB advances outstanding and nothing outstanding under our other lines of credit. Additionally, we classify our 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 may 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, 2021 brokered deposits totaled $4.6 million, or 0.2% of total deposits compared to $143.2 million, or 5.1% of total deposits at June 30, 2020.

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, federal funds, and commercial paper. On a longer term basis, we maintain a strategy of investing in various lending products and investment securities, including mortgage-backed securities. HomeTrust Bancshares on a stand-alone level is a separate legal entity from the Bank and we must provide for our own liquidity and pay our own operating expenses. Our primary source of funds consists of the net proceeds retained from the Conversion. We also have 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, 2021, HomeTrust Bancshares on a stand-alone basis had liquid assets of $8.5 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, 2021, the total approved loan commitments and unused lines of credit outstanding amounted to $363.7 million and $556.5 million, respectively, as compared to $199.4 million and $398.8 million, respectively, as of June 30, 2020. Certificates of deposit scheduled to mature in one year or less at March 31, 2021, totaled $448.2 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 a majority of our maturing deposits will remain with us.

During the first nine months of fiscal 2021, cash and cash equivalents increased $42.5 million, or 34.9%, to $164.1 million as of March 31, 2021 from $121.6 million as of June 30, 2020. Cash provided by investing and operating activities were $134.9 million and $1.7 million, respectively, while cash used in financing activities was $94.1 million. Primary sources of cash for the nine months ended March 31, 2021 included a $122.8 million increase in deposits, a $103.4 million decrease in loans, $67.1 million in net principal repayments of commercial paper, $47.2 million in maturing securities available for sale, $13.7 million in maturities of certificates of deposit in other banks, net of purchases, $11.7 million in principal repayments from mortgage-backed securities, and $10.0 million in net redemptions of other investments. Primary uses of cash during the period included $200.0 million in early retirement of borrowings, $95.6 million in purchases of securities available for sale, $15.1 million in purchases of premises and equipment, $11.7 million in shares repurchased, a $9.5 million increase in loans held for sale, $7.8 million in purchases of operating lease equipment, $3.7 million in prepayment penalties, and $3.7 million in cash dividends. All sources and uses of cash reflect our cash management strategy to increase our higher yielding investments and loans by increasing lower costing borrowings and reducing our holdings of 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, 2021, we did not engage in any 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, 2021, is as follows:

(Dollars in thousands)		
Undisbursed portion of construction loans	$	217,142
Commitments to make loans		146,578
Unused lines of credit		556,501
Unused letters of credit		9,213
Total loan commitments	$	929,434

Capital Resources

At March 31, 2021, stockholders' equity totaled $406.5 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, 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.

HomeTrust Bancshares, Inc. and the Bank each exceeded all regulatory capital requirements as of March 31, 2021. 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, 2021 under applicable regulatory requirements.

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

					Regulatory Requirements							
(Dollars in thousands)	Actual				Minimum for Capital Adequacy Purposes				Minimum to Be Well Capitalized			
	Amount		Ratio		Amount		Ratio		Amount		Ratio	
HomeTrust Bancshares, Inc.												
As of March 31, 2021												
Common Equity Tier I Capital to Risk-Weighted Assets	$	385,697	11.64	%	$	149,079	4.50	%	$	215,337	6.50	%
Tier I Capital (to Total Adjusted Assets)	$	385,697	10.34	%	$	149,257	4.00	%	$	186,571	5.00	%
Tier I Capital (to Risk-weighted Assets)	$	385,697	11.64	%	$	198,773	6.00	%	$	265,030	8.00	%
Total Risk-based Capital (to Risk-weighted Assets)	$	409,269	12.35	%	$	265,030	8.00	%	$	331,288	10.00	%
As of June 30, 2020												
Common Equity Tier I Capital to Risk-Weighted Assets	$	374,437	11.26	%	$	149,614	4.50	%	$	216,109	6.50	%
Tier I Capital (to Total Adjusted Assets)	$	374,437	10.26	%	$	146,047	4.00	%	$	182,559	5.00	%
Tier I Capital (to Risk-weighted Assets)	$	374,437	11.26	%	$	199,485	6.00	%	$	265,980	8.00	%
Total Risk-based Capital (to Risk-weighted Assets)	$	402,964	12.12	%	$	265,980	8.00	%	$	332,476	10.00	%
HomeTrust Bank												
As of March 31, 2021												
Common Equity Tier I Capital to Risk-Weighted Assets	$	369,703	11.16	%	$	149,071	4.50	%	$	215,325	6.50	%
Tier I Capital (to Total Adjusted Assets)	$	369,703	9.91	%	$	149,267	4.00	%	$	186,584	5.00	%
Tier I Capital (to Risk-weighted Assets)	$	369,703	11.16	%	$	198,762	6.00	%	$	265,016	8.00	%
Total Risk-based Capital (to Risk-weighted Assets)	$	393,275	11.87	%	$	265,016	8.00	%	$	331,270	10.00	%
As of June 30, 2020												
Common Equity Tier I Capital to Risk-Weighted Assets	$	362,841	10.91	%	$	149,608	4.50	%	$	216,100	6.50	%
Tier I Capital (to Total Adjusted Assets)	$	362,841	9.94	%	$	146,010	4.00	%	$	182,512	5.00	%
Tier I Capital (to Risk-weighted Assets)	$	362,841	10.91	%	$	199,477	6.00	%	$	265,969	8.00	%
Total Risk-based Capital (to Risk-weighted Assets)	$	391,368	11.77	%	$	265,969	8.00	%	$	332,461	10.00	%

In addition to the minimum CET1, Tier 1 and total risk-based capital ratios, both HomeTrust Bancshares, Inc. and the Bank have to maintain a capital conservation buffer consisting of additional CET1 capital of more than 2.5% 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. At March 31, 2021, the conservation buffer was 4.35% and 3.87% for HomeTrust Bancshares, Inc. and the Bank, respectively.

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 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 us. 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 2020 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, 2021, 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, 2021, 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, on July 1, 2020, the Company adopted the CECL accounting standard. In connection with the adoption of CECL, the Company implemented relevant changes and enhancements to its internal control environment and processes related to estimating credit losses in accordance with the standard. There were no other changes in the Company's internal control over financial reporting that occurred during the nine months ended March 31, 2021 that materially affected, or are reasonably likely to materially affect, the Company’s 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 errors 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 10 - Commitments and Contingencies" 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 2020 Form 10-K.

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

(a) Not applicable

(b) Not applicable

(c) Not applicable

eriod	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
nuary 1 - January 31, 2021	104,053	$ 20.19	104,053	469,829
ebruary 1 - February 29, 2021	30,076	21.59	30,076	439,753
larch 1 - March 31, 2021	155,204	24.44	155,204	284,549
otal	289,333	$ 22.62	289,333	284,549

On April 2, 2020, the Company announced that its Board of Directors authorized the repurchase of up to 851,004 shares of the Company's common stock, representing 5% of its 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.

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

Regulation S-K Exhibit Number	Document	Reference to Prior Filing or Exhibit Number Attached Hereto
3.1	Charter of HomeTrust Bancshares, Inc.	(a)
3.2	Articles Supplementary to the Charter of HomeTrust Bancshares, Inc. for HomeTrust Bancshares, Inc.'s Junior Participating Preferred Stock, Series A	(b)
3.3	Amended and Restated Bylaws of HomeTrust Bancshares, Inc.	3.3
4.1	Tax Benefits Preservation Plan, dated as of September 25, 2012, between HomeTrust Bancshares, Inc. and Registrar and Transfer Company, as Rights Agent	(b)
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	(d)
4.3	Amendment No. 2, dated as of August 21, 2018, to Tax Benefits 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	(e)
10.1	HomeTrust Bancshares, Inc. Strategic Operating Committee Incentive Plan	(q)
10.2	Amended and Restated Employment Agreement entered into between HomeTrust Bancshares, Inc. and Dana L. Stonestreet	(g)
10.3	Amended and Restated Employment Agreement entered into between HomeTrust Bancshares, Inc. and C. Hunter Westbrook	(g)
10.3A	Amendment No. 1 to Amended and Restated Employment Agreement entered into between HomeTrust Bancshares, Inc. and C. Hunter Westbrook	(h)
10.3B	Amendment No. Two dated as of October 27, 2020, to Amended and Restated Employment Agreement, dated as of September 11, 2018, by and between the Company and C. Hunter Westbrook	(i)
10.4	Amended and Restated Employment Agreement entered into between HomeTrust Bancshares,Inc. and Tony J. VunCannon	(g)
10.5	Employment Agreement between HomeTrust Bancshares, Inc. and Howard L. Sellinger	(g)
10.6	Employment Agreement between HomeTrust Bank and Sidney A. Biesecker	(a)
10.7	HomeTrust Bank Executive Supplemental Retirement Income Master Agreement ("SERP")	(a)
10.7A	SERP Joinder Agreement for F. Edward Broadwell, Jr.	(a)
10.7B	SERP Joinder Agreement for Dana L. Stonestreet	(a)
10.7C	SERP Joinder Agreement for Tony J. VunCannon	(a)
10.7D	SERP Joinder Agreement for Howard L. Sellinger	(a)
10.7E	SERP Joinder Agreement for Stan Allen	(a)
10.7F	SERP Joinder Agreement for Sidney A. Biesecker	(a)
10.7G	SERP Joinder Agreement for Peggy C. Melville	(a)
10.7H	SERP Joinder Agreement for William T. Flynt	(a)
10.7I	Amended and Restated Supplemental Income Agreement between HomeTrust Bank, as successor to Industrial Federal Savings Bank, and Sidney Biesecker	(j)
10.8	HomeTrust Bank Director Emeritus Plan ("Director Emeritus Plan")	(a)
10.8A	Director Emeritus Plan Joinder Agreement for William T. Flynt	(a)

10.8B	Director Emeritus Plan Joinder Agreement for J. Steven Goforth	(a)
10.8C	Director Emeritus Plan Joinder Agreement for Craig C. Koontz	(a)
10.8D	Director Emeritus Plan Joinder Agreement for Larry S. McDevitt	(a)
10.8E	Director Emeritus Plan Joinder Agreement for F.K. McFarland, III	(a)
10.8F	Director Emeritus Plan Joinder Agreement for Peggy C. Melville	(a)
10.8G	Director Emeritus Plan Joinder Agreement for Robert E. Shepherd, Sr.	(a)
10.9	HomeTrust Bank Defined Contribution Executive Medical Care Plan	(a)
10.10	HomeTrust Bank 2005 Deferred Compensation Plan	(a)
10.11	HomeTrust Bank Pre-2005 Deferred Compensation Plan	(a)
10.12	HomeTrust Bancshares, Inc. 2013 Omnibus Incentive Plan ("Omnibus Incentive Plan")	(k)
10.13	Form of Incentive Stock Option Award Agreement under Omnibus Incentive Plan	(l)
10.14	Form of Non-Qualified Stock Option Award Agreement under Omnibus Incentive Plan	(l)
10.15	Form of Stock Appreciation Right Award Agreement under Omnibus Incentive Plan	(l)
10.16	Form of Restricted Stock Award Agreement under Omnibus Incentive Plan	(l)
10.17	Form of Restricted Stock Unit Award Agreement under Omnibus Incentive Plan	(l)
10.18	Agreement and General Release between HomeTrust Bancshares, Inc. and Paula Labian	10.18
10.19	Reserved	
10.20	Money Purchase Deferred Compensation Agreement, dated as of September 1, 1987, between HomeTrust Bank and F. Edward Broadwell, Jr.	(m)
10.21	Retirement Payment Agreement, dated as of September 1, 1987, between HomeTrust Bank and F. Edward Broadwell, Jr., as amended	(m)
10.22	Retirement Payment Agreement, dated as of September 1, 1987, between HomeTrust Bank and Larry S. McDevitt, as amended	(m)
10.23	Retirement Payment Agreement, dated as of September 1, 1987, between HomeTrust Bank and Peggy C. Melville, as amended	(m)
10.24	Retirement Payment Agreement, dated as of August 1, 1988, between HomeTrust Bank and Robert E. Shepherd, Sr., as amended	(m)
10.25	Retirement Payment Agreement, dated as of May 1, 1991, between HomeTrust Bank and William T. Flynt, as amended	(m)
10.26	Offer Letter between HomeTrust Bank and Keith J. Houghton	(n)
10.27	Change in Control Severance Agreement between HomeTrust Bancshares, Inc. and Marty Caywood	(o)
10.28	Amended and Restated Change in Control Severance Agreement between HomeTrust Bancshares, Inc. and Keith J. Houghton	(g)
10.29	Amended and Restated Change in Control Severance Agreement between HomeTrust Bancshares, Inc. and R. Parrish Little	(p)
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, 2021, formatted in Extensible Business Reporting Language (XBRL): (a) Consolidated Balance Sheets; (b) Consolidated Statements of Income; (c) Consolidated Statements of Comprehensive Income; (d) Consolidated Statements of Changes in Stockholders' Equity; (e) Consolidated Statements of Cash Flows; and (f) Notes to Consolidated Financial Statements.	101

(a) Filed as an exhibit to HomeTrust Bancshares's Registration Statement on Form S-1 (File No. 333-178817) filed on December 29, 2011.
(b) Filed as an exhibit to HomeTrust Bancshares's Current Report on Form 8-K filed on September 25, 2012 (File No. 001-35593).
(c) Filed as an exhibit to HomeTrust Bancshares's Current Report on Form 8-K filed on May 1, 2018 (File No. 001-35593).
(d) Filed as an exhibit to HomeTrust Bancshares's Current Report on Form 8-K filed on August 31, 2015 (File No. 001-35593).
(e) Filed as an exhibit to HomeTrust Bancshares’s Current Report on Form 8-K filed on August 21, 2018 (File No. 001-35593).
(f) Reserved
(g) Filed as an exhibit to HomeTrust Bancshares's Current Report on Form 8-K filed on September 11, 2018 (File No. 001-35593).
(h) Filed as an exhibit to HomeTrust Bancshares’s Current Report on Form 8-K filed on September 25, 2018 (File No. 001-35593.

(i) Filed as an exhibit to HomeTrust Bancshares's Current Report on Form 8-K filed on October 28, 2020 (File No. 001-35593).
(j) 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.
(k) Attached as Appendix A to HomeTrust Bancshares's definitive proxy statement filed on December 5, 2012 (File No. 001-35593).
(l) Filed as an exhibit to HomeTrust Bancshares's Registration Statement on Form S-8 (File No. 333-186666) filed on February 13, 2013.
(m) Filed as an exhibit to HomeTrust Bancshares's Annual Report on Form 10-K for the fiscal year ended June 30, 2014 (File No. 001-35593).
(n) Filed as an exhibit to HomeTrust Bancshares's 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 Quarterly Report on Form 10-Q for the quarter ended March 31, 2019 (File No. 001-35593).
(p) Filed as an exhibit to HomeTrust Bancshares's Annual Report on Form 10-K for the fiscal year ended June 30, 2018 (File No. 001-35593).
(q) Filed as an exhibit to HomeTrust Bancshares's Quarterly Report on Form 10-Q for the quarter ended December 31, 2020 (File No. 001-35593).

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 7, 2021	By:	/s/ Dana L. Stonestreet
		Dana L. Stonestreet Chairman, President and CEO *(Duly Authorized Officer)*
Date: May 7, 2021	By:	/s/ Tony J. VunCannon
		Tony J. VunCannon Executive Vice President, CFO, Corporate Secretary and Treasurer *(Principal Financial and Accounting Officer)*

AMENDED AND RESTATED BYLAWS
OF
HOMETRUST BANCSHARES, INC.

(Effective April 26, 2021)

ARTICLE I

STOCKHOLDERS

Section 1. Annual Meeting.

The Corporation shall hold an annual meeting of its stockholders to elect directors to succeed those whose terms expire and to transact any other business within its powers, at such place, on such date, and at such time as the Board of Directors shall each year fix. Except as provided otherwise by the Corporation's Charter or by law, any business may be considered at an annual meeting without the purpose of the meeting having been specified in the notice. Failure to hold an annual meeting does not invalidate the Corporation's existence or affect any otherwise valid corporate act.

Section 2. Special Meetings.

Special meetings of stockholders of the Corporation may be called by the Chair of the Board of Directors, the Vice Chair/Lead Director, the Chief Executive Officer or the President or by the Board of Directors pursuant to a resolution adopted by a majority of the total number of directors which the Corporation would have if there were no vacancies on the Board of Directors (hereinafter the "Whole Board"). Special meetings of the stockholders shall be called by the Secretary at the request of stockholders only on the written request of stockholders entitled to cast at least a majority of all the votes entitled to be cast at the meeting. Such written request shall state the purpose or purposes of the meeting and the matters proposed to be acted upon at the meeting, and shall be delivered at the principal office of the Corporation addressed to the President or the Secretary. The Secretary shall inform the stockholders who make the request of the reasonably estimated cost of preparing and mailing a notice of the meeting and, upon payment of these costs to the Corporation, notify each stockholder entitled to notice of the meeting. The Board of Directors shall have the sole power to fix (1) the record date for determining stockholders entitled to request a special meeting of stockholders and the record date for determining stockholders entitled to notice of and to vote at the special meeting and (2) the date, time and place of the special meeting and the means of remote communication, if any, by which stockholders and proxy holders may be considered present in person and may vote at the special meeting.

Section 3. Notice of Meetings; Adjournment.

Not less than ten nor more than 90 days before each stockholders' meeting, the Secretary shall give notice in writing or by electronic transmission of the meeting to each stockholder entitled to vote at the meeting and to each other stockholder entitled to notice of the meeting. The notice shall state the time and place of the meeting, the means of remote communication, if any, by which stockholders and proxy holders may be deemed to be present in person and may vote at the meeting, and, if the meeting is a special meeting or notice of the purpose is required by statute, the purpose of the meeting. Notice is given to a stockholder when it is personally delivered to the stockholder, left at the stockholder's usual place of business, mailed to the stockholder at his or her address as it appears on the records of the Corporation, or transmitted to the stockholder by an electronic transmission to any address or number of the stockholder at which the stockholder receives electronic transmissions. If the Corporation has received a request from a stockholder that notice not be sent by electronic transmission, the Corporation may not provide notice to the stockholder by electronic transmission. Notwithstanding the foregoing provisions, each person who is entitled to notice waives notice if such person, before or after the meeting, delivers a written waiver or waiver by electronic transmission which is filed with the records of the stockholders' meetings, or is present at the meeting in person or by proxy.

A meeting of stockholders convened on the date for which it was called may be adjourned from time to time without further notice to a date not more than 120 days after the original record date. At any adjourned meeting, any business may be transacted which might have been transacted at the original meeting.

As used in these Bylaws, the term "electronic transmission" shall have the meaning given to such term by Section 1-101(k-1) of the Maryland General Corporation Law (the "MGCL") or any successor provision.

Section 4. Quorum.

At any meeting of the stockholders, the holders of at least one-third of all of the shares of the stock entitled to vote at the meeting, present in person or by proxy, shall constitute a quorum for all purposes, unless or except to the extent that the presence of a larger number may be required by law. Unless the Charter of the Corporation provides otherwise, where a separate vote by a class or classes is required, a majority of the shares of such class or classes, present in person or represented by proxy, shall constitute a quorum entitled to take action with respect to that vote on that matter.

If a quorum shall fail to attend any meeting, the Chair of the meeting or the holders of a majority of the shares of stock entitled to vote who are present, in person or by proxy, may, in accordance with Section 3 of this Article I, adjourn the meeting to another place, date or time.

Section 5. Organization and Conduct of Business.

The Chair of the Board of Directors or, in his or her absence, the Chief Executive Officer of the Corporation or, in his or her absence, the President of the Corporation, or in his or her absence such person as the Board of Directors may have designated or, in the absence of such a person, such person as may be chosen by the holders of a majority of the shares entitled to vote who are present, in person or by proxy, shall call to order any meeting of the stockholders and act as Chair of the meeting. In the absence of the Secretary of the Corporation, the secretary of the meeting shall be such person as the chair appoints. The Chair of any meeting of stockholders shall determine the order of business and the procedure at the meeting, including such regulation of the manner of voting and the conduct of discussion as seem to him or her in order.

Section 6. Advance Notice Provisions for Business to be Transacted at Annual Meetings and Elections of Directors.

(a) At any annual meeting of the stockholders, only such business shall be conducted as shall have been brought before the meeting (i) as specified in the Corporation’s notice of the meeting, (ii) by or at the direction of the Board of Directors or (iii) by any stockholder of the Corporation who (1) is a stockholder of record on the date of giving the notice provided for in this Section 6(a) and on the record date for the determination of stockholders entitled to vote at such annual meeting, and (2) complies with the notice procedures set forth in this Section 6(a). For business to be properly brought before an annual meeting by a stockholder pursuant to clause (iii) of the immediately preceding sentence, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation and such business must otherwise be a proper matter for action by stockholders.

To be timely, a stockholder's notice must be delivered or mailed to and received by the Secretary at the principal executive office of the Corporation by not later than the close of business on the 90th day prior to the first anniversary of the date of the preceding year's annual meeting and not earlier than the close of business on the 120th day prior to the first anniversary of the date of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is advanced by more than 20 days, or delayed by more than 60 days, from the anniversary date of the preceding year's annual meeting, or in the event the annual meeting is the first annual meeting of stockholders of the Corporation, notice by the stockholder to be timely must be so received not earlier than the close of business on the 120th day prior to the date of such annual meeting and not later than the close of business on the later of (A) the 90th day prior to the date of such annual meeting or (B) the tenth day following the first to occur of (i) the day on which notice of the date of the annual meeting was mailed or otherwise transmitted or (ii) the day on which public announcement of the date of the annual meeting was first made by the Corporation. No adjournment or postponement of a meeting of stockholders shall commence a new period for the giving of notice hereunder.

A stockholder's notice to the Secretary must set forth as to each matter such stockholder proposes to bring before the annual meeting: (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting; (ii) the name and address of such stockholder as they appear on the Corporation's books and of the beneficial owner, if any, on whose behalf the proposal is made; (iii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by such stockholder and such beneficial owner; (iv) a description of all arrangements or understandings between such stockholder and any other person or persons (including their names) in connection with the proposal of such business by such stockholder and any material interest of such stockholder in such business; and (v) a representation that such stockholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting.

Notwithstanding anything in these Bylaws to the contrary, no business shall be brought before or conducted at an annual meeting except in accordance with the provisions of this Section 6(a). The officer of the Corporation or other person presiding over the annual meeting shall, if the facts so warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with the provisions of this Section 6(a) and, if he or she should so determine, he or she shall so declare to the meeting and any such business so determined to be not properly brought before the meeting shall not be transacted.

At any special meeting of the stockholders, only such business shall be conducted as shall have been brought before the meeting pursuant to the Corporation’s notice of the meeting.

(b) Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Corporation. Nominations of persons for election to the Board of Directors of the Corporation may be made at a meeting of stockholders at which directors are to be elected only (i) by or at the direction of the Board of Directors or a committee thereof or (ii) by any stockholder of the Corporation who (1) is a stockholder of record on the date of giving the notice provided for in this Section 6(b) and on the record date for the determination of stockholders entitled to vote at such meeting, and (2) complies with the notice procedures set forth in this Section 6(b). Such nominations, other than those made by or at the direction of the Board of Directors, shall be made by timely notice in writing to the Secretary of the Corporation. To be timely, a stockholder's notice shall be delivered or mailed to and received by the Secretary at the principal executive offices of the Corporation not less than 90 days or more than 120 days prior to the date of the meeting; provided, however, that in the event that less than 100 days' notice or public announcement of the date of the meeting is given or made to stockholders, notice by the stockholder to be timely must be so received not later than the close of business on the tenth day following the day on which such notice of the date of the meeting was mailed or otherwise transmitted or the day on which public announcement of the date of the meeting was first made by the Corporation, whichever shall first occur. A stockholder's notice must be in writing and set forth (a) as to each person whom the stockholder proposes to nominate for election as a director, all information relating to such person that is required to be disclosed in connection with solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or any successor rule or regulation; and (b) as to the stockholder giving the notice: (i) the name and address of such stockholder as they appear on the Corporation's books and of the beneficial owner, if any, on whose behalf the nomination is made; (ii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by such stockholder and such beneficial owner; (iii) a description of all arrangements or understandings between such stockholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination(s) are to be made by such stockholder; (iv) a representation that such stockholder intends to appear in person or by proxy at the meeting to nominate the persons named in its notice; and (v) any other information relating to such stockholder that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Regulation 14A under the Exchange Act or any successor rule or regulation. Such notice must be accompanied by a written consent of each proposed nominee to be named as a nominee and to serve as a director if elected. No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the provisions of this Section 6(b). The officer of the Corporation or other person presiding at the meeting shall, if the facts so warrant, determine that a nomination was not made in accordance with such provisions and, if he or she should so determine, he or she shall so declare to the meeting and the defective nomination shall be disregarded.

(c) For purposes of subsections (a) and (b) of this Section 6, the term “public announcement” shall mean disclosure (i) in a press release reported by a nationally recognized news service, (ii) in a document publicly filed or furnished by the Corporation with the U.S. Securities and Exchange Commission or (iii) on a website maintained by the Corporation.

Section 7. Proxies and Voting.

Unless the Charter of the Corporation provides for a greater or lesser number of votes per share or limits or denies voting rights, each outstanding share of stock, regardless of class, is entitled to one vote on each matter submitted to a vote at a meeting of stockholders; however, a share is not entitled to be voted if any installment payable on it is overdue and unpaid. In all elections for directors, directors shall be determined by a plurality of the votes cast, and except as otherwise required by law or as provided in the Charter of the Corporation, all other matters voted on by stockholders shall be determined by a majority of the votes cast on the matter.

A stockholder may vote the stock the stockholder owns of record either in person or by proxy. A stockholder may sign a writing authorizing another person to act as proxy. Signing may be accomplished by the stockholder or the stockholder’s authorized agent signing the writing or causing the stockholder’s signature to be affixed to the writing by any reasonable means, including facsimile signature. A stockholder may authorize another person to act as proxy by transmitting, or authorizing the transmission of, an authorization for the person to act as the proxy to the person authorized to act as proxy or to any other person authorized to receive the proxy authorization on behalf of the person authorized to act as the proxy, including a proxy solicitation firm or proxy support service organization. The authorization may be transmitted by a telegram, cablegram, datagram, electronic mail or any other electronic or telephonic means. Unless a proxy provides otherwise, it is not valid more than 11 months after its date. A proxy is revocable by a stockholder at any time without condition or qualification unless the proxy states that it is irrevocable and the proxy is coupled with an interest. A proxy may be made irrevocable for as long as it is coupled with an interest. The interest with which a proxy may be coupled includes an interest in the stock to be voted under the proxy or another general interest in the Corporation or its assets or liabilities.

Section 8. Consent of Stockholders in Lieu of Meeting.

Except as provided in the following sentence, any action required or permitted to be taken at a meeting of stockholders may be taken without a meeting if a unanimous consent which sets forth the action is given in writing or by electronic transmission by each stockholder entitled to vote on the matter and is filed in paper or electronic format with the records of stockholder meetings. Unless the Charter of the Corporation requires otherwise, the holders of any class of the Corporation's stock other than common stock, entitled to vote generally in the election of directors, may take action or consent to any action by delivering a consent in writing or by electronic transmission of the stockholders entitled to cast not less than the minimum number of votes that would be necessary to authorize or take the action at a meeting of the stockholders if the Corporation gives notice of the action so taken to each stockholder not later than ten days after the effective time of the action.

Section 9. Conduct of Voting.

The Board of Directors shall, in advance of any meeting of stockholders, appoint one or more persons as inspectors of election, to act at the meeting or any adjournment thereof and make a written report thereof, in accordance with applicable law. At all meetings of stockholders, the proxies and ballots shall be received, and all questions touching the qualification of voters and the validity of proxies and the acceptance or rejection of votes shall be decided or determined by the inspector of elections. All voting, including on the election of directors but excepting where otherwise required by law, may be by a voice vote; provided, however, that upon demand therefor by a stockholder entitled to vote or his or her proxy or the Chair of the meeting, a written vote shall be taken. Every written vote shall be taken by ballot, each of which shall state the name of the stockholder or proxy voting and such other information as may be required under the procedure established for the meeting. Every vote taken by ballot shall be counted by an inspector or inspectors appointed by the Chair of the meeting. No candidate for election as a director at a meeting shall serve as an inspector at such meeting.

Section 10. Control Share Acquisition Act.

Notwithstanding any other provision of the Charter of the Corporation or these Bylaws, Title 3, Subtitle 7 of the MGCL (or any successor statute) shall not apply to any acquisition by any person of shares of stock of the Corporation. This Section 10 may be repealed, in whole or in part, at any time, whether before or after an acquisition of Control Shares (as defined in Section 3-701(d) of the MGCL, or any successor provision) and, upon such repeal, may, to the extent provided by any successor bylaw, apply to any prior or subsequent Control Share Acquisition (as defined in Section 3-701(e) of the MGCL, or any successor provision).

ARTICLE II

BOARD OF DIRECTORS

Section 1. General Powers, Number and Term of Office.

The business and affairs of the Corporation shall be managed under the direction of the Board of Directors. The number of directors of the Corporation shall, by virtue of the Corporation's election made hereby to be governed by Section 3-804(b) of the MGCL, be fixed from time to time exclusively by vote of the Board of Directors; provided, however, that such number shall never be less than the minimum number of directors required by the MGCL now or hereafter in force. The Board of Directors shall annually elect a Chair of the Board and one or more Vice Chairs from among its members, and if the Board of Directors has determined that the Chair of the Board is not independent then the Board of Directors shall designate a Vice Chair to serve as Lead Director (the “Vice Chair/Lead Director”). The Board of Directors shall designate, when present, either the Chair of the Board or the Vice Chair/Lead Director to preside at its meetings.

The directors, other than those who may be elected by the holders of any series of preferred stock, shall be divided into three classes, as nearly equal in number as reasonably possible, with the term of office of the first class to expire at the first annual meeting of stockholders, the term of office of the second class to expire at the annual meeting of stockholders one year thereafter and the term of office of the third class to expire at the annual meeting of stockholders two years thereafter, with each director to hold office until his or her successor shall have been duly elected and qualified. At each annual meeting of stockholders, commencing with the first annual meeting, directors elected to succeed those directors whose terms expire shall be elected for a term of office to expire at the third succeeding annual meeting of stockholders after their election or for such shorter period of time as the Board of Directors may determine, with each director to hold office until his or her successor shall have been duly elected and qualified.

Section 2. Vacancies and Newly Created Directorships.

By virtue of the Corporation's election made hereby to be subject to Section 3-804(c) of the MGCL, any vacancies in the Board of Directors resulting from an increase in the size of the Board of Directors or the death, resignation or removal of a director may be filled only by the affirmative vote of a majority of the remaining directors in office, even if the remaining directors do not constitute a quorum, and any director elected to fill a vacancy shall hold office for the remainder of the full term of the class of directors in which the vacancy occurred and until a successor is elected and qualifies. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

Section 3. Regular Meetings.

Regular meetings of the Board of Directors shall be held at such place or places or by means of remote communication, on such date or dates, and at such time or times as shall have been established by the Board of Directors and publicized among all directors. A notice of each regular meeting shall not be required. Any regular meeting of the Board of Directors may adjourn from time to time to reconvene at the same or some other place, and no notice need be given of any such adjourned meeting other than by announcement.

Section 4. Special Meetings.

Special meetings of the Board of Directors may be called by one-third (1/3) of the directors then in office (rounded up to the nearest whole number) or by the Chair of the Board, the Vice Chair/Lead Director, the Chief Executive Officer or the President and shall be held at such place or by means of remote communication, on such date, and at such time as they or he or she shall fix. Notice of the place, date, and time of each such special meeting shall be given to each director by whom it is not waived by mailing written notice not less than five days before the meeting or by telegraphing or telexing or by facsimile or electronic transmission of the same not less than 24 hours before the meeting. Any director may waive notice of any special meeting, either before or after such meeting, by delivering a written waiver or a waiver by electronic transmission that is filed with the records of the meeting. Attendance of a director at a special meeting shall constitute a waiver of notice of such meeting, except where the director attends the meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at nor the purpose of any special meeting of the Board of Directors need be specified in the notice of such meeting. Any special meeting of the Board of Directors may adjourn from time to time to reconvene at the same or some other place, and no notice need be given of any such adjourned meeting other than by announcement.

Section 5. Quorum.

At any meeting of the Board of Directors, a majority of the authorized number of directors then constituting the Board shall constitute a quorum for all purposes. If a quorum shall fail to attend any meeting, a majority of those present may adjourn the meeting to another place, date, or time, without further notice or waiver thereof.

Section 6. Participation in Meetings By Conference Telephone.

Members of the Board of Directors, or of any committee thereof, may participate in a meeting of such Board or committee by means of a conference telephone or other communications equipment if all persons participating in the meeting can hear each other at the same time. Such participation shall constitute presence in person at such meeting.

Section 7. Conduct of Business.

At any meeting of the Board of Directors, business shall be transacted in such order and manner as the Board may from time to time determine, and all matters shall be determined by the vote of a majority of the directors present, except as otherwise provided in these Bylaws, the Corporation’s Charter or required by law. Action may be taken by the Board of Directors without a meeting if a unanimous consent which sets forth the action is given in writing or by electronic transmission by each member of the Board of Directors and filed in paper or electronic form with the minutes of proceedings of the Board of Directors.

Section 8. Powers.

All powers of the Corporation may be exercised by or under the authority of the Board of Directors except as conferred on or reserved to the stockholders by law or by the Corporation’s Charter or these Bylaws. Consistent with the foregoing, the Board of Directors shall have, among other powers, the unqualified power:

(i) To declare dividends from time to time in accordance with law;

(ii) To purchase or otherwise acquire any property, rights or privileges on such terms as it shall determine;

(iii) To authorize the creation, making and issuance, in such form as it may determine, of written obligations of every kind, negotiable or non-negotiable, secured or unsecured, and to do all things necessary in connection therewith;

(iv) To remove any officer of the Corporation with or without cause, and from time to time to devolve the powers and duties of any officer upon any other person for the time being;

(v) To confer upon any officer of the Corporation the power to appoint, remove and suspend subordinate officers, employees and agents;

(vi) To adopt from time to time such stock, option, stock purchase, bonus or other compensation plans for directors, officers, employees and agents of the Corporation and its subsidiaries as it may determine;

(vii) To adopt from time to time such insurance, retirement, and other benefit plans for directors, officers, employees and agents of the Corporation and its subsidiaries as it may determine; and

(viii) To adopt from time to time regulations, not inconsistent with these Bylaws, for the management of the Corporation's business and affairs.

Section 9. Compensation of Directors.

Directors, as such, may receive, pursuant to resolution of the Board of Directors, fixed fees and other compensation for their services as directors, including, without limitation, their services as members of committees of the Board of Directors.

Section 10. Resignation.

Any director may resign at any time by giving written notice of such resignation to the President or the Secretary at the principal office of the Corporation. Unless otherwise specified therein, such resignation shall take effect upon receipt thereof.

Section 11. Presumption of Assent.

A director of the Corporation who is present at a meeting of the Board of Directors at which action on any corporate matter is taken shall be presumed to have assented to such action unless such director announces his dissent at the meeting and (a) such director's dissent is entered in the minutes of the meeting, (b) such director files his written dissent to such action with the secretary of the meeting before the adjournment thereof, or (c) such director forwards his written dissent within 24 hours after the meeting is adjourned, by certified mail, return receipt requested, bearing a postmark from the United States Postal Service, to the secretary of the meeting or the Secretary of the Corporation. Such right to dissent shall not apply to a director who voted in favor of such action or failed to make his dissent known at the meeting.

Section 12. Age Limitation.

Except as set out in this section, a person who is 72 years of age or older shall not be eligible for election, re-election, appointment or re-appointment to the Board of Directors and shall also not be eligible to continue to serve as a director beyond the annual meeting of stockholders of the Corporation immediately following the director becoming 72 years of age.

Notwithstanding the above, the Board shall have the discretion to exempt a director who (a) was a director of the Corporation on June 30, 2016 and (b) is between 72 and 74 years of age, from mandatory retirement as a director until the next annual meeting of stockholders of the Corporation. The director being considered for an extension may not participate in the Board discussion or vote concerning such extension. Any director who desires to be considered for this exemption must submit a written request to the Secretary by the date set by the Board. This discretion may be exercised only upon a finding by the Board that such exemption is in the best interest of the Corporation based on the qualifications considered in the selection of directors.

ARTICLE III

COMMITTEES

Section 1. Committees of the Board of Directors.

The Board of Directors may appoint from among its members an Executive Committee and other committees composed of one or more directors and delegate to these committees any of the powers of the Board of Directors, except the power to authorize dividends on stock (except as provided in Section 2-309(d) of the MGCL), issue stock other than as provided in the next sentence, recommend to the stockholders any action which requires stockholder approval (other than the election of directors), amend these Bylaws, or approve any merger or share exchange which does not require stockholder approval. If the Board of Directors has given general authorization for the issuance of stock providing for or establishing a method or procedure for determining the maximum number or the maximum aggregate offering price of shares to be issued, a committee of the Board of Directors, in accordance with that general authorization or any stock option or other plan or program adopted by the Board of Directors, may authorize or fix the terms of stock subject to classification or reclassification and the terms on which any stock may be issued, including all terms and conditions required or permitted to be established or authorized by the Board of Directors under Sections 2-203 and 2-208 of the MGCL. Any committee so designated may exercise the power and authority of the Board of Directors if the resolution which designated the committee or a supplemental resolution of the Board of Directors shall so provide.

Section 2. Conduct of Business.

Each committee may determine the procedural rules for meeting and conducting its business and shall act in accordance therewith, except as otherwise provided herein or required by law. Adequate provision shall be made for notice to members of all meetings; one-third (1/3) of the members shall constitute a quorum unless the committee shall consist of one or two members, in which event one member shall constitute a quorum; and all matters shall be determined by a majority vote of the members present. Action may be taken by any committee without a meeting if a unanimous consent which sets forth the action is given in writing or by electronic transmission by each member of the committee and filed in paper or electronic form with the minutes of the proceedings of such committee. The members of any committee may conduct any meeting thereof by conference telephone or other communications equipment in accordance with the provisions of Section 6 of Article II.

Section 3. Nominating Committee.

The Board of Directors may appoint a Nominating Committee of the Board, consisting of at least three members. The Nominating Committee shall have authority (i) to review any nominations for election to the Board of Directors made by a stockholder of the Corporation pursuant to Section 6(b) of Article I of these Bylaws in order to determine compliance with such Bylaw, (ii) to recommend to the Whole Board nominees for election to the Board of Directors to replace those directors whose terms expire at the annual meeting of stockholders next ensuing; and (iii) to take such other actions as may be authorized by the Board of Directors.

ARTICLE IV

OFFICERS

Section 1. Generally.

(a) The Board of Directors as soon as may be practicable after the annual meeting of stockholders shall choose a Chief Executive Officer, President, one or more Vice Presidents, a Secretary and a Treasurer and from time to time may choose such other officers as it may deem proper. Any number of offices may be held by the same person, except that no person may concurrently serve as both President and Vice President of the Corporation.

(b) The term of office of all officers shall be until the next annual election of officers and until their respective successors are chosen, but any officer may be removed from office at any time by the affirmative vote of a majority of the authorized number of directors then constituting the Board of Directors.

(c) All officers chosen by the Board of Directors shall each have such powers and duties as generally pertain to their respective offices, subject to the specific provisions of this Article IV. Such officers shall also have such powers and duties as from time to time may be conferred by the Board of Directors or by any committee thereof.

Section 2. Chief Executive Officer.

Subject to the control of the Board of Directors, the Chief Executive Officer shall have general power over the management and oversight of the administration and operation of the Corporation’s business and affairs and shall be the Corporation’s chief policy making officer. He or she shall see that all orders and resolutions of the Board of Directors and of any committee thereof are carried into effect. The Chief Executive Officer shall also have the general powers and duties of management usually vested in the chief executive officer of a corporation and shall have such other powers and duties as may be prescribed by the Board of Directors or these Bylaws.

Section 3. President.

Subject to the control of the Board of Directors and subject to the powers granted to the Chief Executive Officer (to the extent the President is not also the Chief Executive Officer), the President shall have general power over the management and oversight of the administration and operation of the Corporation's business and affairs. The President shall also have the general powers and duties of management usually vested in the president of a corporation and shall have such other powers and duties as may be prescribed by the Board of Directors or these Bylaws.

Section 4. Vice President.

The Vice President or Vice Presidents, if any, shall perform the duties of the President in the President’s absence or during his or her disability to act. In addition, the Vice Presidents shall perform the duties and exercise the powers usually incident to their respective offices and/or such other duties and powers as may be properly assigned to them from time to time by the Board of Directors, the Chair of the Board, the Chief Executive Officer or the President.

Section 5. Secretary.

The Secretary or an Assistant Secretary shall issue notices of meetings, shall keep their minutes, shall have charge of the seal and the corporate books, shall perform such other duties and exercise such other powers as are usually incident to such offices and/or such other duties and powers as are properly assigned thereto by the Board of Directors, the Chair of the Board, the Chief Executive Officer or the President.

Section 6. Treasurer.

The Treasurer shall have charge of all monies and securities of the Corporation, other than monies and securities of any division of the Corporation which has a treasurer or financial officer appointed by the Board of Directors, and shall keep regular books of account. The funds of the Corporation shall be deposited in the name of the Corporation by the Treasurer with such banks or trust companies or other entities as the Board of Directors from time to time shall designate. The Treasurer shall sign or countersign such instruments as require his or her signature, shall perform all such duties and have all such powers as are usually incident to such office and/or such other duties and powers as are properly assigned to him or her by the Board of Directors, the Chair of the Board, the Chief Executive Officer or the President, and may be required to give bond for the faithful performance of his or her duties in such sum and with such surety as may be required by the Board of Directors.

Section 7. Assistant Secretaries and Other Officers.

The Board of Directors may appoint one or more assistant secretaries and one or more assistants to the Treasurer, or one appointee to both such positions, which officers shall have such powers and shall perform such duties as are provided in these Bylaws or as may be assigned to them by the Board of Directors, the Chair of the Board, the Chief Executive Officer or the President.

Section 8. Action with Respect to Securities of Other Corporations

Stock of other corporations or corporations, registered in the name of the Corporation, may be voted by the Chief Executive Officer, the President, a Vice-President, or a proxy appointed by either of them. The Board of Directors, however, may by resolution appoint some other person to vote such shares, in which case such person shall be entitled to vote such shares upon the production of a certified copy of such resolution.

ARTICLE V

STOCK

Section 1. Certificates of Stock; Uncertificated Shares.

The Board of Directors may determine to issue certificated or uncertificated shares of capital stock and other securities of the Corporation. For certificated stock, each stockholder is entitled to certificates which represent and certify the shares of stock he or she holds in the Corporation. Each stock certificate shall include on its face the name of the Corporation, the name of the stockholder or other person to whom it is issued, and the class of stock and number of shares it represents. It shall also include on its face or back (a) a statement of any restrictions on transferability and a statement of the designations and any preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends, qualifications, and terms and conditions of redemption of the stock of each class which the Corporation is authorized to issue, and of the differences in the relative rights and preferences between the shares of each series of preferred stock which the Corporation is authorized to issue, to the extent they have been set, and of the authority of the Board of Directors to set the relative rights and preferences of subsequent series of preferred stock or (b) a statement which provides in substance that the Corporation will furnish a full statement of such information to any stockholder on request and without charge. Such request may be made to the Secretary or to the Corporation's transfer agent. For uncertificated shares of capital stock, upon request by a stockholder, the Corporation shall send the stockholder, without charge, a written statement of the same information required above on stock certificates. Each stock certificate shall be in such form, not inconsistent with law or with the Corporation's Charter, as shall be approved by the Board of Directors or any officer or officers designated for such purpose by resolution of the Board of Directors. Each stock certificate shall be signed by the Chair of the Board, the Chief Executive Officer, the President, or a Vice President, and countersigned by the Secretary, an Assistant Secretary, the Treasurer, or an Assistant Treasurer. Each certificate may be sealed with the actual corporate seal or a facsimile of it or in any other form and the signatures may be either manual or facsimile signatures. A certificate is valid and may be issued whether or not an officer who signed it is still an officer when it is issued. A certificate may not be issued until the stock represented by it is fully paid.

Section 2. Transfers of Stock.

Transfers of stock shall be made only upon the transfer books of the Corporation kept at an office of the Corporation or by one or more transfer agents designated to transfer shares of the stock of the Corporation.

Section 3. Record Dates or Closing of Transfer Books.

The Board of Directors may, and shall have the power to, set a record date or direct that the stock transfer books be closed for a stated period for the purpose of making any proper determination with respect to stockholders, including which stockholders are entitled to notice of a meeting, vote at a meeting, receive a dividend, or be allotted other rights. The record date may not be prior to the close of business on the day the record date is fixed nor, subject to Section 3 of Article I, more than 90 days before the date on which the action requiring the determination will be taken; the transfer books may not be closed for a period longer than 20 days; and, in the case of a meeting of stockholders, the record date or the closing of the transfer books shall be at least ten days before the date of the meeting. Any shares of the Corporation's own stock acquired by the Corporation between the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders and the time of the meeting may be voted at the meeting by the holder of record as of the record date and shall be counted in determining the total number of outstanding shares entitled to be voted at the meeting.

Section 4. Lost, Stolen or Destroyed Certificates.

The Board of Directors of the Corporation may determine the conditions for issuing a new stock certificate or uncertificated shares in place of a stock certificate which is alleged to have been lost, stolen, or destroyed, or the Board of Directors may delegate such power to any officer or officers of the Corporation. In their discretion, the Board of Directors or such officer or officers may require the owner of the lost, stolen or destroyed certificate to give a bond, with sufficient surety, to indemnify the Corporation against any loss or claim arising as a result of the issuance of a new certificate or uncertificated shares. In their discretion, the Board of Directors or such officer or officers may refuse to issue such new certificate or uncertificated shares without the order of a court having jurisdiction over the matter.

Section 5. Stock Ledger.

The Corporation shall maintain a stock ledger which contains the name and address of each stockholder and the number of shares of stock of each class which the stockholder holds. The stock ledger may be in written form or in any other form which can be converted within a reasonable time into written form for visual inspection. The original or a duplicate of the stock ledger shall be kept at the offices of a transfer agent for the particular class of stock or, if none, at the principal executive office of the Corporation.

Section 6. Regulations.

The issue, transfer, conversion and registration of shares of stock shall be governed by such other regulations as the Board of Directors may establish.

ARTICLE VI

MISCELLANEOUS

Section 1. Facsimile Signatures.

In addition to the provisions for use of facsimile signatures elsewhere specifically authorized in these Bylaws, facsimile signatures of any officer or officers of the Corporation may be used whenever and as authorized by the Board of Directors or a committee thereof.

Section 2. Corporate Seal.

The Board of Directors may provide a suitable seal, bearing the name of the Corporation, which shall be in the charge of the Secretary. The Board of Directors may authorize one or more duplicate seals and provide for the custody thereof. If the Corporation is required to place its corporate seal to a document, it is sufficient to meet the requirement of any law, rule, or regulation relating to a corporate seal to place the word “(seal)” adjacent to the signature of the person authorized to sign the document on behalf of the Corporation.

Section 3. Annual Statement of Affairs.

The Chief Executive Officer, President or Chief Financial Officer shall prepare annually a full and correct statement of the affairs of the Corporation, to include a balance sheet and a financial statement of operations for the preceding fiscal year. The statement of affairs shall be submitted at the annual meeting of the stockholders and, within 20 days after the meeting, placed on file at the Corporation’s principal office, in written form or in any other form that may be converted within a reasonable time into written form for visual inspection.

Section 4. Books and Records.

The Corporation shall keep correct and complete books and records of its accounts and transactions and minutes of the proceedings of its stockholders and Board of Directors and of any committee when exercising any of the powers of the Board of Directors. The books and records of the Corporation may be in written form or in any other form which can be converted within a reasonable time into written form for visual inspection. Minutes shall be recorded in written form but may be maintained in the form of a reproduction. The original or a certified copy of these Bylaws shall be kept at the principal office of the Corporation.

Section 5. Reliance upon Books, Reports and Records.

Each director, each member of any committee designated by the Board of Directors, and each officer and agent of the Corporation shall, in the performance of his or her duties, in addition to any protections conferred upon him or her by law, be fully protected in relying in good faith upon the books of account or other records of the Corporation and upon such information, opinions, reports or statements presented to the Corporation by any of its officers or employees, or committees of the Board of Directors so designated, or by any other person as to matters which such director, committee member, officer or agent reasonably believes are within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Corporation.

Section 6. Fiscal Year.

The fiscal year of the Corporation shall be as fixed by the Board of Directors.

Section 7. Time Periods.

In applying any provision of these Bylaws which requires that an act be done or not be done a specified number of days prior to an event or that an act be done during a period of a specified number of days prior to an event, calendar days shall be used, the day of the doing of the act shall be excluded and the day of the event shall be included.

Section 8. Checks, Drafts, Etc.

All checks, drafts and orders for the payment of money, notes and other evidences of indebtedness, issued in the name of the Corporation, shall, unless otherwise provided by resolution of the Board of Directors, be signed by the President, a Vice President, an Assistant Vice President, the Treasurer or an Assistant Treasurer.

Section 9. Mail.

Any notice or other document which is required by these Bylaws to be mailed shall be deposited in the United States mail, postage prepaid.

Section 10. Contracts and Agreements.

To the extent permitted by applicable law, and except as otherwise prescribed by the Charter or these Bylaws, the Board of Directors may authorize any officer, employee or agent of the Corporation to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation. Such authority may be general or confined to specific instances. A person who holds more than one office in the Corporation may not act in more than one capacity to execute, acknowledge, or verify an instrument required by law to be executed, acknowledged, or verified by more than one officer.

ARTICLE VII

AMENDMENTS

These Bylaws may be adopted, amended or repealed as provided in the Charter of the Corporation.

AGREEMENT
AND GENERAL RELEASE

This Agreement and General Release ("Agreement") is made and entered by and between HomeTrust Bancshares, Inc., HomeTrust Bank (collectively referred to as"the Company") and Paula Labian ("Employee"). The Agreement sets out the complete agreement and understanding between the Company and Employee regarding Employee's employment with the Company, the end of her employment with the Company, and the release of any and all claims against the Company and Related Parties (specifically defined and identified in Section 3 C below). The Company, Employee, and Related Parties are sometimes collectively referred to as the "Parties"or separately as a "Party".

Employee formerly was employed by the Company in the position of Executive Vice President and Chief Human Resources Officer. Employee's resignation from employment was effective December 31, 2020.

The Company and Employee, through counsel, have engaged in negotiations and have agreed to compromise and settle all of the disputes that exist, have existed, or may exist in the future between the Parties. No Party admits fault in this matter, and the execution of this Agreement should not in any way imply fault by one Party or any other.

In consideration of the above and the mutual covenants set forth below, and for other good and valuable consideration, to fully and finally resolve <u>all</u> controversies between Employee, the Company and Related Parties, the Parties agree as follows:

1. <u>CONSIDERATION</u>.

A. <u>Payment</u>. The Company will make or cause to be made payments in the total gross amount of Five Hundred Thousand Dollars $500,000) (less applicable withholdings as set forth below) as follows:

i. a check in the amount of Fifty-Four Thousand Dollars ($54,000) (less applicable withholdings), payable to Paula Labian. This amount shall be reported for tax purposes on an IRS Form W-2. This check will be presented to Employee's counsel within 10 days of the Effective Date (as defined in Section 6).

ii. a check in the amount of Four Hundred Fifteen Thousand Dollars ($415,000), payable to Paula Labian. This amount shall be reported for tax purposes on an IRS Form 1099. This check will be presented to Employee's counsel within 30 days after the Effective date and receipt of Employee's counsel's W-9)

iii. a check in the amount of Thirty-One Thousand Dollars ($31,000), payable to John C. Hunter, Attorney at Law. This amount shall be accounted for as attorneys' fees and expenses and reported for tax purposes on an IRS Form 1099. This check will be presented to Employee's counsel within 30 days after the Effective date and receipt of Employee's counsel's W-9)

Except as set forth above, the Parties will bear their own costs and attorneys' fees in connection with this matter. Employee agrees that she will be solely responsible for any tax payments that are due on the amount she receives under this Agreement. In the event that any agency of the United States or other taxing authority should determine that the sum paid as stated in this Agreement was subject to withholding of taxes, she agrees to indemnify and hold the Released Parties harmless for any amount of taxes, interest or penalties that may be found to be due and owing. Additionally, the Company will waive any rights to repayment or recovery of relocation fees paid to or on behalf of Employee.

B. <u>Voluntary Resignation</u>. Employee's separation from employment is designated as a voluntary resignation.

2. <u>REPRESENTATIONS AND WARRANTIES</u>. Employee represents and warrants that:

(i) no complaints, charges, claims, or other actions or proceedings of any kind, against or in any way relating to the Company or any Related Parties (defined in section 3 C. below), have been initiated, filed, or prosecuted by her or anyone acting on her behalf or as her representative;

(ii) she shall not reapply for, seek, or accept employment with the Company or any of its parents, subsidiaries or related entities in the future;

(iii) she has been properly paid for all time worked and received all salary, bonus, incentives, payments for accrued but unused vacation, expense reimbursement, and all other amounts of any kind due to her from the Company or Related Parties, with the sole exception of the payment described in section 1 above;

(iv) she has not suffered any accident, injury, or illness in the scope of employment or aggravated or accelerated any preexisting conditions in the scope of employment;

(v) she is not eligible or entitled to receive any workers' compensation benefits or payments, including any payments for medical or wage replacement; and,

(vi) she has the full right to enter into this Agreement has not assigned to any person and/or entity anything that she releases under this Agreement, and that no other person and/or entity has a right to anything that she releases under this Agreement.

The payment afforded under this Agreement exceeds what Employee is otherwise entitled to receive, and is in lieu of any other compensation or benefits to which she otherwise might be entitled. Payment is conditioned upon her compliance with the terms of this Agreement. The Company is specifically relying on these representations, warranties, and confirmation from Employee in making this Agreement, and would not have entered into this Agreement without them.

3. <u>GENERAL RELEASE AND WAIVER OF CLAIMS</u>.

A. In consideration of the payments and other consideration conferred by this Agreement, **EMPLOYEE (ON BEHALF OF HERSELF AND HER ASSIGNS, HEIRS AND OTHER REPRESENTATIVES) RELEASES THE COMPANY AND ITS RELATED PARTIES (DEFINED BELOW) ("RELEASEES") FROM <u>ALL</u> CLAIMS AND WAIVES <u>ALL</u> RIGHTS KNOWN OR UNKNOWN, SHE MAY HAVE OR CLAIM TO HAVE RELATING TO HER EMPLOYMENT WITH THE COMPANY, ITS PREDECESSORS, SUBSIDIARIES OR AFFILIATES OR HER SEPARATION THEREFROM** arising before the execution of the Agreement to the fullest extent permitted by law, including <u>but not limited to</u> claims:

(i) for discrimination, harassment or retaliation arising under federal, state or local laws prohibiting age (including but not limited to claims under the Age Discrimination in Employment Act of 1967 (ADEA), as amended), sex, gender identity, sexual orientation, transgender status, national origin, race, religion, disability, veteran status or other protected class discrimination, harassment or retaliation for protected activity;

(ii) for compensation and benefits (including but not limited to claims under the Employee Retirement Income Security Act of 1974 ("ERISA"), Fair Labor Standards Act of 1938 (FLSA), Family and Medical Leave Act of 1993 (FMLA), all as amended, and similar federal, state, and local laws and claims under any other Company policy, plan or program);

(iii) under federal, state or local law of any nature whatsoever (including but not limited to constitutional, statutory, tort, express or implied contract or other common law;

(iv) for attorneys' fees; and

(v) of any kind whatsoever (with the sole exception of those listed below) whether or not s/he knows about them at the time she signs this general release.

Provided, however, the release of claims set forth in this Agreement does NOT:

(vi) apply to claims for workers' compensation benefits or unemployment benefits filed with the applicable state agencies, vested retirement benefits or where otherwise prohibited by law;

(vii) bar a challenge under the Older Workers Benefit Protection Act of 1990 (OWBPA) to the enforceability of the waiver and release of ADEA claims set forth in this Agreement; or

(viii) prohibit her from filing a charge with or participating in an investigation by the U.S. Equal Employment Opportunity Commission, Securities and Exchange Commission (SEC), Financial Industry Regulatory Authority (FINRA) or other self-regulatory or governmental agency with jurisdiction concerning the terms, conditions and privileges of employment or jurisdiction over the Company's business or assisting with an investigation conducted internally by the Company; provided, however, that by signing this Agreement, Employee waives the right to, and shall not seek or accept, any monetary or other relief of any nature whatsoever in connection with any such charges, investigations or proceedings except as follows: This Agreement does not limit Employee's right to receive an award for information provided to the SEC, FINRA, or any other securities regulatory agency or authority. By signing this Agreement, Employee represents that neither Employee nor anyone acting on Employee's behalf or as Employee's representative has filed any complaint, charge, claim or proceeding against the Releasees before any local, state, or federal governmental agency, commission, court, or other body.

B. Employee will not sue the Company and/or its Related Parties on any matters relating to her employment or separation therefrom arising before the execution of this Agreement (with the sole exception of claims and challenges which are not released by this Agreement as set forth in subparagraph A (vi) and (vii) above), or join as a party with others who may sue on any such claims, or opt-in to an action brought by others asserting such claims, and in the event that she is made a member of any class asserting such claims without her knowledge or consent, she shall opt out of such action at the first opportunity.

C. The Company and its Related Parties which are being released by this Agreement include: the Company and its predecessors, successors, and assigns and its and/or their past, present and future owners, parents, subsidiaries, affiliates, predecessors, successors, assigns, officers, directors, employees, attorneys, insurers and employee benefit plans (together with all plan administrators, trustees, fiduciaries and other insurers) and agents.

It is expressly understood and agreed by the Parties that this Agreement is in full accord, satisfaction, and discharge of any and all claims of Employee against the Company and/or any or all of the Related Parties, and that this Agreement has been signed with the express intent of extinguishing all claims, obligations, actions, or causes of action as herein described.

4. <u>CONFIDENTIALITY AND NON-DISPARAGEMENT</u>.

A. Employee represents and warrants that she has not disclosed the terms and conditions of this Agreement or the existence of this Agreement to any third party (except for her family members and attorney), and she agrees that going forward she will not disclose the terms and conditions of this Agreement (including the history, background, and negotiations leading to the Agreement), or the existence of Agreement, to any third party, except as follows: (i) she may disclose the amount of the payments to her spouse, attorneys, and/or tax or financial advisors provided that these individuals agree to maintain the confidentiality of the information; and (ii) she may make such disclosure as may be commanded by a properly issued and served agency subpoena or court order, or as otherwise required by law, provided, however, that if a subpoena or court order is issued in which she is requested to disclose any matter covered by this confidentiality provision, she shall give immediate notice to the Company, and advise such issuing entity of the terms of this confidentiality agreement and the interest of the Company in this Agreement. Similarly, the Company will not disclose the terms and conditions of this Agreement (including the history, background, and negotiations leading to the Agreement)to any third party, except as follows: (i) to any agent of the Company for tax or other business related reasons; (ii) as required by the SEC or other regulatory agencies due to the Company being publicly-traded including but not limited to providing a copy of this Agreement as an exhibit to its required SEC filings; (iii) or, as may be commanded by a properly issued and served agency subpoena or court order, or as otherwise required by law.

Employee represents and warrants that she will not disclose the subject matter of the negotiations that led to this Agreement to any third parties (except for her family members and attorney). In the event that any unsolicited inquiries into this matter or Employee's employment or separation therefrom, she shall state that she resigned from employment with the Company to pursue other opportunities.

Employee represents and warrants that she has not made disparaging, defaming, or derogatory remarks about the Company and/or the Related Parties, or their products, services, business practices, directors, officers, managers, or employees, to anyone, and agrees that she will not do so in the future. Similarly, Company officers and Board Members will likewise refrain from making any disparaging, defaming or derogatory remarks about Employee and agree not to do so in the future. Further, Company is willing to execute a mutually agreed upon letter that discusses accomplishments of Employee during her tenure and identifies that her resignation was accepted as of December 31, 2020. Otherwise, Company will only provide dates of employment, resignation and reference to the letter contemplated herein. Company officers and Board Members will not make statements contrary to the letter contemplated herein.

Employee represents and warrants that she has not taken any action that may impair or interfere with the relations or business between the Company and/or the Related Parties, and their vendors, business partners, customers, employees, or agents, and agrees that she will not do so in the future.

Nothing in this section shall prohibit Employee from revealing the terms of this Agreement to the extent necessary to enforce its terms, nor shall it prohibit Employee from providing truthful information to any governmental agency with jurisdiction over the Company.

B. The Parties acknowledge that the provisions contained in this section are material terms to the Agreement. The Parties are specifically relying on these confidentiality provisions, representations, warranties, and confirmations from the other in making this Agreement, and would not have entered into this Agreement without them.

5. COMPANY INFORMATION AND PROPERTY.

A. Employee shall not use or aid third parties in obtaining or using any confidential or proprietary Company information (defined below), nor access or attempt to access any Company computer systems, networks, or any resources or data that resides thereon.

Confidential or proprietary information is information relating to the Company and/or the Related Parties, or any aspect of their business which is not generally available to the public, the Company's and/or Related Parties' competitors, or other third parties, or ascertainable through common sense or general business or technical knowledge. However, nothing in this section shall prohibit Employee from providing truthful information to any government agency with jurisdiction over the Company. Moreover, notwithstanding the foregoing or any other provision in this Agreement, Employee cannot be held criminally or civilly liable under any federal or state trade secret law if she discloses a trade secret to federal, state, or local government officials, to her attorneys, or in a sealed court document, for the purpose of reporting or investigating a suspected violation of the law; or to her attorneys or in a sealed court document in connection with a lawsuit for retaliation by an employer for reporting a suspected violation of the law.

B. By signing this Agreement, Employee represents and warrants that: (i) she has returned all the Company property (including, but not limited to, credit cards; keys; cell phone; air card; access cards; thumb drive(s), laptop(s), personal digital devices and all other computer hardware and software; records, files, documents, manuals, and other materials in whatever form they exist, whether electronic, hard copy or otherwise, and all copies, notes, or summaries thereof, and has turned over all the Company log-ins, passwords, or access codes which she created, received, or otherwise obtained in connection with her employment); and (ii) she has permanently deleted any Company information that may reside on her personal computer(s), other devices or accounts.

C. Nothing in this Agreement shall relieve Employee from any obligations under any other previously executed confidentiality, proprietary information, or secrecy agreements. All such agreements shall continue to be in full force and effect upon the execution of this Agreement.

6. RIGHT TO REVIEW AND REVOKE. The Parties entered into this agreement at a conference with counsel for Employee and Company present on February 24, 2021. Employee acknowledges that while she has been advised in writing that she is entitled to at least twenty-one (21) days to consider the terms of this Agreement before signing, she has knowingly elected not to avail herself of the full twenty-one (21) day period and has consulted with her counsel regarding the same before entering into and executing this Agreement. Employee acknowledges that she has voluntarily and knowingly signed this Agreement in exchange for valuable consideration that she would not have otherwise received.

Regardless, Employee may revoke the Agreement during the seven (7) day period immediately following her execution of it. The Agreement will not become effective or enforceable until the revocation period has expired. To revoke the Agreement, a written notice of revocation must be delivered to the Company's attorneys as follows: via email to rbolick@cshlaw.com. Employee understands that if she revokes the Agreement she will not be entitled to any payments, promises, or other benefits set forth therein.

7. CLAWBACK. If Employee is found by a court of competent jurisdiction to have violated this Agreement, then she will: (i) return all monies received under this Agreement and the Company will be relieved of its obligations hereunder, except to the extent that such return and relief would result in invalidation of the release set forth above. In any action seeking to enforce this Agreement, the prevailing party shall be entitled to indemnification by the non-prevailing party of all expenses, including the award of reasonable attorneys' fees, incurred in bringing or defending such an action.

8. OTHER. Except as expressly provided in this Agreement, this Agreement supersedes all other understandings and agreements, oral or written, between the Parties and constitutes the sole agreement between the Parties with respect to its subject matter. Each Party acknowledges that no representations, inducements, promises or agreements, oral or

written, have been made by any Party or by anyone acting on behalf of any Party, which are not embodied in this Agreement, and no agreement, statement or promise not contained in the Agreement shall be valid or binding on the Parties unless such change or modification is in writing and is signed by the Parties. The Parties acknowledge that they have read and understand this Agreement—including the releases and waivers contained herein—and are entering into this Agreement voluntarily following consultation with counsel of their choice. The Parties agree to cooperate fully and execute any and all supplementary documents and to take all additional action which may be necessary or appropriate to give full force and effect to the terms and intent of this Agreement.

Either Party's waiver of any breach of a provision of this Agreement shall not waive any subsequent breach by the other Party. If a court of competent jurisdiction holds that any provision or sub-part thereof contained in this Agreement is invalid, illegal or unenforceable, that invalidity, illegality or unenforceability shall not affect any other provision in this Agreement.

This Agreement shall apply to, be binding upon, and inure to the benefit of the Parties' successors, assigns, heirs and other representatives.

This Agreement shall be governed by North Carolina law.

This Agreement is not intended, and shall not be construed, as an admission that the Company and/or the Related Parties, or any of them, have violated any federal, state, or local law, ordinance, or regulation, breached any contract, or committed any wrong whatsoever against Employee.

IN WITNESS WHEREOF, the Employee and Company have entered into this Agreement on the day and year written below.

Employee

____
Paula Labian Date

Company:

____
HomeTrust Bancshares, Inc. Date
By: Dana L. Stonestreet, Chairman of the Board, President and Chief Executive Officer of HomeTrust Bancshares, Inc.

____
HomeTrust Bank Date
By: Dana L. Stonestreet, Chairman of the Board and Chief Executive Officer of HomeTrust Bank

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 7, 2021	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 7, 2021	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, 2021, 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 7, 2021	By:	/s/ Dana L. Stonestreet
		Dana L. Stonestreet
		Chairman, President, and CEO
May 7, 2021	By:	/s/ Tony J. VunCannon
		Tony J. VunCannon
		Executive Vice President, CFO, and Treasurer