UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended **March 31, 2019**

[ ] 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)

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

Indicate by check mark whether the registrant has submitted electronically 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 [X] No [ ]

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

Large accelerated filer [ ]	Accelerated filer [X]
Non-accelerated filer [ ]	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 [X]

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**

There were 18,237,485 shares of common stock, par value of $.01 per share, issued and outstanding as of May 7, 2018.

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

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, 2019	June 30, 2018 [(1)]
Assets		
Cash	$ 40,633	$ 45,222
Interest-bearing deposits	37,678	25,524
Cash and cash equivalents	78,311	70,746
Commercial paper	246,903	229,070
Certificates of deposit in other banks	56,209	66,937
Debt securities available for sale, at fair value	139,112	154,993
Other investments, at cost	51,122	41,931
Loans held for sale	14,745	5,873
Total loans, net of deferred loan fees	2,660,647	2,525,852
Allowance for loan losses	(24,416)	(21,060)
Net loans	2,636,231	2,504,792
Premises and equipment, net	67,983	62,537
Accrued interest receivable	10,885	9,344
Real estate owned ("REO")	3,003	3,684
Deferred income taxes	28,832	32,565
Bank owned life insurance ("BOLI")	89,663	88,028
Goodwill	25,638	25,638
Core deposit intangibles	2,948	4,528
Other assets	6,152	3,503
Total Assets	$ 3,457,737	$ 3,304,169
Liabilities and Stockholders' Equity		
Liabilities		
Deposits	$ 2,308,395	$ 2,196,253
Borrowings	680,000	635,000
Capital lease obligations	1,888	1,914
Other liabilities	60,224	61,760
Total liabilities	3,050,507	2,894,927
Stockholders' Equity		
Preferred stock, $0.01 par value, 10,000,000 shares authorized, none issued or outstanding	—	—
Common stock, $0.01 par value, 60,000,000 shares authorized, 18,265,535 shares issued and outstanding at March 31, 2019; 19,041,668 at June 30, 2018	183	191
Additional paid in capital	196,824	217,480
Retained earnings	217,490	200,575
Unearned Employee Stock Ownership Plan ("ESOP") shares	(7,009)	(7,406)
Accumulated other comprehensive loss	(258)	(1,598)
Total stockholders' equity	407,230	409,242
Total Liabilities and Stockholders' Equity	$ 3,457,737	$ 3,304,169

(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,	
	2019	2018	2019	2018
Interest and Dividend Income				
Loans	$ 30,770	$ 26,355	$ 90,042	$ 77,745
Securities available for sale	850	916	2,582	2,791
Commercial paper and interest-bearing deposits in other banks	2,283	1,498	6,106	3,970
Other investments	821	626	2,674	1,883
Total interest and dividend income	34,724	29,395	101,404	86,389
Interest Expense				
Deposits	4,404	1,622	10,761	4,509
Borrowings	3,741	2,414	10,691	6,460
Total interest expense	8,145	4,036	21,452	10,969
Net Interest Income	26,579	25,359	79,952	75,420
Provision for Loan Losses	5,500	—	5,500	—
Net Interest Income after Provision for Loan Losses	21,079	25,359	74,452	75,420
Noninterest Income				
Service charges and fees on deposit accounts	2,265	1,935	7,243	5,766
Loan income and fees	134	330	757	910
Gain on sale of loans held for sale	1,472	1,080	4,086	2,963
BOLI income	518	536	1,574	1,616
Gain from sale of premises and equipment	—	—	—	164
Other, net	997	648	2,424	1,831
Total noninterest income	5,386	4,529	16,084	13,250
Noninterest Expense				
Salaries and employee benefits	13,463	11,927	39,005	36,252
Net occupancy expense	2,478	2,389	7,376	7,211
Marketing and advertising	400	334	1,219	1,106
Telephone, postage, and supplies	698	748	2,210	2,181
Deposit insurance premiums	320	413	959	1,246
Computer services	1,980	1,600	5,724	4,740
Loss on sale and impairment of REO	246	194	500	152
REO expense	200	311	548	757
Core deposit intangible amortization	488	642	1,580	2,042
Other	2,705	2,496	7,598	7,230
Total noninterest expense	22,978	21,054	66,719	62,917
Income Before Income Taxes	3,487	8,834	23,817	25,753
Income Tax Expense	185	2,707	4,684	24,725
Net Income	$ 3,302	$ 6,127	$ 19,133	$ 1,028
Per Share Data:				
Net income per common share:				
Basic	$ 0.19	$ 0.34	$ 1.07	$ 0.06
Diluted	$ 0.18	$ 0.32	$ 1.02	$ 0.06
Cash dividends declared per common share	$ 0.06	$ —	$ 0.12	$ —
Average shares outstanding:				
Basic	17,506,018	18,052,000	17,811,962	17,997,997
Diluted	18,197,429	18,761,586	18,528,161	18,688,486

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

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

	(Unaudited)			
	Three Months Ended March 31,		Nine Months Ended March 31,	
	2019	2018	2019	2018
Net Income	$ 3,302	$ 6,127	$ 19,133	$ 1,028
Other Comprehensive Income (Loss)				
Unrealized holding gains (losses) on securities available for sale				
Gains (losses) arising during the period	992	(1,216)	1,740	(2,074)
Deferred income tax benefit (expense)	(228)	365	(400)	622
Total other comprehensive income (loss)	$ 764	$ (851)	$ 1,340	$ (1,452)
Comprehensive Income (Loss)	$ 4,066	$ 5,276	$ 20,473	$ (424)

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)

	Three Months Ended March 31, 2019						
	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, 2018	18,520,825	$ 185	$ 203,660	$ 215,289	$ (7,142)	$ (1,022)	$ 410,970
Net income	—	—	—	3,302	—	—	3,302
Cash dividends paid on common stock	—	—	—	(1,101)	—	—	(1,101)
Stock repurchased	(297,400)	(2)	(7,673)	—	—	—	(7,675)
Forfeited restricted stock	(1,600)	—	—	—	—	—	—
Retired stock	(6,826)	—	(188)	—	—	—	(188)
Granted restricted stock	23,625	—	—	—	—	—	—
Exercised stock options	26,911	—	396	—	—	—	396
Stock option expense	—	—	181	—	—	—	181
Restricted stock expense	—	—	228	—	—	—	228
ESOP shares allocated	—	—	220	—	133	—	353
Other comprehensive income	—	—	—	—	—	764	764
Balance at March 31, 2019	18,265,535	$ 183	$ 196,824	$ 217,490	$ (7,009)	$ (258)	$ 407,230

	Nine Months Ended March 31, 2019						
	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, 2018	19,041,668	$ 191	$ 217,480	$ 200,575	$ (7,406)	$ (1,598)	$ 409,242
Net income	—	—	—	19,133	—	—	19,133
Cash dividends paid on common stock	—	—	—	(2,218)	—	—	(2,218)
Stock repurchased	(857,155)	(8)	(23,313)	—	—	—	(23,321)
Forfeited restricted stock	(4,300)	—	—	—	—	—	—
Retired stock	(7,414)	—	(205)	—	—	—	(205)
Granted restricted stock	23,625	—	—	—	—	—	—
Exercised stock options	69,111	—	1,004	—	—	—	1,004
Stock option expense	—	—	540	—	—	—	540
Restricted stock expense	—	—	625	—	—	—	625
ESOP shares allocated	—	—	693	—	397	—	1,090
Other comprehensive income	—	—	—	—	—	1,340	1,340
Balance at March 31, 2019	18,265,535	$ 183	$ 196,824	$ 217,490	$ (7,009)	$ (258)	$ 407,230

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

	Three Months Ended March 31, 2018						
	Common Stock						
	Shares	Amount	Additional Paid In Capital	Retained Earnings	Unearned ESOP Shares	Accumulated Other Comprehensive Income (loss)	Total Stockholders' Equity
Balance at December 31, 2017	18,967,175	$ 190	$ 215,928	$ 187,241	$ (7,670)	$ (328)	$ 395,361
Net income	—	—	—	6,127	—	—	6,127
Retired stock	(19,007)	—	(494)	—	—	—	(494)
Granted restricted stock	53,200	—	—	—	—	—	—
Exercised stock options	33,500	—	496	—	—	—	496
Stock option expense	—	—	308	—	—	—	308
Restricted stock expense	—	—	261	—	—	—	261
ESOP shares allocated	—	—	213	—	132	—	345
Other comprehensive loss	—	—	—	—	—	(851)	(851)
Balance at March 31, 2018	19,034,868	$ 190	$ 216,712	$ 193,368	$ (7,538)	$ (1,179)	$ 401,553

	Nine Months Ended March 31, 2018						
	Common Stock						
	Shares	Amount	Additional Paid In Capital	Retained Earnings	Unearned ESOP Shares	Accumulated Other Comprehensive Income (loss)	Total Stockholders' Equity
Balance at June 30, 2017	18,967,875	$ 190	$ 213,459	$ 191,660	$ (7,935)	$ 273	$ 397,647
Net income	—	—	—	1,028	—	—	1,028
Cumulative-effect adjustment on the change in accounting for share-based payments	—	—	—	680	—	—	680
Forfeited restricted stock	(6,600)	—	—	—	—	—	—
Retired stock	(19,007)	—	(494)	—	—		(494)
Granted restricted stock	55,200	—	—	—	—		—
Exercised stock options	37,400	—	553	—	—	—	553
Stock option expense	—	—	1,517	—	—	—	1,517
Restricted stock expense	—	—	1,066	—	—	—	1,066
ESOP shares allocated	—	—	611	—	397	—	1,008
Other comprehensive loss	—	—	—	—	—	(1,452)	(1,452)
Balance at March 31, 2018	19,034,868	$ 190	$ 216,712	$ 193,368	$ (7,538)	$ (1,179)	$ 401,553

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,	
	2019	2018
Operating Activities:		
Net income	$ 19,133	$ 1,028
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	5,500	—
Depreciation	3,046	2,842
Deferred income tax expense	3,333	24,403
Net amortization and accretion	(5,648)	(4,141)
Gain from sale of premises and equipment	—	(164)
Loss on sale and impairment of REO	500	152
Gain on sale of loans held for sale	(4,086)	(2,963)
Origination of loans held for sale	(122,763)	(103,557)
Proceeds from sales of loans held for sale	114,010	106,056
Increase (decrease) in deferred loan fees, net	(389)	123
Increase in accrued interest receivable and other assets	(4,127)	(2,998)
Amortization of core deposit intangibles	1,580	2,042
BOLI income	(1,574)	(1,616)
ESOP compensation expense	1,090	1,008
Restricted stock and stock option expense	1,165	2,583
Decrease in other liabilities	(1,536)	68
Net cash provided by operating activities	9,234	24,866
Investing Activities:		
Purchase of securities available for sale	(31,675)	—
Proceeds from maturities of securities available for sale	21,400	19,680
Net purchases of commercial paper	(12,986)	(87,096)
Purchase of certificates of deposit in other banks	(15,664)	(13,217)
Maturities of certificates of deposit in other banks	26,392	61,273
Principal repayments of mortgage-backed securities	27,144	16,112
Net redemptions (purchases) of other investments	(9,191)	2,572
Net increase in loans	(131,671)	(92,774)
Purchase of BOLI	(75)	(81)
Proceeds from redemption of BOLI	14	146
Purchase of premises and equipment	(1,068)	(2,678)
Purchase of operating lease equipment	(7,424)	—
Capital improvements to REO	—	(18)
Proceeds from sale of premises and equipment	—	923
Proceeds from sale of REO	759	2,288
Net cash used in investing activities	(134,045)	(92,870)
Financing Activities:		
Net increase in deposits	112,142	131,873
Net increase (decrease) in other borrowings	45,000	(71,500)
Common stock repurchased	(23,321)	—
Cash dividends paid	(2,218)	—
Retired stock	(205)	(494)
Exercised stock options	1,004	553
Decrease in capital lease obligations	(26)	(17)
Net cash provided by financing activities	132,376	60,415
Net Increase in Cash and Cash Equivalents	7,565	(7,589)
Cash and Cash Equivalents at Beginning of Period	70,746	86,985
Cash and Cash Equivalents at End of Period	$ 78,311	$ 79,396

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

Supplemental Disclosures:	(Unaudited) Nine Months Ended March 31, 2019	2018
Cash paid during the period for:		
Interest	$ 19,907	$ 10,674
Income taxes	455	477
Noncash transactions:		
Unrealized gain (loss) in value of securities available for sale, net of income taxes	1,340	(1,452)
Transfers of loans to REO	578	1,157
Transfers of loans held for sale from loans held for investment	5,794	—
Cumulative-effect adjustment on the change in accounting for share-based payments	—	680
Transfers of loans to held for sale to loans held for investment	9,761	—

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 accounting principles generally accepted in the United States ("GAAP") for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X as promulgated by the Securities and Exchange Commission ("SEC"). Accordingly, they do not include all the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the financial position and results of operations for the periods presented have been included. It is recommended that these unaudited interim consolidated financial statements be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended June 30, 2018 ("2018 Form 10-K") filed with the SEC on September 13, 2018. The results of operations for the three and nine months ended March 31, 2019 are not necessarily indicative of results that may be expected for the entire fiscal year ending June 30, 2019.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements. Various elements of the Company's accounting policies, by their nature, are inherently subject to estimation techniques, valuation assumptions, and other subjective assessments. In particular, management has identified several accounting policies that, due to the judgments, estimates and assumptions inherent in those policies, are critical to an understanding of the Company's financial statements. These policies relate to (i) the determination of the provision and the allowance for loan losses, (ii) business combinations and acquired loans, (iii) the valuation of REO, (iv) the valuation of goodwill and other intangible assets, and (v) the valuation of or recognition of deferred tax assets and liabilities. These policies and judgments, estimates and assumptions are described in greater detail in subsequent notes to the Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations (Critical Accounting Policies) in our 2018 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.

Certain amounts reported in prior periods' consolidated financial statements have been reclassified to conform to the current presentation. Such reclassifications had no effect on previously reported cash flows, stockholders' equity or net income.

2. Recent Accounting Pronouncements

In August 2015, the Financial Accounting Standards Board ("FASB") issued ASU No. 2015-14, “Revenue from Contracts with Customers (Topic 606)”, which defers the effective date of Accounting Standard Update ("ASU") No. 2014-09 one year. ASU No. 2014-09 created Topic 606 and supersedes Topic 605, Revenue Recognition. The core principle of Topic 606 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In general, the new guidance requires companies to use more judgment and make more estimates than under current guidance, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. In May 2016, the FASB issued ASU No. 2016-12, "Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients," which provides clarifying guidance in certain narrow areas and adds some practical expedients, but does not change the core revenue recognition principle in Topic 606. For financial reporting purposes, the standard allows for either full retrospective adoption, meaning the standard is applied to all of the periods presented, or modified retrospective adoption, meaning the standard is applied only to the most current period presented in the financial statements with the cumulative effect of initially applying the standard recognized at the date of initial application. A significant amount of the Company’s revenues are derived from net interest income on financial assets and liabilities, which are excluded from the scope of the amended guidance. The Company adopted this ASU on July 1, 2018. The adoption did not have a material effect on the Company's Consolidated Financial Statements. However, additional disclosures required by this ASU have been included in “Note 12 - Revenue” to the Company’s consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, "Financial Instruments (Subtopic 825-10) Recognition and Measurement of Financial Assets and Financial Liabilities." The ASU amends the guidance in GAAP on the classification and measurement of financial instruments. The ASU includes the following changes: i) equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income; (ii) requires the use of exit price notion when measuring the fair value of financial instruments for disclosure purposes; (iii) requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (i.e. securities or loans and receivables) on the balance sheet or the accompanying notes to the financial statements; (iv) allows an equity investment that does not have readily determinable fair values, to be measured at cost minus impairment (if any), plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer; (v) eliminates the requirement to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet, and requires a reporting organization to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk (also referred to as “own credit”) when the organization has elected to measure the liability at fair value in accordance with the fair value option for financial instruments; (vi) requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (i.e. securities or loans and receivables) on the balance sheet or in the accompanying notes to the financial statements; and (vii) clarifies that a valuation allowance on a deferred tax asset related to available-for-sale securities should be evaluated in combination with the organization’s other deferred tax assets. Exit price is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company adopted this ASU on July 1, 2018. The adoption did not have a material effect on the Company's Consolidated Financial Statements. The disclosures to the Company’s consolidated financial statements have been updated appropriately using the exit price notion in “Note 11 - Fair Value of Financial Instruments.”

In February 2016, the FASB issued ASU 2016-02, "Leases (Accounting Standards Codification ("ASC") 842)." The guidance in this ASU requires most leases to be recognized on the balance sheet as a right-of-use asset and a lease liability. It will be critical to identify leases embedded in a contract to avoid misstating the lessee’s balance sheet. For income statement purposes, the FASB retained a dual model, requiring leases to be classified as either operating or finance. Classification will be based on criteria that are largely similar to those applied in current lease accounting, but without explicit bright lines. The amendments in this ASU are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2018. In July 2018, the FASB issued ASU 2018-10, "Codification Improvements to Topic 842, Leases" and ASU 2018-11 "Leases (Topic 842): Targeted Improvements." ASU 2018-10 made 16 narrow-scope amendments to ASC 842. The amendments in this ASU 2018-11 are intended to provide entities with relief from the costs of implementing certain aspects of the the new lease accounting standard. Specifically, an entity can elect not to recast the comparative periods presented when transitioning to ASC 842 and provides a lessor with the option to not separate lease and nonlease components when certain conditions are met. This ASU also provides a new transition method in addition to the existing transition method contained in ASU No. 2016-02 to allow entities to initially apply the new leases standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. These amendments have the same effective date as ASU 2016-02. We are currently evaluating the impact of this guidance on our Consolidated Financial Statements and the timing of adoption. The Company will compile an inventory of all leased assets to determine the impact of ASU 2016-02 on its financial condition and results of operations. The effect of the adoption of these ASUs will depend on leases at time of adoption. Once adopted, we expect to report higher assets and liabilities on our Consolidated Balance Sheets as a result of including right-of-use assets and lease liabilities related to certain banking offices and certain equipment under noncancelable operating lease agreements, which currently are not reflected in our Consolidated Balance Sheets. We do not expect the guidance to have a material impact on the Consolidated Statements of Income or the Consolidated Statements of Changes in Stockholders' Equity.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." The ASU significantly changes the impairment model for most financial assets that are measured at amortized cost and certain other instruments from an incurred loss model to an expected loss model. This ASU is effective for interim and annual reporting periods beginning after December 15, 2019. Early adoption is permitted for all entities beginning after December 15, 2018, including interim periods within those fiscal years. The Company is evaluating our current expected loss methodology of our loan and investment portfolios to identify the necessary modifications in accordance with this standard and expects a change in the processes and procedures to calculate the allowance for loan losses, including changes in assumptions and estimates to consider expected credit losses over the life of the loan versus the current accounting practice that utilizes the incurred loss model. A valuation adjustment to our allowance for loan losses or investment portfolio that is identified in this process will be reflected as a one-time adjustment in equity rather than earnings. The Company is in the process of compiling historical data that will be used to calculate expected credit losses on its loan portfolio to ensure it is fully compliant with the ASU at the adoption date and is evaluating the potential impact adoption of this ASU will have on its consolidated financial statements. Once adopted, the Company expects its allowance for loan losses to increase, however, until its evaluation is complete the magnitude of the increase will be unknown.

In August 2016, the FASB issued ASU No. 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments." The ASU amends the guidance on the classification of certain cash receipts and payments in the statement of cash flows and is intended to reduce the diversity in practice. The Company adopted this ASU on July 1, 2018. The adoption did not have a material effect on the Company's Consolidated Financial Statements.

In March 2017, FASB issued ASU 2017-08, "Receivables-Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities." The ASU requires entities to amortize the premium on certain purchased callable debt securities to the earliest call date, which more closely aligns the amortization period of premiums and discounts to expectations incorporated in the market prices. Entities will no longer recognize a loss in earnings upon the debtor's exercise of a call on a purchased debt security held at a premium. The ASU does not require any accounting change for debt securities held at a discount, therefore the discount will continue to be amortized as an adjustment of yield over the contractual life of the investment. The Company adopted this ASU on January 1, 2019. The adoption did not have a material effect on the Company's Consolidated Financial Statements.

In May 2017, the FASB issued ASU 2017-09, "Compensation-Stock Compensation (Topic 718): Scope of Modification Accounting." This ASU provides clarity on the guidance related to stock compensation when there have been changes to the terms or conditions of a share-based payment award to which an entity would be required to apply modification accounting under ASC 718. The ASU provides the three following criteria must be met in order to not account for the effect of the modification of terms or conditions: the fair value, the vesting conditions and the classification as an equity or liability instrument of the modified award is the same as the original award immediately before the original award is modified. The Company adopted this ASU on July 1, 2018. The adoption did not have a material effect on the Company's Consolidated Financial Statements.

In August 2017, FASB issued ASU 2017-12, "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities." This ASU improves the transparency and understandability of disclosures in the financial statements regarding the entities risk management activities and reduces the complexity of hedge accounting. The amendments in this ASU permit hedge accounting for hedging relationships involving nonfinancial risk and interest rate risk by removing certain limitations in cash flow and fair value hedging relationships. In addition, the ASU requires an entity to present the earnings effect of the hedging instrument in the same income statement line item in which the earnings effect of the hedged item is reported. The amendments in this ASU are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2018 and early adoption is permitted. The adoption of ASU No. 2017-12 is not expected to have a material impact on the Company's Consolidated Financial Statements.

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 removes, modifies, and adds certain disclosure requirements related to fair value measurements in ASC 820. The amendments in this ASU are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2019 and early adoption is permitted. The adoption of ASU No. 2018-13 is not expected to have a material impact 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 effective date and transition requirements for this ASU are the same as ASU 2016-13. The adoption of ASU No. 2018-19 is not expected to have a material impact on the Company's Consolidated Financial Statements.

In December 2018, the FASB issued ASU 2018-20, "Leases (Topic 842): Narrow-Scope Improvements for Lessors." The amendments in this update permit lessors, as an accounting policy election, to not evaluate whether certain sales taxes and other similar taxes are lessor costs or lessee costs. Instead, those lessors will account for those costs as if they are lessee costs. A lessor making this election will exclude from the consideration in the contract and from variable payments not included in the consideration in the contract all collections from lessees of taxes within the scope of the election and will provide certain disclosures. For certain lessor costs, the lessor must exclude from variable payments, and therefore revenue, lessor costs paid by lessees directly to third parties from variable payments. In addition, the lessor must account for costs excluded from the consideration of a contract that are paid by the lessor and reimbursed by the lessee as variable payments. A lessor will record those reimbursed costs as revenue. The amendments in this ASU related to recognizing variable payments for contracts with lease and nonlease components require lessors to allocate (rather than recognize as currently required) certain variable payments to the lease and nonlease components when the changes in facts and circumstances on which the variable payment is based occur. After the allocation, the amount of variable payments allocated to the lease components will be recognized as income in profit or loss in accordance with Topic 842, while the amount of variable payments allocated to nonlease components will be recognized in accordance with other Topics, such as Topic 606. The effective date and transition requirements for this ASU are the same as ASU 2016-02. The adoption of ASU No. 2018-20 is not expected to have a material impact on the Company's Consolidated Financial Statements.

In March 2019, the FASB issued ASU 2019-01, "Leases (Topic 842): Codification Improvements." The amendments in this update include the following items: i) determining the fair value of the underlying asset by lessors that are not manufacturers or dealers; ii) requiring cash received from lessors from sales-type and direct financing leases to be presented in the cash flow statement within investing activities; and iii) clarifying interim disclosure requirements. 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, 2019 and early adoption is permitted..The effective date and transition requirements for the third item of this ASU is the same as ASU 2016-02. The adoption of ASU No. 2019-01 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, 2019			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Government Agencies	$ 29,083	$ 48	$ (79)	$ 29,052
Residential Mortgage-backed Securities of U.S. Government				
Agencies and Government-Sponsored Enterprises	76,232	139	(586)	75,785
Municipal Bonds	28,045	272	(61)	28,256
Corporate Bonds	6,087	31	(99)	6,019
Total	$ 139,447	$ 490	$ (825)	$ 139,112

	June 30, 2018			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Government Agencies	$ 48,025	$ 1	$ (484)	$ 47,542
Residential Mortgage-backed Securities of U.S. Government				
Agencies and Government-Sponsored Enterprises	71,949	88	(1,438)	70,599
Municipal Bonds	30,865	127	(226)	30,766
Corporate Bonds	6,166	25	(168)	6,023
Equity Securities	63	—	—	63
Total	$ 157,068	$ 241	$ (2,316)	$ 154,993

Debt securities available for sale by contractual maturity at March 31, 2019 are shown below. Mortgage-backed securities are not included in the maturity categories because the borrowers in the underlying pools may prepay without penalty; therefore, it is unlikely that the securities will pay at their stated maturity schedule.

	Available-For-Sale	
	March 31, 2019	
	Amortized Cost	Estimated Fair Value
Due within one year	$ 9,653	$ 9,638
Due after one year through five years	41,397	41,354
Due after five years through ten years	4,160	4,325
Due after ten years	8,005	8,010
Mortgage-backed securities	76,232	75,785
Total	$ 139,447	$ 139,112

The Company had no sales of securities available for sale during the three and nine months ended March 31, 2019 and 2018. There were no gross realized gains or losses for the three and nine months ended March 31, 2019 and 2018.

Securities available for sale with costs totaling $125,081 and $136,914 and market values of $124,807 and $135,313 at March 31, 2019 and June 30, 2018, respectively, were pledged as collateral to secure various public deposits and other borrowings.

(Dollars in thousands, except per share data)

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, 2019 and June 30, 2018 were as follows:

	March 31, 2019					
	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	$ —	$ —	$ 21,906	$ (79)	$ 21,906	$ (79)
Residential Mortgage-backed Securities of U.S. Government Agencies and Government-Sponsored Enterprises	17,747	(26)	39,187	(560)	56,934	(586)
Municipal Bonds	—	—	12,246	(61)	12,246	(61)
Corporate Bonds	387	(12)	3,579	(87)	3,966	(99)
Total	$ 18,134	$ (38)	$ 76,918	$ (787)	$ 95,052	$ (825)

	June 30, 2018					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government Agencies	$ 10,962	$ (93)	$ 35,605	$ (391)	$ 46,567	$ (484)
Residential Mortgage-backed Securities of U.S. Government Agencies and Government-Sponsored Enterprises	39,238	(827)	21,297	(611)	60,535	(1,438)
Municipal Bonds	19,795	(208)	1,446	(18)	21,241	(226)
Corporate Bonds	—	—	3,566	(168)	3,566	(168)
Total	$ 69,995	$ (1,128)	$ 61,914	$ (1,188)	$ 131,909	$ (2,316)

The total number of securities with unrealized losses at March 31, 2019, and June 30, 2018 were 170 and 218, respectively. Unrealized losses on securities have not been recognized in income because management has the intent and ability to hold the securities for the foreseeable future, and has determined that it is not more likely than not that the Company will be required to sell the securities prior to a recovery in value. The decline in fair value was largely due to increases in market interest rates. The Company had no other-than-temporary impairment losses during the nine months ended March 31, 2019 or the year ended June 30, 2018.

4. Other Investments

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

	March 31, 2019	June 30, 2018
FHLB of Atlanta(1)	$ 31,968	$ 29,907
Federal Reserve Bank of Richmond ("FRB")(1)	7,329	7,307
Small Business Investment Companies ("SBIC")(2)(3)	5,849	4,717
Other (2)	5,976	—
Total	$ 51,122	$ 41,931

(1) As a requirement for membership, the Bank invests in the stock of both the FHLB of Atlanta and the Federal Reserve Bank of Richmond ("FRB"). No ready market exists for these securities so carrying value approximates their fair value based on the redemption provisions of the FHLB of Atlanta and the FRB, respectively.
(2) SBIC and other investment funds are considered nonmarketable investment securities and are qualified investments under the Community Reinvestment Act ("CRA").
(3) Prior to the adoption of ASU 2016-01, SBIC Investments were maintained in other assets.

(Dollars in thousands, except per share data)

5. Loans

Loans consist of the following at the dates indicated:

	March 31, 2019	June 30, 2018
Retail consumer loans:		
One-to-four family	$ 658,723	$ 664,289
HELOCs - originated	133,203	137,564
HELOCs - purchased	128,832	166,276
Construction and land/lots	76,153	65,601
Indirect auto finance	162,127	173,095
Consumer	19,374	12,379
Total retail consumer loans	1,178,412	1,219,204
Commercial loans:		
Commercial real estate	892,383	857,315
Construction and development	214,511	192,102
Commercial and industrial	263,646	148,823
Municipal leases	112,067	109,172
Total commercial loans	1,482,607	1,307,412
Total loans	2,661,019	2,526,616
Deferred loan fees, net	(372)	(764)
Total loans, net of deferred loan fees	2,660,647	2,525,852
Allowance for loan losses	(24,416)	(21,060)
Loans, net	$ 2,636,231	$ 2,504,792

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

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

	Pass	Special Mention	Substandard	Doubtful	Loss	Total
March 31, 2019						
Retail consumer loans:						
One-to-four family	$ 641,923	$ 2,071	$ 8,338	$ 370	$ 10	$ 652,712
HELOCs - originated	131,675	111	1,024	164	6	132,980
HELOCs - purchased	128,352	—	480	—	—	128,832
Construction and land/lots	75,564	62	146	—	—	75,772
Indirect auto finance	161,447	—	680	—	—	162,127
Consumer	17,954	575	837	1	7	19,374
Commercial loans:						
Commercial real estate	865,676	8,356	10,451	—	—	884,483
Construction and development	210,853	421	1,765	120	—	213,159
Commercial and industrial	257,210	1,637	666	2,352	1	261,866
Municipal leases	111,771	296	—	—	—	112,067
Total loans	$ 2,602,425	$ 13,529	$ 24,387	$ 3,007	$ 24	$ 2,643,372

(Dollars in thousands, except per share data)

	Pass	Special Mention	Substandard	Doubtful	Loss	Total
June 30, 2018						
Retail consumer loans:						
One-to-four family	$ 643,077	$ 3,576	$ 10,059	$ 746	$ 14	$ 657,472
HELOCs - originated	135,336	113	1,735	150	6	137,340
HELOCs - purchased	166,089	—	187	—	—	166,276
Construction and land/lots	64,823	23	257	54	—	65,157
Indirect auto finance	172,675	—	420	—	—	173,095
Consumer	11,723	85	558	2	11	12,379
Commercial loans:						
Commercial real estate	835,485	5,804	6,787	—	—	848,076
Construction and development	187,187	621	2,067	—	—	189,875
Commercial and industrial	145,177	1,279	414	—	—	146,870
Municipal leases	108,864	308	—	—	—	109,172
Total loans	$ 2,470,436	$ 11,809	$ 22,484	$ 952	$ 31	$ 2,505,712

The Company's total purchased credit impaired ("PCI") loans by segment, class, and risk grade at the dates indicated follows:

	Pass	Special Mention	Substandard	Doubtful	Loss	Total
March 31, 2019						
Retail consumer loans:						
One-to-four family	$ 4,222	$ 225	$ 1,564	$ —	$ —	$ 6,011
HELOCs - originated	223	—	—	—	—	223
Construction and land/lots	152	—	229	—	—	381
Commercial loans:						
Commercial real estate	4,557	1,936	1,407	—	—	7,900
Construction and development	480	—	872	—	—	1,352
Commercial and industrial	1,777	—	—	—	3	1,780
Total loans	$ 11,411	$ 2,161	$ 4,072	$ —	$ 3	$ 17,647

	Pass	Special Mention	Substandard	Doubtful	Loss	Total
June 30, 2018						
Retail consumer loans:						
One-to-four family	$ 4,620	$ 388	$ 1,809	$ —	$ —	$ 6,817
HELOCs - originated	224	—	—	—	—	224
Construction and land/lots	444	—	—	—	—	444
Commercial loans:						
Commercial real estate	4,718	2,162	2,359	—	—	9,239
Construction and development	547	—	1,680	—	—	2,227
Commercial and industrial	1,894	—	59	—	—	1,953
Total loans	$ 12,447	$ 2,550	$ 5,907	$ —	$ —	$ 20,904

(Dollars in thousands, except per share data)

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

	Past Due				Total
	30-89 Days	90 Days+	Total	Current	Loans
March 31, 2019					
Retail consumer loans:					
One-to-four family	$ 2,439	$ 1,260	$ 3,699	$ 655,024	$ 658,723
HELOCs - originated	44	430	474	132,729	133,203
HELOCs - purchased	230	298	528	128,304	128,832
Construction and land/lots	23	—	23	76,130	76,153
Indirect auto finance	545	81	626	161,501	162,127
Consumer	155	389	544	18,830	19,374
Commercial loans:					
Commercial real estate	—	761	761	891,622	892,383
Construction and development	—	1,253	1,253	213,258	214,511
Commercial and industrial	445	53	498	263,148	263,646
Municipal leases	—	—	—	112,067	112,067
Total loans	$ 3,881	$ 4,525	$ 8,406	$ 2,652,613	$ 2,661,019

	Past Due				Total
	30-89 Days	90 Days+	Total	Current	Loans
June 30, 2018					
Retail consumer loans:					
One-to-four family	$ 3,001	$ 1,756	$ 4,757	$ 659,532	$ 664,289
HELOCs - originated	98	268	366	137,198	137,564
HELOCs - purchased	—	—	—	166,276	166,276
Construction and land/lots	44	54	98	65,503	65,601
Indirect auto finance	335	127	462	172,633	173,095
Consumer	238	39	277	12,102	12,379
Commercial loans:					
Commercial real estate	169	1,412	1,581	855,734	857,315
Construction and development	260	1,928	2,188	189,914	192,102
Commercial and industrial	15	69	84	148,739	148,823
Municipal leases	—	—	—	109,172	109,172
Total loans	$ 4,160	$ 5,653	$ 9,813	$ 2,516,803	$ 2,526,616

(Dollars in thousands, except per share data)

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

	March 31, 2019		June 30, 2018	
	Nonaccruing	90 Days + & still accruing	Nonaccruing	90 Days + & still accruing
Retail consumer loans:				
One-to-four family	$ 3,275	$ —	$ 4,308	$ —
HELOCs - originated	586	—	656	—
HELOCs - purchased	481	—	187	—
Construction and land/lots	—	—	165	—
Indirect auto finance	421	—	255	—
Consumer	400	—	321	—
Commercial loans:				
Commercial real estate	1,744	—	2,863	—
Construction and development	1,502	—	2,045	—
Commercial and industrial	2,923	—	114	—
Municipal leases	—	—	—	—
Total loans	$ 11,332	$ —	$ 10,914	$ —

PCI loans totaling $1,928 at March 31, 2019 and $3,353 at June 30, 2018 are excluded from nonaccruing loans due to the accretion of discounts established in accordance with the acquisition method of accounting for business combinations.

Troubled debt restructurings ("TDRs") are loans which have renegotiated loan terms to assist borrowers who are unable to meet the original terms of their loans. Such modifications to loan terms may include a lower interest rate, a reduction in principal, or a longer term to maturity. Additionally, all TDRs are considered impaired. The Company had no commitments to lend additional funds on these TDR loans at March 31, 2019.

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, 2019	June 30, 2018
Performing TDRs included in impaired loans	$ 24,590	$ 21,251

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

	Three Months Ended March 31, 2019				Three Months Ended March 31, 2018			
	PCI	Retail Consumer	Commercial	Total	PCI	Retail Consumer	Commercial	Total
Balance at beginning of period	$ 199	$ 7,236	$ 13,984	$ 21,419	$ 566	$ 8,191	$ 12,333	$ 21,090
Provision for (recovery of) loan losses	2	(818)	6,316	5,500	239	(172)	(67)	—
Charge-offs	—	(288)	(2,648)	(2,936)	(345)	(240)	(31)	(616)
Recoveries	—	331	102	433	—	393	605	998
Balance at end of period	$ 201	$ 6,461	$ 17,754	$ 24,416	$ 460	$ 8,172	$ 12,840	$ 21,472

	Nine Months Ended March 31, 2019				Nine Months Ended March 31, 2018			
	PCI	Retail Consumer	Commercial	Total	PCI	Retail Consumer	Commercial	Total
Balance at beginning of period	$ 483	$ 7,527	$ 13,050	$ 21,060	$ 727	$ 8,585	$ 11,839	$ 21,151
Provision for (recovery of) loan losses	(282)	(1,223)	7,005	5,500	78	(423)	345	—
Charge-offs	—	(881)	(2,728)	(3,609)	(345)	(767)	(739)	(1,851)
Recoveries	—	1,038	427	1,465	—	777	1,395	2,172
Balance at end of period	$ 201	$ 6,461	$ 17,754	$ 24,416	$ 460	$ 8,172	$ 12,840	$ 21,472

(Dollars in thousands, except per share data)

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

	Allowance for Loan Losses				Total Loans Receivable			
	PCI	Loans individually evaluated for impairment	Loans collectively evaluated	Total	PCI	Loans individually evaluated for impairment	Loans collectively evaluated	Total
March 31, 2019								
Retail consumer loans:								
One-to-four family	$ 61	$ 66	$ 2,402	$ 2,529	$ 6,011	$ 5,396	$ 647,316	$ 658,723
HELOCs - originated	—	5	1,041	1,046	223	5	132,975	133,203
HELOCs - purchased	—	—	596	596	—	—	128,832	128,832
Construction and land/lots	—	—	1,198	1,198	381	327	75,445	76,153
Indirect auto finance	—	—	926	926	—	—	162,127	162,127
Consumer	—	7	220	227	—	7	19,367	19,374
Commercial loans:								
Commercial real estate	118	11	7,981	8,110	7,900	8,091	876,392	892,383
Construction and development	6	5	3,236	3,247	1,352	1,529	211,630	214,511
Commercial and industrial	16	2,354	3,728	6,098	1,780	2,370	259,496	263,646
Municipal leases	—	—	439	439	—	—	112,067	112,067
Total	$ 201	$ 2,448	$ 21,767	$ 24,416	$ 17,647	$ 17,725	$ 2,625,647	$ 2,661,019
June 30, 2018								
Retail consumer loans:								
One-to-four family	$ 98	$ 125	$ 3,137	$ 3,360	$ 6,817	$ 7,104	$ 650,368	$ 664,289
HELOCs - originated	—	6	1,117	1,123	224	452	136,888	137,564
HELOCs - purchased	—	—	795	795	—	—	166,276	166,276
Construction and land/lots	—	19	1,134	1,153	444	583	64,574	65,601
Indirect auto finance	—	—	1,126	1,126	—	—	173,095	173,095
Consumer	—	11	57	68	—	11	12,368	12,379
Commercial loans:								
Commercial real estate	138	28	8,029	8,195	9,239	3,511	844,565	857,315
Construction and development	229	8	3,109	3,346	2,227	2,223	187,652	192,102
Commercial and industrial	18	—	1,458	1,476	1,953	—	146,870	148,823
Municipal leases	—	—	418	418	—	—	109,172	109,172
Total	$ 483	$ 197	$ 20,380	$ 21,060	$ 20,904	$ 13,884	$ 2,491,828	$ 2,526,616

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

(Dollars in thousands, except per share data)

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

	Total Impaired Loans				
	Unpaid Principal Balance	Recorded Investment With a Recorded Allowance	Recorded Investment With No Recorded Allowance	Total	Related Recorded Allowance
March 31, 2019					
Retail consumer loans:					
One-to-four family	$ 18,463	$ 12,501	$ 3,169	$ 15,670	$ 479
HELOCs - originated	1,597	657	292	949	7
HELOCs - purchased	481	—	481	481	—
Construction and land/lots	1,940	976	328	1,304	26
Indirect auto finance	523	348	101	449	2
Consumer	1,976	358	1,121	1,479	5
Commercial loans:					
Commercial real estate	9,457	1,303	7,857	9,160	19
Construction and development	3,056	973	909	1,882	7
Commercial and industrial	8,689	3,006	2	3,008	2,362
Municipal leases	—	—	—	—	—
Total impaired loans	$ 46,182	$ 20,122	$ 14,260	$ 34,382	$ 2,907
June 30, 2018					
Retail consumer loans:					
One-to-four family	$ 23,295	$ 16,035	$ 4,140	$ 20,175	$ 554
HELOCs - originated	2,544	1,017	737	1,754	9
HELOCs - purchased	187	—	187	187	—
Construction and land/lots	2,348	1,098	446	1,544	53
Indirect auto finance	395	122	133	255	1
Consumer	501	12	46	58	11
Commercial loans:					
Commercial real estate	5,343	2,862	2,246	5,108	42
Construction and development	3,166	828	1,217	2,045	14
Commercial and industrial	4,898	235	—	235	3
Municipal leases	—	—	—	—	—
Total impaired loans	$ 42,677	$ 22,209	$ 9,152	$ 31,361	$ 687

The table above includes $16,657 and $19,926, of impaired loans that were not individually evaluated at March 31, 2019 and June 30, 2018, respectively, because these loans did not meet the Company's threshold for individual impairment evaluation. The recorded allowance above includes $459 and $490 related to these loans that were not individually evaluated at March 31, 2019 and June 30, 2018, respectively.

(Dollars in thousands, except per share data)

The Company's average recorded investment in impaired loans and interest income recognized on impaired loans for the three and nine months ended March 31, 2019 and 2018 follows:

	Three Months Ended			
	March 31, 2019		March 31, 2018	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Retail consumer loans:				
One-to-four family	$ 16,499	$ 237	$ 23,988	$ 325
HELOCs - originated	957	18	2,280	36
HELOC - purchased	333	3	189	4
Construction and land/lots	1,356	24	1,594	28
Indirect auto finance	361	6	295	4
Consumer	1,580	17	39	4
Commercial loans:				
Commercial real estate	4,116	123	6,818	54
Construction and development	1,696	16	3,050	18
Commercial and industrial	188	80	1,264	22
Municipal leases	—	—	98	—
Total loans	$ 27,086	$ 524	$ 39,615	$ 495

	Nine Months Ended			
	March 31, 2019		March 31, 2018	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Retail consumer loans:				
One-to-four family	$ 17,878	$ 699	$ 24,495	$ 916
HELOCs - originated	1,067	52	2,566	83
HELOCs - purchased	235	10	190	10
Construction and land/lots	1,491	75	1,633	82
Indirect auto finance	341	19	192	17
Consumer	1,335	58	39	12
Commercial loans:				
Commercial real estate	4,376	313	7,196	161
Construction and development	1,800	51	2,852	71
Commercial and industrial	201	222	1,665	68
Municipal leases	—	—	176	6
Total loans	$ 28,724	$ 1,499	$ 41,004	$ 1,426

A summary of changes in the accretable yield for PCI loans for the three and nine months ended March 31, 2019 and 2018 follows:

	Three Months Ended	
	March 31, 2019	March 31, 2018
Accretable yield, beginning of period	$ 5,232	$ 6,221
Reclass from nonaccretable yield [(1)]	118	163
Other changes, net [(2)]	528	222
Interest income	(412)	(501)
Accretable yield, end of period	$ 5,466	$ 6,105

(Dollars in thousands, except per share data)

	Nine Months Ended	
	March 31, 2019	March 31, 2018
Accretable yield, beginning of period	$ 5,734	$ 7,080
Reclass from nonaccretable yield (1)	542	441
Other changes, net (2)	863	329
Interest income	(1,673)	(1,745)
Accretable yield, end of period	$ 5,466	$ 6,105

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

For the three and nine months ended March 31, 2019 and 2018, the following tables present a breakdown of the types of concessions made on TDRs by loan class:

	Three Months Ended March 31, 2019			Three Months Ended March 31, 2018		
	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
Extended payment terms:						
Retail consumer:						
One-to-four family	2	$ 212	$ 212	—	$ —	$ —
HELOCs - originated	1	15	15	—	—	—
Total	3	$ 227	$ 227	—	$ —	$ —
Other TDRs:						
Retail consumer:						
One-to-four family	2	$ 335	$ 334	5	$ 470	$ 465
Construction and land/lots	1	29	28	—	—	—
Commercial:						
Commercial real estate	2	5,424	5,423	—	—	—
Construction and development	1	182	182	—	—	—
Total	6	$ 5,970	$ 5,967	5	$ 470	$ 465
Total	9	$ 6,197	$ 6,194	5	$ 470	$ 465

(Dollars in thousands, except per share data)

	Nine Months Ended March 31, 2019			Nine Months Ended March 31, 2018		
	Number of Loans	Pre Modification Outstanding Recorded Investment	Post Modification Outstanding Recorded Investment	Number of Loans	Pre Modification Outstanding Recorded Investment	Post Modification Outstanding Recorded Investment
Below market interest rate:						
Retail consumer:						
One-to-four family	1	$ 85	$ 84	—	$ —	$ —
Total	1	$ 85	$ 84	—	$ —	$ —
Extended payment terms:						
Retail consumer:						
One-to-four family	2	$ 212	$ 212	4	$ 462	$ 450
HELOCs - originated	1	15	15	—	—	—
Construction and land/lots	—	—	—	1	36	34
Total	3	$ 227	$ 227	5	$ 498	$ 484
Other TDRs:						
Retail consumer:						
One-to-four family	10	$ 841	$ 829	19	$ 1,583	$ 1,559
Construction and land/lots	1	29	28	—	—	—
Indirect auto finance	1	33	29	—	—	—
Consumer	1	2	2	—	—	—
Commercial:						
Commercial real estate	2	5,424	5,423	—	—	—
Construction and development	1	182	182	—	—	—
Total	16	$ 6,511	$ 6,493	19	$ 1,583	$ 1,559
Total	20	$ 6,823	$ 6,804	24	$ 2,081	$ 2,043

The following tables present 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, 2019 and 2018:

	Three Months Ended March 31, 2019		Three Months Ended March 31, 2018	
	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment
Other TDRs:				
Retail consumer:				
One-to-four family	2	$ 184	2	$ 145
Consumer	1	2	—	—
Total	3	$ 186	2	$ 145
Total	3	$ 186	2	$ 145

	Nine Months Ended March 31, 2019		Nine Months Ended March 31, 2018	
	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment
Other TDRs:				
Retail consumer:				
One-to-four family	2	$ 184	2	$ 145
Consumer	1	2	—	—
Total	3	$ 186	2	$ 145
Total	3	$ 186	2	$ 145

(Dollars in thousands, except per share data)

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

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

6. Real Estate Owned

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2019	2018	2019	2018
Balance at beginning of period	$ 2,955	$ 4,818	$ 3,684	$ 6,318
Transfers from loans	482	566	578	1,157
Sales, net of gain or loss	(397)	(143)	(971)	(1,901)
Writedowns	(37)	(188)	(288)	(539)
Capital improvements	—	—	—	18
Balance at end of period	$ 3,003	$ 5,053	$ 3,003	$ 5,053

At March 31, 2019 and June 30, 2018, the Bank had $867 and $998 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 $663 and $395 at March 31, 2019 and June 30, 2018, respectively.

7. Income Taxes

Income tax expense for the periods shown is as follows:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2019	2018	2019	2018
Current:				
Federal	$ 534	$ 81	$ 744	$ 311
State	178	3	607	11
Total current expense	712	84	1,351	322
Deferred:				
Federal	(144)	2,139	3,556	5,820
State	(58)	166	102	572
Adjustment due to the Tax Cuts and Jobs Act	(325)	318	(325)	18,011
Total deferred expense	(527)	2,623	3,333	24,403
Total income tax expense	$ 185	$ 2,707	$ 4,684	$ 24,725

(Dollars in thousands, except per share data)

The provision for income taxes differs from the amount of income tax determined by applying the applicable U.S. statutory federal income tax rate to income before income taxes as a result of the following differences for the periods indicated:

	Three Months Ended March 31,				Nine Months Ended March 31,			
	2019		2018		2019		2018	
	$	Rate	$	Rate	$	Rate	$	Rate
Tax at federal income tax rate	$ 732	21 %	$ 2,429	28 %	$ 5,002	21 %	$ 7,082	28 %
Increase (decrease) resulting from:								
Tax exempt income	(208)	(6)%	(270)	(3)%	(645)	(3)%	(811)	(3)%
Nondeductible merger expenses	—	— %	—	— %	—	— %	1	— %
Change in valuation allowance for deferred tax assets, allocated to income tax expense	—	— %	(36)	— %	—	— %	(220)	(1)%
State tax, net of federal benefit	95	2 %	122	1 %	560	2 %	326	1 %
Change in deferred tax assets due to North Carolina corporate tax rate decrease	—	— %	—	— %	—	— %	133	— %
Change in deferred tax assets due to the Tax Cuts and Jobs Act	(325)	(9)%	318	4 %	(325)	(1)%	18,011	70 %
Other	(109)	(3)%	144	1 %	92	1 %	203	1 %
Total	$ 185	5 %	$ 2,707	31 %	$ 4,684	20 %	$ 24,725	96 %

The decrease in the federal corporate income tax rate was the result of enactment of the Tax Cuts and Jobs Act ("Tax Act"), which lowered the Company's statutory federal corporate income tax rate to 21% effective July 1, 2018 from a blended federal corporate income tax rate of 27.5% in the previous fiscal year. Our June 30 fiscal year end required the use of a blended rate as prescribed by the Internal Revenue Code. The blended federal rate of 27.5% was retroactively effective July 1, 2017 and was used for the entire fiscal year ending June 30, 2018. In addition, for the nine months ended March 31, 2018, following a revaluation of net deferred tax assets due to the Tax Act, the Company recorded additional income tax expense of $18.0 million.

(Dollars in thousands, except per share data)

The sources and tax effects of temporary differences that give rise to significant portions of the deferred tax assets (liabilities) at March 31, 2019 and June 30, 2018 are presented below:

	March 31, 2019	June 30, 2018
Deferred tax assets:		
Alternative minimum tax credit	$ 5,190	$ 4,920
Allowance for loan losses	5,409	4,637
Deferred compensation and post-retirement benefits	9,127	9,400
Accrued vacation and sick leave	18	18
Impairments on real estate owned	507	495
Other than temporary impairment on investments	2,244	2,254
Net operating loss carryforward	5,092	8,635
Discount from business combination	2,430	2,605
Unrealized loss on securities held for sale	77	477
Stock compensation plans	1,888	2,271
Other	1,236	1,562
Total gross deferred tax assets	33,218	37,274
Less valuation allowance	—	(325)
Deferred tax assets	33,218	36,949
Deferred tax (liabilities):		
Depreciable basis of fixed assets	(514)	(566)
Deferred loan fees	(509)	(453)
FHLB stock, book basis in excess of tax	(89)	(89)
Other	(3,274)	(3,276)
Total gross deferred tax liabilities	(4,386)	(4,384)
Net deferred tax assets	$ 28,832	$ 32,565

We use the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets are reduced by a valuation allowance when it is more likely than not that some portion of the deferred tax asset will not be realized. We exercise significant judgment in evaluating the amount and timing of recognition of the resulting tax liabilities and assets. These judgments require us to make projections of future taxable income. The judgments and estimates we make in determining our deferred tax assets, which are inherently subjective, are reviewed on a continual basis as regulatory and business factors change. Any reduction in estimated future taxable income may require us to record a valuation allowance against our deferred tax assets.

The Company had federal net operating loss ("NOL") carry forwards of $24,248 and $40,780 as of March 31, 2019 and June 30, 2018, respectively, with a recorded tax benefit of $5,092 and $8,635 included in deferred tax assets. The majority of these NOLs will expire for federal tax purposes from 2024 through 2036. The valuation allowance of $325 was reversed during the quarter ended March 31, 2019 based on clarifying guidance released by the Internal Revenue Service related to the treatment of alternative minimum tax ("AMT") credits under the Tax Act.

Retained earnings at March 31, 2019 and June 30, 2018 include $19,570 representing pre-1988 tax bad debt reserve base year amounts for which no deferred tax liability has been provided since these reserves are not expected to reverse and may never reverse. Circumstances that would require an accrual of a portion or all of this unrecorded tax liability are a failure to meet the definition of a bank, dividend payments in excess of current year or accumulated earnings and profits, or other distributions in dissolution or liquidation of the Bank. The Company is no longer subject to examination for federal and state purposes for tax years prior to 2014.

(Dollars in thousands, except per share data)

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 for the three and nine months ended March 31, 2019 and 2018:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2019	2018	2019	2018
Numerator:				
Net income	$ 3,302	$ 6,127	$ 19,133	$ 1,028
Allocation of earnings to participating securities	(23)	(45)	(132)	(7)
Numerator for basic EPS - Net income available (loss attributable) to common stockholders	$ 3,279	$ 6,082	$ 19,001	$ 1,021
Effect of dilutive securities:				
Dilutive effect to participating securities	3	2	5	—
Numerator for diluted EPS	$ 3,282	$ 6,084	$ 19,006	$ 1,021
Denominator:				
Weighted-average common shares outstanding - basic	17,506,018	18,052,000	17,811,962	17,997,997
Effect of dilutive shares	691,411	709,586	716,199	690,489
Weighted-average common shares outstanding - diluted	18,197,429	18,761,586	18,528,161	18,688,486
Net income per share - basic	$ 0.19	$ 0.34	$ 1.07	$ 0.06
Net income per share - diluted	$ 0.18	$ 0.32	$ 1.02	$ 0.06

Potential dilutive shares are excluded from the computation of earnings per share if their effect is anti-dilutive. There were 434,400 and 445,800 stock options that were anti-dilutive for the three and nine months ended March 31, 2019, respectively. There were 420,800 stock options that were anti-dilutive for both the three and nine months ended March 31, 2018.

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

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

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, 2019 and 2018:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2019	2018	2019	2018
Share based compensation expense	$ 409	$ 569	$ 1,165	$ 2,583
Tax benefit	$ 96	$ 159	$ 274	$ 723

(Dollars in thousands, except per share data)

The table below presents stock option activity for the nine months ended March 31, 2019 and 2018:

	Options	Weighted-average exercise price	Remaining contractual life (years)	Aggregate Intrinsic Value
Options outstanding at June 30, 2017	1,470,043	$ 15.22	5.8	$ 13,533
Granted	360,400	26.00	—	—
Exercised	37,400	14.75	—	—
Forfeited	24,700	14.43	—	—
Expired	43,273	23.82	—	—
Options outstanding at March 31, 2018	1,725,070	$ 17.28	6.2	$ 15,136
Exercisable at March 31, 2018	1,230,270	$ 14.51	5.0	$ 14,200
Non-vested at March 31, 2018	494,800	$ 24.16	9.1	$ 936
Options outstanding at June 30, 2018	1,718,270	$ 17.29	5.9	$ 18,664
Granted	40,500	27.51	—	—
Exercised	69,111	14.53	—	—
Forfeited	20,300	23.39	—	—
Expired	945	23.82	—	—
Options outstanding at March 31, 2019	1,668,414	$ 17.57	5.3	$ 13,098
Exercisable at March 31, 2019	1,290,814	$ 15.39	4.4	$ 12,733
Non-vested at March 31, 2019	377,600	$ 25.04	8.5	$ 365

Assumptions used in estimating the fair value of options granted during the nine months ended March 31, 2019 and 2018 are presented below:

	March 31, 2019	March 31, 2018
Weighted-average volatility	17.84%	17.69%
Expected dividend yield	0.87%	—%
Risk-free interest rate	2.54%	2.67%
Expected life (years)	6.5	6.5
Weighted-average fair value of options granted	$ 5.88	$ 6.62

At March 31, 2019, the Company had $2,326 of unrecognized compensation expense related to 377,600 stock options originally scheduled to vest over five- and seven-year vesting periods. The weighted average period over which compensation cost related to non-vested awards expected to be recognized was 2.1 years at March 31, 2019. At March 31, 2018, the Company had $3,741 of unrecognized compensation expense related to 494,800 stock options originally scheduled to vest over five- and seven-year vesting periods. The weighted average period over which compensation cost related to non-vested awards expected to be recognized was 2.5 years at March 31, 2018.

(Dollars in thousands, except per share data)

The table below presents restricted stock award activity for the nine months ended March 31, 2019 and 2018:

	Restricted stock awards	Weighted-average grant date fair value	Aggregate Intrinsic Value
Non-vested at June 30, 2017	185,630	$ 17.46	$ 4,780
Granted	55,200	25.89	—
Vested	100,820	15.14	—
Forfeited	6,600	14.37	—
Non-vested at March 31, 2018	133,410	$ 22.85	$ 3,475
Non-vested at June 30, 2018	133,410	$ 22.85	$ 3,755
Granted	34,000	27.51	—
Vested	39,310	21.64	—
Forfeited	4,300	19.22	—
Non-vested at March 31, 2019	123,800	$ 24.65	$ 2,263

The table above includes performance-based restrictive stock units totaling 10,375 which were granted during the nine months ended March 31, 2019. These stock units are scheduled to vest over 3.0 years assuming certain performance metrics are met.

At March 31, 2019, unrecognized compensation expense was $2,790 related to 123,800 shares of restricted stock originally scheduled to vest over five- and seven-year vesting periods. The weighted average period over which compensation cost related to non-vested awards is expected to be recognized was 2.1 years at March 31, 2019. At March 31, 2018, unrecognized compensation expense was $2,775 related to 133,410 shares of restricted stock originally scheduled to vest over five- and seven-year vesting periods. The weighted average period over which compensation cost related to non-vested awards is expected to be recognized was 2.3 years at March 31, 2018.

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, 2019 and June 30, 2018, respectively, loan commitments (excluding $189,164 and $209,726 of undisbursed portions of construction loans) totaled $85,543 and $49,949 of which $31,174 and $19,812 were variable rate commitments and $54,369 and $30,137 were fixed rate commitments. The fixed rate loans had interest rates ranging from 2.69% to 7.25% at March 31, 2019 and 2.10% to 6.15% at June 30, 2018, 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 $356,623 and $491,649 at March 31, 2019 and June 30, 2018, respectively. These amounts represent the Company's exposure to credit risk, and in the opinion of management have no more than the normal lending risk that the Company commits to its borrowers. The Company has two types of commitments related to loans held for sale: rate lock commitments and forward loan commitments. Rate lock commitments are commitments to extend credit to a customer that has an interest rate lock and are considered derivative instruments. The rate lock commitments do not qualify for hedge accounting. In order to mitigate the risk from interest rate fluctuations, we enter into forward loan sale commitments on a "best efforts" basis, which do not meet the definition of a derivative instrument. The fair value of these commitments was not material at March 31, 2019 or June 30, 2018.

The Company grants construction and permanent loans collateralized primarily by residential and commercial real estate to customers throughout its primary market area. In addition, the Company grants municipal leases to customers throughout North and South Carolina. The Company's loan portfolio can be affected by the general economic conditions within these market areas.

Restrictions on Cash – The Bank is required by regulation to maintain a varying cash reserve balance with the FRB. The daily average calculated cash reserve required as of March 31, 2019 and June 30, 2018 was $968, and $2,304, respectively, which was satisfied by vault cash and balances held at the FRB.

Guarantees – Standby letters of credit obligate the Company to meet certain financial obligations of its customers, if, under the contractual terms of the agreement, the customers are unable to do so. The financial standby letters of credit issued by the Company are irrevocable and payment is only guaranteed upon the borrower's failure to perform its obligations to the beneficiary. Total commitments under standby letters of credit as of March 31, 2019 and June 30, 2018 were $8,131 and $8,227, respectively. There was no liability recorded for these letters of credit at March 31, 2019 or June 30, 2018, 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, with the exception of loans receivable, are based on the same methodology as presented in Note 20 of the Notes to Consolidated Financial Statements contained in the Company's 2018 10-K. The Company has adopted ASU 2016-01, and therefore is measuring the fair value of loans receivable under the exit price notion rather than the previous method of entry price notion. Under the previous method, the fair value estimate of loans receivable was based on discounted cash flow. At September 30, 2018, the exit price notion used to estimate the fair value of loans receivable was based on similar techniques, with the addition of liquidity premiums. The fair value of nonperforming loans is based on the underlying value of the collateral for periods prior to and after adoption of ASU 2016-01.

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 on both a recurring and non-recurring basis. The Company does not have any liabilities recorded at fair value on both a recurring and non-recurring basis.

Investment Securities Available for Sale
Securities available for sale are valued on a recurring basis at quoted market prices where available. If quoted market prices are not available, fair values are based on quoted prices of comparable securities. Level 2 securities include equity securities, mortgage-backed securities and debentures issued by government sponsored enterprises, municipal bonds, and corporate debt securities. The Company has no Level 3 securities.

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

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

Loans Held for Sale
Loans held for sale are adjusted to lower of cost or fair value. Fair value is based 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.

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.

Small Business Investment Company
SBICs are carried at the lower of cost or cost less a valuation allowance, which is based a financial review of the investment. The Company considers SBICs that have been adjusted through 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, 2019			
Description	Total	Level 1	Level 2	Level 3
U.S Government Agencies	$ 29,052	$ —	$ 29,052	$ —
Residential Mortgage-backed Securities of U.S. Government Agencies and Government Sponsored Enterprises	75,785	—	75,785	—
Municipal Bonds	28,256	—	28,256	—
Corporate Bonds	6,019	—	6,019	—
Total	$ 139,112	$ —	$ 139,112	$ —

	June 30, 2018			
Description	Total	Level 1	Level 2	Level 3
U.S Government Agencies	$ 47,542	$ —	$ 47,542	$ —
Residential Mortgage-backed Securities of U.S. Government Agencies and Government Sponsored Enterprises	70,599	—	70,599	—
Municipal Bonds	30,766	—	30,766	—
Corporate Bonds	6,023	—	6,023	—
Equity Securities	63	—	63	—
Total	$ 154,993	$ —	$ 154,993	$ —

There were no transfers between levels during the three months ended March 31, 2019.

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

	March 31, 2019			
Description	Total	Level 1	Level 2	Level 3
Impaired loans	$ 11,088	$ —	$ —	$ 11,088
REO	1,625	—	—	1,625
Total	$ 12,713	$ —	$ —	$ 12,713

	June 30, 2018			
Description	Total	Level 1	Level 2	Level 3
Impaired loans	$ 8,423	$ —	$ —	$ 8,423
REO	2,104	—	—	2,104
Total	$ 10,527	$ —	$ —	$ 10,527

Quantitative information about Level 3 fair value measurements during the period ended March 31, 2019 is shown in the table below:

	Fair Value at March 31, 2019	Valuation Techniques	Unobservable Input	Range	Weighted Average
Nonrecurring measurements:					
Impaired loans, net	$ 11,088	Discounted appraisals and discounted cash flows	Collateral discounts and discount spread	3% - 100% 1% - 3%	22%
REO	$ 1,625	Discounted appraisals	Collateral discounts	8% - 41%	12%

(Dollars in thousands, except per share data)

The stated carrying value and estimated fair value amounts of financial instruments as of March 31, 2019 and June 30, 2018, are summarized below:

	March 31, 2019				
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Assets:					
Cash and interest-bearing deposits	$ 78,311	$ 78,311	$ 78,311	$ —	$ —
Commercial paper	246,903	246,903	246,903	—	—
Certificates of deposit in other banks	56,209	56,209	—	56,209	—
Securities available for sale	139,112	139,112	—	139,112	—
Loans, net	2,636,231	2,540,468	—	—	2,540,468
Loans held for sale	14,745	15,315	—	—	15,315
FHLB stock	31,968	31,968	31,968	—	—
FRB stock	7,329	7,329	7,329	—	—
SBIC	5,849	5,849	—	—	5,849
Other investments	5,976	5,976	—	—	5,976
Accrued interest receivable	10,885	10,885	—	1,328	9,557
Liabilities:					
Noninterest-bearing and NOW deposits	778,720	778,720	—	778,720	—
Money market accounts	692,102	692,102	—	692,102	—
Savings accounts	192,754	192,754	—	192,754	—
Certificates of deposit	644,819	642,014	—	642,014	—
Borrowings	680,000	677,431	—	677,431	—
Accrued interest payable	2,411	2,411	—	2,411	—

	June 30, 2018				
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Assets:					
Cash and interest-bearing deposits	$ 70,746	$ 70,746	$ 70,746	$ —	$ —
Commercial paper	229,070	229,070	229,070	—	—
Certificates of deposit in other banks	66,937	66,937	—	66,937	—
Securities available for sale	154,993	154,993	—	154,993	—
Loans, net	2,504,792	2,414,647	—	—	2,414,647
Loans held for sale	5,873	5,990	—	—	5,990
FHLB stock	29,907	29,907	29,907	—	—
FRB stock	7,307	7,307	7,307	—	—
SBIC	4,717	4,717	—	—	4,717
Accrued interest receivable	9,344	9,344	297	883	8,164
Liabilities:					
Noninterest-bearing and NOW deposits	789,186	789,186	—	789,186	—
Money market accounts	677,665	677,665	—	677,665	—
Savings accounts	213,250	213,250	—	213,250	—
Certificates of deposit	516,152	509,924	—	509,924	—
Borrowings	635,000	635,187	—	635,187	—
Accrued interest payable	805	805	—	805	—

The Company had off-balance sheet financial commitments, which included approximately $631,330 and $751,324 of commitments to originate loans, undisbursed portions of interim construction loans, and unused lines of credit at March 31, 2019 and June 30, 2018, respectively (see Note 10). Since these commitments are based on current rates, the carrying amount approximates the fair value.

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

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

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

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

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

Loans held for sale – The fair value of 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 U.S. Small Business Administration ("SBA") loans 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. For the March 31, 2019 fair value, 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 and other investments – No ready market exists for these investments and they have no quoted market value. SBIC and other 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. Revenue

On July 1, 2018, the Company adopted ASU 2014-09, “Revenue from Contracts with Customers (Topic 606)” and all subsequent ASUs that modified ASC 606. The adoption of the new standard did not have a material impact on the measurement or recognition of revenue. Results for reporting periods beginning after July 1, 2018 are presented under Topic 606, while prior period amounts reflect an offset of $267 and $660 of interchange costs against interchange income for the three and nine months ended March 31, 2019.

ASC 606 does not apply to revenue associated with financial instruments, including revenue from loans and securities. In addition, certain noninterest income streams such as fees associated with mortgage servicing rights, financial guarantees, and certain credit card fees are also not in scope of the new guidance. ASC 606 is applicable to noninterest revenue streams such as deposit related fees, interchange fees, merchant income, and various other service fees. However, the recognition of these revenue streams did not change significantly upon adoption of ASC 606. Substantially all of the Company’s revenue is generated from contracts with customers. The Company has made no significant judgments in applying the revenue guidance prescribed in ASC 606 that affect the determination of the amount and timing of revenue streams with customers.

(Dollars in thousands, except per share data)

The table below presents the Company's sources of noninterest income, segregated by in-scope and out-of-scope revenue streams of ASC 606 for the three and nine months ended March 31, 2019 and 2018:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2019	2018	2019	2018
In-scope of ASC 606:				
Service charges on deposit accounts	$ 1,027	$ 918	$ 3,053	$ 2,750
Fees, interchange, and other service charges	1,439	1,119	4,739	3,331
Other	223	268	589	720
Noninterest income (in-scope of ASC 606)	2,689	2,305	8,381	6,801
Noninterest income (out-of-scope of ASC 606)	2,697	2,224	7,703	6,449
Total noninterest income	$ 5,386	$ 4,529	$ 16,084	$ 13,250

The following is a description of revenue streams accounted for under ASC 606:

Service charges on deposit accounts

Service charges on deposit accounts consist of account analysis fees (i.e., net fees earned on analyzed business and public checking accounts), monthly service fees, nonsufficient fund fees, check orders, and other deposit account related fees. The Company's performance obligation for account analysis fees and monthly service fees is generally satisfied, and the related revenue recognized, over the period in which the service is provided. Nonsufficient fund fees, check orders and other deposit account related fees are largely transactional based, and therefore, the Company's performance obligation is satisfied and related revenue recognized, at a point in time. Payment for service charges on deposit accounts is primarily received immediately or in the following month through a direct charge to customers' accounts.

Fees, interchange, and other service charges

Fees, interchange, and other service charges are primarily comprised of debit and credit card income, ATM fees, merchant services income, and other service charges. Debit and credit card income is primarily comprised of interchange fees earned whenever the Company's debit and credit cards are processed through card payment networks such as Visa. ATM fees are primarily generated when a Company cardholder uses a non-Company ATM or a non-Company cardholder uses a Company ATM. Merchant services income mainly represents fees charged to merchants to process their debit and credit card transactions, in addition to account management fees. Other service charges include revenue from processing wire transfers, cashier's checks, and other services. The Company's performance obligation for fees, interchange, and other service charges are largely satisfied, and related revenue recognized, when the services are rendered or upon completion. Payment is typically received immediately or in the following month.

Other

Other noninterest income consists of safety deposit box rental fees and other miscellaneous revenue streams. Safe deposit box rental fees are charged to the customer on an annual basis and recognized upon receipt of payment. The Company determined that since rentals and renewals occur fairly consistently over time, revenue is recognized on a basis consistent with the duration of the performance obligation.

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

Forward-Looking Statements

Certain matters in this Form 10-Q constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate to our financial condition, results of operations, plans, objectives, future performance or business. Forward-looking statements are not statements of historical fact, are based on certain assumptions and are generally identified by use of the words "believes," "expects," "anticipates," "estimates," "forecasts," "intends," "plans," "targets," "potentially," "probably," "projects," "outlook" or similar expressions or future or conditional verbs such as "may," "will," "should," "would," and "could." Forward-looking statements include statements with respect to our beliefs, plans, objectives, goals, expectations, assumptions, and statements about future economic performance and projections of financial items. These forward-looking statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from the results anticipated or implied by our forward-looking statements, including, but not limited to: the credit risks of lending activities, including changes in the level and trend of loan delinquencies and write offs and changes in our allowance for loan losses and provision for loan losses that may be impacted by deterioration in the housing and commercial real estate markets; changes in general economic conditions, either nationally or in our market areas; changes in the levels of general interest rates, and the relative differences between short and long term interest rates, deposit interest rates, our net interest margin and funding sources; fluctuations in the demand for loans, the number of unsold homes, land and other properties and fluctuations in real estate values in our market areas; decreases in the secondary market for the sale of loans that we originate; results of examinations of us by the Board of Governors of the Federal Reserve System ("Federal Reserve"), the North Carolina Office of the Commissioner of Banks ("NCCOB"), or other regulatory authorities, including the possibility that any such regulatory authority may, among other things, require us to increase our allowance for loan losses, write-down assets, change our regulatory capital position or affect our ability to borrow funds or maintain or increase deposits, which could adversely affect our liquidity and earnings; legislative or regulatory changes that adversely affect our business including the effect of Dodd-Frank Wall Street Reform and Consumer

Protection Act, 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 loan losses; our ability to control operating costs and expenses, especially costs associated with our operation as a public company; the use of estimates in determining fair value of certain assets, which estimates may prove to be incorrect and result in significant declines in valuation; difficulties in reducing risks associated with the loans on our balance sheet; staffing fluctuations in response to product demand or the implementation of corporate strategies that affect our workforce and potential associated charges; 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; and the other risks detailed from time to time in our filings with the Securities and Exchange Commission ("SEC"), including our 2018 Form 10-K.

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

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

Overview

HomeTrust Bancshares, Inc., a Maryland corporation, was formed for the purpose of becoming the holding company for HomeTrust Bank in connection with HomeTrust 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, HomeTrust Bancshares, Inc. is regulated by the Federal Reserve. As a North Carolina state-chartered bank, and member of the Federal Reserve System, the Bank's primary regulators are the NCCOB and the Federal Reserve. The Bank's deposits are federally insured up to applicable limits by the Federal Deposit Insurance Corporation ("FDIC"). The Bank is a member of the Federal Home Loan Bank of Atlanta ("FHLB" or "FHLB of Atlanta"), which is one of the 12 regional banks in the Federal Home Loan Bank 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 loans secured by first and second mortgages on one-to-four family residences, including home equity loans and construction and land/lot loans, commercial real estate loans, construction and development loans, commercial and industrial loans, SBA loans, indirect automobile loans, and municipal leases. Municipal leases are secured primarily by a ground lease for a firehouse or an equipment lease for fire trucks and firefighting equipment to fire departments located throughout North and South Carolina. We also purchase investment securities consisting primarily of securities issued by United States Government agencies and government-sponsored enterprises, as well as, commercial paper and 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 we pay on our deposits and borrowings. Changes in levels of interest rates affect our net interest income. A secondary source of income is noninterest income, which includes revenue we receive from providing products and services, including service charges on deposit accounts, loan income and fees, gain on sale of loans, and gains and losses from sales of securities.

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

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

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

At March 31, 2019, we had 43 locations in North Carolina (including the Asheville metropolitan area, Greensboro/"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

Certain of our accounting policies are important to the portrayal of our financial condition, since they require management to make difficult, complex or subjective judgments, some of which may relate to matters that are inherently uncertain. Estimates associated with these policies are susceptible to material changes as a result of changes in facts and circumstances. Facts and circumstances which could affect these judgments include, but are not limited to, changes in interest rates, changes in the performance of the economy, and changes in the financial condition of borrowers. These policies relate to (i) the determination of the provision and the allowance for loan losses, (ii) business combinations and acquired loans, (iii) the valuation of REO, (iv) the valuation of goodwill and other intangible assets, and (v) the valuation of or recognition of deferred tax assets and liabilities. These policies and estimates are described in further detail in Part II, Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 1, Summary of Significant Accounting Policies with the 2018 Form 10-K. There have not been any material changes in the Company's critical accounting policies and estimates during the nine months ended March 31, 2019 as compared to the disclosure contained in the Company's 2018 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, shareholders’ equity, or cash flows as previously reported.

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

Non-GAAP Financial Measures

In addition to results presented in accordance with GAAP, this report contains certain non-GAAP financial measures, which include: tangible book value; tangible book value per share, tangible equity to tangible assets ratio; net income, earnings per share ("EPS"), return on assets ("ROA"), and return on equity ("ROE") excluding certain state income tax expense, adjustments for the change in federal tax law, and gain from the sale of premises and equipment; and the ratio of the allowance for loan losses to total loans excluding acquired loans. Management 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 the Company’s earnings over time and in comparison to its competitors. However, these non-GAAP financial measures are supplemental, are not audited and are not a substitute for operating results or any analysis determined in accordance with GAAP. Where applicable, we have also presented comparable earnings information using GAAP financial measures. Because not all companies use the same calculations, our presentation may not be comparable to other similarly titled measures as calculated by other companies. See “Comparison of Results of Operations for the Three and Nine Months Ended March 31, 2019 and 2018” 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, 2019	As of June 30, 2018	As of March 31, 2018
Total stockholders' equity	$ 407,230	$ 409,242	$ 401,553
Less: goodwill, core deposit intangibles, net of taxes	27,908	29,125	29,589
Tangible book value [1]	$ 379,322	$ 380,117	$ 371,964
Common shares outstanding	18,265,535	19,041,668	19,034,868
Tangible book value per share	$ 20.77	$ 19.96	$ 19.54
Book value per share	$ 22.29	$ 21.49	$ 21.10

(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, 2019	As of June 30, 2018	As of March 31, 2018
Tangible equity [1]	$ 379,322	$ 380,117	$ 371,964
Total assets	3,457,737	3,304,169	3,270,863
Less: goodwill, core deposit intangibles, net of taxes	27,908	29,125	29,589
Total tangible assets[2]	$ 3,429,829	$ 3,275,044	$ 3,241,274
Tangible equity to tangible assets	11.06%	11.61%	11.48%

(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 net income, EPS, ROA, and ROE as adjusted to exclude state tax expense rate changes, adjustments for the change in federal tax law rate, and gain from the sale of premises and equipment:

(Dollars in thousands, except per share data)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2019	2018	2019	2018
State tax expense adjustment (1)	$ —	$ —	$ —	$ 133
Change in federal tax law adjustment (2)	(325)	318	(325)	18,011
Gain from sale of premises and equipment	—	—	—	(164)
Total adjustments	(325)	318	(325)	17,980
Tax effect	—	—	—	49
Total adjustments, net of tax	(325)	318	(325)	18,029
Net income (GAAP)	3,302	6,127	19,133	1,028
Net income (non-GAAP)	$ 2,977	$ 6,445	$ 18,808	$ 19,057
Per Share Data				
Average shares outstanding - basic	17,506,018	18,052,000	17,811,962	17,997,997
Average shares outstanding - diluted	18,197,429	18,761,586	18,528,161	18,688,486
Basic EPS				
EPS (GAAP)	$ 0.19	$ 0.34	$ 1.07	$ 0.06
Non-GAAP adjustment	(0.02)	0.02	(0.01)	1.00
EPS (non-GAAP)	$ 0.17	$ 0.36	$ 1.06	$ 1.06
Diluted EPS				
EPS (GAAP)	$ 0.18	$ 0.32	$ 1.02	$ 0.06
Non-GAAP adjustment	(0.02)	0.02	—	0.96
EPS (non-GAAP)	$ 0.16	$ 0.34	$ 1.02	$ 1.02
Average Balances				
Average assets	$ 3,421,189	$ 3,237,689	$ 3,370,909	$ 3,228,402
Average equity	408,123	398,174	410,645	401,863
ROA				
ROA (GAAP)	0.39 %	0.76%	0.76 %	0.04%
Non-GAAP adjustment	(0.04)%	0.04%	(0.02)%	0.75%
ROA (non-GAAP)	0.35 %	0.80%	0.74 %	0.79%
ROE				
ROE (GAAP)	3.24 %	6.16%	6.21 %	0.34%
Non-GAAP adjustment	(0.32)%	0.31%	(0.10)%	5.98%
ROE (non-GAAP)	2.92 %	6.47%	6.11 %	6.32%

(1) State tax adjustment is a result of various revaluations of state deferred tax assets.
(2) Revaluation and related adjustments of net deferred tax assets due to the Tax Cuts and Jobs Act.

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

(Dollars in thousands)	As of March 31, 2019	As of June 30, 2018	As of March 31, 2018
Total gross loans receivable (GAAP)	$ 2,661,019	$ 2,526,616	$ 2,446,823
Less: acquired loans	223,101	271,801	288,847
Adjusted gross loans (non-GAAP)	$ 2,437,918	$ 2,254,815	$ 2,157,976
Allowance for loan losses (GAAP)	$ 24,416	$ 21,060	$ 21,472
Less: allowance for loan losses on acquired loans	201	483	459
Adjusted allowance for loan losses (non-GAAP)	$ 24,215	$ 20,577	$ 21,013
Adjusted allowance for loan losses / Adjusted gross loans (non-GAAP)	0.99%	0.91%	0.97%

Comparison of Financial Condition at March 31, 2019 and June 30, 2018

General. Total assets increased $153.6 million, or 4.6% to $3.5 billion at March 31, 2019 from $3.3 billion at June 30, 2018. Total liabilities increased $155.6 million, or 5.4% to $3.1 billion at March 31, 2019 from $2.9 billion at June 30, 2018. Deposit growth of $112.1 million, or 5.1%; a $45.0 million, or 7.1% increase in borrowings; and the cumulative decrease of $26.6 million, or 12.0% in certificates of deposit in other banks and investment securities were used to fund the $131.4 million, or 5.2% increase in total loans receivable, net of deferred loan fees, the $17.8 million, or 7.8% increase in commercial paper, the $8.8 million, or 151.1% increase in loans held for sale, and the $9.2 million, or 21.9% increase in other investments, net during the nine months of fiscal 2019.

Cash, cash equivalents, and commercial paper. Total cash and cash equivalents increased $7.6 million, or 10.7%, to $78.3 million at March 31, 2019 from $70.7 million at June 30, 2018. Commercial paper increased $17.8 million, or 7.8% to $246.9 million at March 31, 2019 from $229.0 million at June 30, 2018.

Investments. Debt securities available for sale decreased $15.9 million, or 10.2%, to $139.1 million at March 31, 2019 from $155.0 million at June 30, 2018. During the nine months ended March 31, 2019, $21.4 million of securities matured and $27.1 million of principal payments were received partially offset by $31.7 million in purchases. At March 31, 2019, certificates of deposit in other banks decreased $10.7 million, or 16.0% to $56.2 million compared to $66.9 million at June 30, 2018. The decrease in certificates of deposit in other banks was due to $26.4 million in maturities partially offset by $15.7 million in purchases. All certificates of deposit in other banks are fully insured by the FDIC. We evaluate individual investment securities quarterly for other-than-temporary declines in market value. We did not believe that there were any other-than-temporary impairments at March 31, 2019; therefore, no impairment losses were recorded during the first nine months of fiscal 2019. Other investments at cost at March 31, 2019 included FHLB stock, FRB stock, SBIC investments, and other investments totaling $32.0 million, $7.3 million, $5.8 million, and $6.0 million, respectively. In total, other investments at cost increased $9.2 million, or 21.9% from June 30, 2018 primarily as a result of $7.1 million in additional CRA investments within the SBIC and other investments portfolio and $2.1 million in required purchases of FHLB stock due to an increase in our FHLB borrowings.

Loans held for sale. Loans held for sale increased $8.9 million, or 151.1% at March 31, 2019 to $14.7 million from $5.9 million at June 30, 2018. The increase was driven by SBA loans originated for sale during the quarter.

Loans. Net loans receivable increased $131.4 million, or 5.2%, at March 31, 2019 to $2.6 billion from June 30, 2018 primarily due to $171.8 million, or 9.71% annualized rate of organic loan growth partially offset by decreases in the outstanding balances of home equity lines of credit purchased. The $114.8 million, or 77.2% increase in commercial and industrial loans was driven by our new equipment finance line of business.

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

	As of		Change		Percent of total	
(Dollars in thousands)	March 31, 2019	June 30, 2018	$	%	March 31, 2019	June 30, 2018
Retail consumer loans:						
One-to-four family	$ 658,723	$ 664,289	$ (5,566)	(0.8)%	24.8%	26.3%
HELOCs - originated	133,203	137,564	(4,361)	(3.2)	5.0	5.4
HELOCs - purchased	128,832	166,276	(37,444)	(22.5)	4.8	6.6
Construction and land/lots	76,153	65,601	10,552	16.1	2.9	2.6
Indirect auto finance	162,127	173,095	(10,968)	(6.3)	6.1	6.9
Consumer	19,374	12,379	6,995	56.5	0.7	0.5
Total retail consumer loans	1,178,412	1,219,204	(40,792)	(3.3)	44.3	48.3
Commercial loans:						
Commercial real estate	892,383	857,315	35,068	4.1	33.5	33.9
Construction and development	214,511	192,102	22,409	11.7	8.1	7.6
Commercial and industrial	263,646	148,823	114,823	77.2	9.9	5.9
Municipal leases	112,067	109,172	2,895	2.7	4.2	4.3
Total commercial loans	1,482,607	1,307,412	175,195	13.4	55.7	51.7
Total loans	$ 2,661,019	$ 2,526,616	$ 134,403	5.3 %	100.0%	100.0%

Our expansion into larger metro markets as well as in-market acquisitions combined with improvements in the economy, employment rates, stronger real estate prices, and a general lack of new housing inventory in certain markets have led to us significantly increasing originations of construction loans for properties located in our market areas. We have hired experienced commercial real estate relationship managers, credit officers, and developed a construction risk management group to better manage construction risk, as part of our efforts to grow the construction portfolio. We will continue to take a disciplined approach in our construction and land development lending by concentrating our efforts on smaller one-to-four residential loans to builders known to us and developers of commercial real estate and multifamily properties with proven success in this type of construction. At March 31, 2019, construction and land/lots totaled $76.2 million including $64.9 million of one-to-four family construction loans that will roll over to permanent loans upon completion of the construction period. Undisbursed construction and land/lots loan commitments at March 31, 2019 totaled $62.4 million. Total construction and development loans at March 31, 2019, were $214.5 million, excluding unfunded loan commitments of $133.8 million, of which $90.1 million was for non-residential commercial real estate construction, $72.1 million was for land development, $46.5 million was for speculative construction of single family properties, and $5.8 million was for multi-family construction. Undisbursed construction and development loan commitments at March 31, 2019 included $67.2 million of commercial real estate projects, multi-family residential projects of $36.9 million and $29.7 million for the speculative construction of one- to four-family residential properties. The increase in commercial and industrial loans was driven by growth from our new equipment finance line of business. At March 31, 2019, commercial and industrial loans totaled $263.6 million, which included $109.2 million in equipment finance loans and capital leases.

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, at the end of the current quarter, the Company became aware that a commercial borrower operating as a heavy equipment contractor with $6.0 million of outstanding borrowings from the Bank had unexpectedly ceased operations. Based on further investigation and certain actions taken by the principal of the borrower subsequent to quarter end, the Company believes that the Bank's collateral, consisting primarily of accounts receivable, has substantially deteriorated. As a result of this investigation and further subsequent developments, based on the estimated value of the remaining collateral, the Company recorded a $2.6 million loan charge-off and a $3.4 million specific reserve in the allowance for loan losses related to this lending relationship. The Company is taking action to enforce its rights against the borrower, guarantors and its collateral, including to preserve and recover the borrower's assets, where appropriate.

Nonperforming assets decreased slightly by $300,000 or 2.1% to $14.3 million, or 0.41% of total assets, at March 31, 2019 from $14.6 million, or 0.44% of total assets at June 30, 2018. Nonperforming assets included $11.3 million in nonaccruing loans, including the remaining balance from the commercial lending relationship discussed above, and $3.0 million in REO at March 31, 2019, compared to $10.9 million and $3.7 million, in nonaccruing loans and REO respectively, at June 30, 2018. Included in nonperforming loans are $3.6 million of TDR loans of which $1.8 million were current with respect to their modified payment terms. At March 31, 2019, $6.8 million, or 60.3%, of nonaccruing loans were current on their loan payments. PCI loans aggregating $1.9 million obtained through prior acquisitions were excluded from nonaccruing loans due to the accretion of discounts established in accordance with the acquisition method of accounting for business combinations. Nonperforming loans to total loans was 0.43% at both March 31, 2019 and June 30, 2018.

The ratio of classified assets to total assets remained consistent at 1.00% at March 31, 2019 and June 30, 2018. Classified assets increased to $34.5 million at March 31, 2019 compared to $33.1 million at June 30, 2018, due to the inclusion of the commercial lending relationship discussed above. Delinquent loans (loans delinquent 30 days or more) decreased to $8.4 million at March 31, 2019, from $9.8 million at June 30, 2018.

As of March 31, 2019, we had identified $34.4 million of impaired loans compared to $31.4 million at June 30, 2018. Our impaired loans are comprised of loans on non-accrual status and all TDRs, whether performing or on non-accrual status under their restructured terms. Impaired loans may be evaluated for reserve purposes using either a specific impairment analysis or on a collective basis as part of homogeneous pools. As of March 31, 2019, there were $17.7 million loans individually evaluated for impairment and $16.7 million were collectively evaluated. For more information on these impaired loans, see Note 5 of the Notes to Consolidated Financial Statements under Item 1 of this report.

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

The allowance for loan losses was $24.4 million, or 0.92% of total loans, at March 31, 2019 compared to $21.1 million, or 0.83% of total loans, at June 30, 2018. The increase in the allowance for loan losses is related to the $6.0 million commercial lending relationship discussed above. The allowance for loan losses to gross loans excluding acquired loans was 0.99% at March 31, 2019, compared to 0.91% at June 30, 2018. Loans acquired from acquisitions are recorded at fair value, which includes a credit discount, therefore, no allowance for loan losses is established for these acquired loans unless the credit quality deteriorates further subsequent to the acquisition. The allowance for our acquired loans at March 31, 2019 was $201,000 compared to $483,000 at June 30, 2018.

There was a $5.5 million provision for loan losses for the three and nine months ended March 31, 2019 compared to no provision for the corresponding periods in fiscal 2018. This provision for loan losses relates to a $3.4 million specific reserve and a $2.6 million loan charge-off related to the $6.0 million commercial lending relationship discussed above. Net loan charge-offs totaled $2.5 million and $2.1 million for the three and nine months ended March 31, 2019, respectively, compared to net loan recoveries of $382,000 and $321,000 for the same periods in fiscal 2018, respectively. Net charge-offs as a percentage of average loans increased to 0.38% and 0.11% for the three and nine months ended March 31, 2019, respectively, from net recoveries of (0.06%) and (0.02)% for the same periods last year, respectively.

The allowance as a percentage of nonaccruing loans increased to 215.46% at March 31, 2019 from 192.96% at June 30, 2018.

We believe that the allowance for loan losses as of March 31, 2019 was adequate to absorb the known and inherent risks of loss in the loan portfolio at that date. While we believe the estimates and assumptions used in our determination of the adequacy of the allowance are reasonable, there can be no assurance that such estimates and assumptions will not be proven incorrect in the future, or that the actual amount of future provisions will not exceed the amount of past provisions or that any increased provisions that may be required will not adversely impact our financial condition and results of operations. In addition, the determination of the amount of the allowance for loan losses is subject to review by bank regulators as part of the routine examination process, which may result in the establishment of additional reserves based upon their judgment of information available to them at the time of their examination.

Real estate owned. REO decreased $681,000, or 18.5% to $3.0 million at March 31, 2019 primarily due to $971,000 in REO sales that were partially offset by $578,000 in transfers from foreclosed loans during the nine months ended March 31, 2019. The total balance of REO at March 31, 2019 included $1.4 million in commercial real estate, $867,000 in single-family homes, and $758,000 in unimproved land.

Deferred income taxes. Deferred income taxes decreased $3.7 million, or 11.5%, to $28.8 million at March 31, 2019 from $32.6 million at June 30, 2018. The decrease was primarily driven by the realization of net operating losses through increases in taxable income.

Goodwill. Goodwill remained unchanged at $25.6 million at both March 31, 2019 and June 30, 2018.

Deposits. Deposits increased $112.1 million, or 5.1% during the nine months ended March 31, 2019 to $2.3 billion from $2.2 billion at June 30, 2018 primarily due to a $128.7 million increase in certificates of deposit, including a $46.7 million increase in brokered deposits in response to the decrease in non-maturity/core deposits and to further assist our funding needs.

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

	As of		Change		Percent of total	
	March 31,	June 30,			March 31,	June 30,
(Dollars in thousands)	2019	2018	$	%	2019	2018
Core deposits:						
Noninterest-bearing accounts	$ 301,083	$ 317,822	$ (16,739)	(5.3)%	13.0%	14.5%
NOW accounts	477,637	471,364	6,273	1.3 %	20.7%	21.5%
Money market accounts	692,102	677,665	14,437	2.1 %	30.0%	30.9%
Savings accounts	192,754	213,250	(20,496)	(9.6)%	8.4%	9.7%
Core deposits	1,663,576	1,680,101	(16,525)	(1.0)%	72.1%	76.5%
Certificates of deposit	644,819	516,152	128,667	24.9 %	27.9%	23.5%
Total	$ 2,308,395	$ 2,196,253	$ 112,142	5.1 %	100.0%	100.0%

Borrowings. Borrowings increased to $680.0 million at March 31, 2019 from $635.0 million at June 30, 2018. A total of $405.0 million of these FHLB advances have maturities of less than 90 days and $275.0 million consist of convertible FHLB advances with maturities greater than nine years; together with a weighted average interest rate of 2.26% at March 31, 2019.

Equity. Stockholders' equity at March 31, 2019 decreased $2.0 million to $407.2 million from $409.2 million at June 30, 2018. The decrease was due to $19.1 million in net income, $2.2 million in stock-based compensation, and a $1.3 million increase in other comprehensive income representing a reduction in unrealized losses on investment securities, net of tax, partially offset by 857,155 shares of common stock repurchased at an average cost of $27.21, or approximately $23.3 million in total, and $2.2 million related to cash dividends.

Average Balances, Interest and Average Yields/Cost

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

	For the Three Months Ended March 31,					
	2019			2018		
	Average Balance Outstanding	Interest Earned/ Paid[2]	Yield/ Rate[2]	Average Balance Outstanding	Interest Earned/ Paid[2]	Yield/ Rate[2]
	(Dollars in thousands)					
Assets:						
Interest-earning assets:						
Loans receivable[1]	$ 2,650,155	$ 31,084	4.69%	$ 2,431,723	$ 26,761	4.40%
Deposits in other banks	89,063	448	2.01%	126,933	441	1.39%
Investment securities	139,898	850	2.43%	165,219	916	2.22%
Other interest-earning assets[3]	295,215	2,655	3.60%	254,424	1,682	2.65%
Total interest-earning assets	3,174,331	35,037	4.42%	2,978,299	29,800	4.00%
Other assets	246,858			259,390		
Total assets	3,421,189			3,237,689		
Liabilities and equity:						
Interest-bearing deposits:						
Interest-bearing checking accounts	463,807	332	0.29%	480,650	236	0.20%
Money market accounts	701,692	1,408	0.80%	657,214	633	0.39%
Savings accounts	188,848	58	0.12%	221,214	72	0.13%
Certificate accounts	627,444	2,606	1.66%	445,328	681	0.61%
Total interest-bearing deposits	1,981,791	4,404	0.89%	1,804,406	1,622	0.36%
Borrowings	670,142	3,741	2.23%	662,977	2,414	1.46%
Total interest-bearing liabilities	2,651,933	8,145	1.23%	2,467,383	4,036	0.65%
Noninterest-bearing deposits	298,118			308,955		
Other liabilities	63,015			63,177		
Total liabilities	3,013,066			2,839,515		
Stockholders' equity	408,123			398,174		
Total liabilities and stockholders' equity	$ 3,421,189			$ 3,237,689		
Net earning assets	$ 522,398			$ 510,916		
Average interest-earning assets to average interest-bearing liabilities	119.70%			120.71%		
Tax-equivalent:						
Net interest income		$ 26,892			$ 25,764	
Interest rate spread			3.19%			3.35%
Net interest margin[4]			3.39%			3.46%
Non-tax-equivalent:						
Net interest income		$ 26,579			$ 25,358	
Interest rate spread			3.15%			3.28%
Net interest margin[4]			3.35%			3.39%

(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 $313,000 and $406,000 for the three months ended March 31, 2019 and 2018, respectively, calculated based on a combined federal and state income tax rate of 24% and 30%, respectively.
(3) The average other interest-earning assets consists of FRB stock, FHLB stock, SBIC investments, and commercial paper.
(4) Net interest income divided by average interest-earning assets.

	For the Nine Months Ended March 31,					
	2019			2018		
	Average Balance Outstanding	Interest Earned/ Paid[2]	Yield/ Rate[2]	Average Balance Outstanding	Interest Earned/ Paid[2]	Yield/ Rate[2]
(Dollars in thousands)						
Assets:						
Interest-earning assets:						
Loans receivable[1]	$ 2,608,485	$ 90,920	4.65%	$ 2,399,753	$ 78,914	4.38%
Deposits in other banks	88,092	1,258	1.90%	145,761	1,494	1.37%
Investment securities	148,645	2,582	2.32%	176,726	2,791	2.11%
Other interest-earning assets[3]	280,327	7,520	3.58%	234,931	4,359	2.47%
Total interest-earning assets	3,125,549	102,280	4.36%	2,957,171	87,558	3.95%
Other assets	245,360			271,231		
Total assets	$ 3,370,909			$ 3,228,402		
Liabilities and equity:						
Interest-bearing liabilities:						
Interest-bearing checking accounts	463,035	903	0.26%	471,618	688	0.19%
Money market accounts	689,363	3,630	0.70%	635,645	1,695	0.36%
Savings accounts	197,929	189	0.13%	227,413	225	0.13%
Certificate accounts	573,647	6,039	1.40%	447,950	1,901	0.57%
Total interest-bearing deposits	1,923,974	10,761	0.75%	1,782,626	4,509	0.36%
Borrowings	663,157	10,691	2.15%	669,371	6,460	1.29%
Total interest-bearing liabilities	2,587,130	21,452	1.11%	2,451,997	10,969	0.60%
Noninterest-bearing deposits	310,304			309,162		
Other liabilities	62,830			65,380		
Total liabilities	2,960,264			2,826,539		
Stockholders' equity	410,645			401,863		
Total liabilities and stockholders' equity	$ 3,370,909			$ 3,228,402		
Net earning assets	$ 538,419			$ 505,174		
Average interest-earning assets to average interest-bearing liabilities	120.81%			120.60%		
Tax-equivalent:						
Net interest income		$ 80,828			$ 76,589	
Interest rate spread			3.25%			3.35%
Net interest margin[4]			3.45%			3.45%
Non-tax-equivalent:						
Net interest income		$ 79,952			$ 75,420	
Interest rate spread			3.22%			3.30%
Net interest margin[4]			3.41%			3.40%

(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 $876,000 and $1,169,000 for the nine months ended March 31, 2019 and 2018, respectively, calculated based on a combined federal and state tax rate of 24% and 30%, respectively.
(3) The average other interest-earning assets consists of FRB stock, FHLB stock, SBIC investments, and commercial paper.
(4) Net interest income divided by average interest-earning assets.

Rate/Volume Analysis

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

	Three Months Ended March 31, 2019 Compared to Three Months Ended March 31, 2018		
	Increase/(decrease) due to		
(Dollars in thousands)	Volume	Rate	Total increase/(decrease)
Interest-earning assets:			
Loans receivable[1]	$ 2,403	$ 1,920	$ 4,323
Deposits in other banks	(131)	138	7
Investment securities	(141)	75	(66)
Other interest-earning assets	270	703	973
Total interest-earning assets	$ 2,401	$ 2,836	$ 5,237
Interest-bearing liabilities:			
Interest-bearing checking accounts	$ (8)	$ 104	$ 96
Money market accounts	43	732	775
Savings accounts	(11)	(3)	(14)
Certificate accounts	278	1,647	1,925
Borrowings	26	1,301	1,327
Total interest-bearing liabilities	328	3,781	4,109
Net increase (decrease) in tax equivalent interest income	$ 2,073	$ (945)	$ 1,128

	Nine Months Ended March 31, 2019 Compared to Nine Months Ended March 31, 2018		
	Increase/(decrease) due to		
(Dollars in thousands)	Volume	Rate	Total increase/(decrease)
Interest-earning assets:			
Loans receivable[1]	$ 6,864	$ 5,142	$ 12,006
Deposits in other banks	(591)	355	(236)
Investment securities	(443)	234	(209)
Other interest-earning assets	841	2,320	3,161
Total interest-earning assets	6,671	8,051	14,722
Interest-bearing liabilities:			
Interest-bearing checking accounts	$ (13)	$ 228	$ 215
Money market accounts	143	1,792	1,935
Savings accounts	(29)	(7)	(36)
Certificate accounts	532	3,606	4,138
Borrowings	(60)	4,291	4,231
Total interest-bearing liabilities	573	9,910	10,483
Net increase (decrease) in tax equivalent interest income	$ 6,098	$ (1,859)	$ 4,239

(1) Interest income used in the average interest/earned and yield calculation includes the tax equivalent adjustment of $313,000 and $406,000 for the three months ended March 31, 2019 and 2018, respectively, calculated based on a combined federal and state income tax rate of 24% and 30%. Interest income used in the average interest/earned and yield calculation includes the tax equivalent adjustment of $876,000 and $1,169,000 for the nine months ended March 31, 2019 and 2018, respectively, calculated based on a combined federal and state tax rate of 24% and 30%.

Comparison of Results of Operation for the Three Months Ended March 31, 2019 and 2018

General. During the three months ended March 31, 2019, we had net income of $3.3 million compared to $6.1 million for the three months ended March 31, 2018. The Company's diluted earnings per share was $0.18 for the three months ended March 31, 2019 compared to $0.32 for the same period in fiscal 2018. Net income during the three months ended March 31, 2019 were negatively impacted by a significant charge-off and specific reserve related to the previously discussed $6.0 million commercial lending relationship, which resulted in a $5.5 million provision for loan losses.

Net Interest Income. Net interest income increased $1.2 million, or 4.8% to $26.6 million for the quarter ended March 31, 2019 compared to $25.4 million for the corresponding period in 2018. The increase in net interest income for the quarter ended March 31, 2019 was primarily due to a $5.3 million increase in interest and dividend income driven by an increase in average interest-earning assets, which was partially offset by a $4.1 million increase in interest expense.

Average interest-earning assets increased $196.0 million, or 6.6% to $3.2 billion for the quarter ended March 31, 2018 compared to $3.0 billion for the corresponding quarter in fiscal 2018. For the quarter ended March 31, 2019, the average balance of total loans receivable increased $218.4 million, or 9.0% primarily due to organic loan growth. The average balance of other interest-earning assets increased $40.8 million, or 16.0% between the periods primarily due to increases in commercial paper investments. These increases were mainly funded by the cumulative decrease of $63.2 million, or 21.6% in average interest-earning deposits in other banks and securities available for sale, and an increase in average interest-bearing liabilities, primarily deposits, of $184.6 million, or 7.5% as compared to the same quarter last year. Net interest margin (on a fully taxable-equivalent basis) for the three months ended March 31, 2019 decreased to 3.39% from 3.46% for the same period a year ago.

Total interest and dividend income increased $5.3 million, or 18.1% for the three months ended March 31, 2019 as compared to the same period last year, which was primarily driven by a $4.4 million, or 16.8% increase in loan interest income and a $785,000, or 52.4% increase in interest income from commercial paper and interest-bearing deposits in other banks. The additional loan interest income was driven by the increase in both the average balance of loans receivable and loan yields compared to the prior year quarter. Average loan yields increased 29 basis points to 4.69% for the quarter ended March 31, 2019 from 4.40% in the corresponding quarter from last year primarily due to the impact of the increases in the targeted federal funds rate. Partially offsetting the increase in loan interest income was a $412,000, or 47.2% decrease in the accretion of purchase discounts on acquired loans as a result of reduced prepayments as compared to the same quarter last year. Accretable income on acquired loans stems from the discount established at the time these loan portfolios were acquired and the related impact of prepayments on purchased loans. Each quarter, the Company analyzes the cash flow assumptions on the acquired loan pools and, at least semi-annually, the Company updates loss estimates, prepayment speeds and other variables when analyzing cash flows. In addition to this accretion income, which is recognized over the estimated life of the loan pools, if a loan is removed from a pool due to payoff or foreclosure, the unaccreted discount in excess of losses is recognized as an accretion gain in interest income. As a result, income from acquired loan pools can be volatile from quarter to quarter, however the incremental accretion is expected to decrease over time as the balance of the purchase discount for acquired loans decrease. For the quarters ended March 31, 2019 and 2018, the average loan yield included seven and 14 basis points, respectively, from the accretion of purchase discounts on acquired loans.

Total interest expense increased $4.1 million, or 101.8% for the quarter ended March 31, 2019 compared to the same period last year. The increase was primarily driven by a $2.8 million, or 171.5% increase in deposit interest expense and a $1.3 million, or 55.0% increase in interest expense on borrowings. The additional deposit interest expense was a result of our focus on increasing deposits as the average balance of interest-bearing deposits increased $177.1 million, or 9.8% along with a 53 basis point increase in the average cost of interest-bearing deposits for the quarter ended March 31, 2019 compared to the same quarter last year. Average borrowings increased $7.2 million or 1.1% including a 77 basis point increase in the average cost of borrowing for the quarter ended March 31, 2019 compared to the same period last year, driving the increase in interest expense on those borrowings. The overall average cost of funds increased 58 basis points to 1.23% for the current quarter compared to 0.65% in the same quarter last year due primarily to the impact of higher interest rates on our interest-bearing liabilities.

Provision for Loan Losses. During the three months ended March 31, 2019 there was a $5.5 million provision for loan losses compared to no provision for the three months ended March 31, 2018. This provision for loan losses relates to the previously discussed commercial lending relationship. Net loan charge-offs totaled $2.5 million for the three months ended March 31, 2019 compared to net loan recoveries of $382,000 for the same period in fiscal 2018. Annualized net charge-offs as a percentage of average loans increased to 0.38% for the three months ended March 31, 2019 from net recoveries of (0.06%) for the same period last year.

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

Noninterest Income. Noninterest income increased $857,000, or 18.9% to $5.4 million for the three months ended March 31, 2019 from $4.5 million for the same period in the previous year. The leading factors of the increase included a $330,000, or 17.1% increase in service charges on deposit accounts as a result of an increase in deposit accounts and related fees; a $392,000, or 36.3% increase in gains from the sale of loans due to originations and sales of the guaranteed portion of SBA commercial loans, and a $349,000, or 53.9% increase in other noninterest income primarily related to operating lease income from the new equipment finance line of business. Partially offsetting these increases was a $196,000, or 59.4% decline in loan income and fees for the three months ended March 31, 2019 compared to the same period last year.

Noninterest Expense. Noninterest expense for the three months ended March 31, 2019 increased $1.9 million, or 9.1% to $23.0 million compared to $21.1 million for the three months ended March 31, 2018. The increase was primarily due to a $1.5 million, or 12.9% increase in salaries and employee benefits; a $380,000, or 23.8% increase in computer services; a $66,000, or 19.8% increase in marketing and advertising; a $89,000, or 3.7% increase in net occupancy expense; and a $209,000, or 8.4% increase in other expenses, mainly driven by the expansion of our SBA and equipment finance lines of business. Partially offsetting these increases was the cumulative decrease of $408,000, or 19.3% in telephone, postage, and supplies expense; deposit insurance premiums, REO related expenses; and core deposit intangibles amortization for the three months ended March 31, 2019 compared to the same period last year.

Income Taxes. The Company's income tax expense for the three months ended March 31, 2019 was $185,000 compared to $2.7 million for the three months ended March 31, 2018. The decrease in the Company’s federal income tax provision for the three months ended March 31, 2019 was due to lower taxable income, the reversal of a $325,000 tax valuation allowance related to the Company's AMT credits, and from the impact of the Tax Act that lowered the corporate federal income tax rate from 34% to 21%. The Company's effective tax rate for the quarters ended March 31, 2019 was 5.3%.

Comparison of Results of Operation for the Nine Months Ended March 31, 2019 and 2018

General. During the nine months ended March 31, 2019, we had net income of $19.1 million compared to $1.0 million for the nine months ended March 31, 2018. Diluted earnings per share was $1.02 for the first nine months of fiscal year 2019, compared to $0.06 in the same period in fiscal 2018. Net income for the nine months ended March 31, 2019 was negatively affected by the $5.5 million provision for loan losses related to the previously discussed commercial lending relationship. In addition, net income for the nine months ended March 31, 2018 included an $18.0 million write-down of deferred tax assets following a deferred tax revaluation resulting from enactment of the Tax Act with no comparable charge in the current nine-month period.

Net Interest Income. Net interest income increased $4.5 million, or 6.0% to $80.0 million for the nine months ended March 31, 2019 compared to $75.4 million for the nine months ended March 31, 2018. This increase in net interest income was driven by a $15.0 million, or 17.4% increase in interest and dividend income partially offset by a $10.5 million, or 95.6% increase in interest expense.

Average interest-earning assets increased $168.4 million, or 5.7% to $3.1 billion for the nine months ended March 31, 2018 compared to $3.0 billion in the same period in fiscal 2018. The $208.7 million, or 8.7% increase in average balance of total loans receivable for the nine months ended March 31, 2019 was primarily due to organic loan growth. The average balance of other interest-earning assets increased $45.4 million, or 19.3% between the periods primarily due to increases in commercial paper investments. These increases were mainly funded by the cumulative decrease of $85.8 million, or 26.6% in average interest-earning deposits in other banks and debt securities available for sale, and an increase in average interest-bearing liabilities of $135.1 million, or 5.5%. Net interest margin (on a fully taxable-equivalent basis) remained consistent at 3.45% for both the nine months ended March 31, 2019 and 2018.

Total interest and dividend income increased $15.0 million, or 17.4% for the nine months ended March 31, 2019 as compared to the same period last year. The increase was primarily driven by a $12.3 million, or 15.8% increase in loan interest income, a $2.1 million, or 53.8% increase in interest income from commercial paper and interest-bearing deposits in other banks, and a $791,000, or 42.0% increase in other investments income. The additional loan interest income was primarily due to the increase in the average balance of loans receivable, which was partially offset by a $912,000, or 35.5% decrease in the accretion of purchase discounts on acquired loans to $1.7 million for the nine months ended March 31, 2019 from $2.6 million for the same period in fiscal 2018, as a result of reduced repayments as compared to the same period in the previous year. Overall, average loan yields increased 27 basis points to 4.65% for the nine months ended March 31, 2019 from 4.38% in the corresponding fiscal 2018 period. For the nine months ended March 31, 2019 and 2018, the average loan yield included nine and 14 basis points, respectively, from the accretion of purchase discounts on acquired loans.

Total interest expense increased $10.5 million, or 95.6% to $21.5 million for the nine months ended March 31, 2019 from $11.0 million for the same period last year. This increase was primarily related to the $141.3 million, or 7.9% increase in average interest-bearing deposits and the corresponding 41 basis point increase in the average cost of those deposits, resulting in additional deposit interest expense of $6.3 million for the nine months ended March 31, 2019 as compared to the same period in the prior year. In addition, average borrowings decreased $6.2 million, or 0.9%, however, an 86 basis point increase in the average cost of those borrowings resulted in an additional $4.2 million in interest expense from borrowings for the nine months ended March 31, 2019 as compared to the same period last year. The overall cost of funds increased 51 basis points to 1.11% for the nine months ended March 31, 2019 compared to 0.60% in the corresponding period last year.

Provision for Loan Losses. There was a $5.5 million provision for loan losses for the nine months ended March 31, 2019 compared to no provision for the corresponding period in fiscal 2018. This provision for loan losses relates to the previously discussed commercial lending relationship. Net loan charge-offs totaled $2.1 million for the nine months ended March 31, 2019, compared to net loan recoveries of $321,000 for the same period in fiscal 2018. Annualized net charge-offs as a percentage of average loans increased to 0.11% for the nine months ended March 31, 2019 from net recoveries of (0.02)% for the same period last year.

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

Noninterest Income. Noninterest income increased $2.8 million, or 21.4%, to $16.1 million for the nine months ended March 31, 2019 from $13.3 million for the nine months ended March 31, 2018, mainly driven by the expansion of our SBA and equipment finance lines of business. The increase was primarily the result of a $1.5 million, or 25.6% increase in service charges on deposit accounts; a $1.1 million, or 37.9% increase on the gain on sale of loans primarily due to originations and sales of the guaranteed portion of SBA commercial loans; and $593,000, or 32.4% increase in other noninterest income primarily related to operating lease income. Partially offsetting these increases was $153,000, or 16.8% decrease in loan income and fees and an $164,000 decline in gains from the sale of premises and equipment for the nine months ended March 31, 2019 compared to the same period last year as there were no sales occurring during the current nine-month period.

Noninterest Expense. Noninterest expense for the nine months ended March 31, 2019 increased $3.8 million, or 6.0%, to $66.7 million compared to $62.9 million for the nine months ended March 31, 2018, mainly driven by the expansion of our SBA and equipment finance lines of business. The increase was primarily due to a $2.7 million, or 7.6% increase in salaries and employee benefits; a $984,000, or 20.8% increase in computer services; a $368,000, or 5.1% increase in other expenses; a $139,000, or 15.3% increase in REO related expenses; and a cumulative increase of $307,000, or 2.9% in net occupancy, marketing and advertising, and telephone, postage, and supplies expense. Partially offsetting these increases was a $462,000, or 22.6% decrease in core deposit intangible amortization and a $287,000, or 23.0% decrease in deposit insurance premiums for the nine months ended March 31, 2019 compared to the same period last year.

Income Taxes. For the nine months ended March 31, 2019, the Company's income tax expense was $4.7 million compared to $24.7 million for the nine months ended March 31, 2018. The decrease was primarily driven by the absence of the deferred tax revaluation that occurred during the nine months ended March 31, 2018 compared to the same period in fiscal 2019. The Company’s corporate federal income tax rate for the nine months ended March 31, 2019 and 2018 was 21% and 27.5%, respectively. The Company's effective tax rate for the nine months ended March 31, 2019 was 19.7%.

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, 2019, the Bank had an available borrowing capacity of $82.2 million with the FHLB of Atlanta, a $137.4 million line of credit with the FRB and three lines of credit with three unaffiliated banks totaling $70.0 million. At March 31, 2019, we had $680.0 million in FHLB advances outstanding and nothing outstanding under our other lines of credit. Additionally, the Company classifies its securities portfolio as available for sale, providing an additional source of liquidity. Management believes that our security portfolio is of high quality and the securities would therefore be marketable. In addition, we have historically sold longer term fixed-rate mortgage loans in the secondary market to reduce interest rate risk and to create still another source of liquidity. From time to time we also utilize brokered time deposits to supplement our other sources of funds. Brokered time deposits are obtained by utilizing an outside broker that is paid a fee. This funding requires advance notification to structure the type of deposit desired by us. Brokered deposits can vary in term from one month to several years and have the benefit of being a source of longer-term funding. We also utilize brokered deposits to help manage interest rate risk by extending the term to repricing of our liabilities, enhance our liquidity and fund asset growth. Brokered deposits are typically from outside our primary market areas, and our brokered deposit levels may vary from time to time depending on competitive interest rate conditions and other factors. At March 31, 2019 brokered deposits totaled $155.6 million, or 6.7% of total deposits compared to $108.9 million, or 4.9% of total deposits at June 30, 2018.

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 must provide for its own liquidity and pay its own operating expenses. The Company's primary source of funds consists of the net proceeds retained from the Conversion. The Company also has the ability to receive dividends or capital distributions from the Bank, although there are regulatory restrictions on the ability of the Bank to pay dividends. At March 31, 2019, the Company (on an unconsolidated basis) had liquid assets of $15.4 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, 2019, the total approved loan commitments and unused lines of credit outstanding amounted to $274.7 million and $356.6 million, respectively, as compared to $259.7 million and $491.6 million, respectively, as of June 30, 2018. Certificates of deposit scheduled to mature in one year or less at March 31, 2019, totaled $302.3 million. It is management's policy to manage deposit rates that are competitive with other local financial institutions. Based on this management strategy, we believe that a majority of maturing deposits will remain with us.

During the first nine months of fiscal 2019, cash and cash equivalents increased $7.6 million, or 10.7%, to $78.3 million as of March 31, 2019 from $70.7 million as of June 30, 2018. Cash provided by operating and financing activities was $9.2 million and $132.4 million, respectively; while cash used in investing activities was $134.0 million. Primary sources of cash for the nine months ended March 31, 2019 included $10.7 million in maturing certificates of deposit in other banks, net of purchases, $21.4 million in maturing securities available for sale, $27.1 million in principal repayments from mortgage-backed securities, a $112.1 million increase in deposits, and a $45.0 million net increase in borrowings. Primary uses of cash during the period included a net increase in commercial paper of $13.0 million, an increase in loans of $131.7 million, $31.7 million of purchases of debt securities available for sale, $9.2 million in purchases of other investments, $7.4 million in purchases of operating lease equipment, $2.2 million in cash dividends, and $23.3 million in common stock repurchases. 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, 2019, we engaged in no off-balance sheet transactions likely to have a material effect on our financial condition, results of operations or cash flows.

A summary of our off-balance sheet commitments to extend credit at March 31, 2019, is as follows (in thousands):

Undisbursed portion of construction loans	$ 189,164
Commitments to make loans	85,543
Unused lines of credit	356,623
Unused letters of credit	8,131
Total loan commitments	$ 639,461

Capital Resources

At March 31, 2019, stockholder's equity totaled $407.2 million. HomeTrust Bancshares, Inc. is a bank holding company and a financial holding company subject to regulation by the Federal Reserve. As a bank holding company, we are subject to capital adequacy requirements of the Federal Reserve under the Bank Holding Company Act of 1956, as amended and the regulations of the Federal Reserve. Our subsidiary, the Bank, an FDIC-insured, North Carolina state-chartered bank and a member of the Federal Reserve System, is supervised and regulated by the Federal Reserve and the NCCOB and is subject to minimum capital requirements applicable to state member banks established by the Federal Reserve that are calculated in a manner similar to those applicable to bank holding companies.

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

At March 31, 2019, HomeTrust Bancshares, Inc. and the Bank each exceeded all regulatory capital requirements as of that date. Consistent with our goals to operate a sound and profitable organization, our policy is for the Bank to maintain a “well-capitalized” status under the regulatory capital categories of the Federal Reserve. The Bank was categorized as "well-capitalized" at March 31, 2019 under applicable regulatory requirements.

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

	Actual		Regulatory Requirements: Minimum for Capital Adequacy Purposes		Regulatory Requirements: Minimum to Be Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
HomeTrust Bancshares, Inc.						
As of March 31, 2019						
Common Equity Tier I Capital to Risk-Weighted Assets	$ 373,493	12.27%	$ 136,966	4.50%	$ 197,840	6.50%
Tier I Capital (to Total Adjusted Assets)	$ 373,493	11.03%	$ 135,488	4.00%	$ 169,360	5.00%
Tier I Capital (to Risk-weighted Assets)	$ 373,493	12.27%	$ 182,621	6.00%	$ 243,495	8.00%
Total Risk-based Capital (to Risk-weighted Assets)	$ 398,364	13.09%	$ 243,495	8.00%	$ 304,369	10.00%
As of June 30, 2018						
Common Equity Tier I Capital to Risk-Weighted Assets	$ 372,188	12.97%	$ 129,109	4.50%	$ 186,491	6.50%
Tier I Capital (to Total Adjusted Assets)	$ 372,188	11.45%	$ 130,032	4.00%	$ 162,539	5.00%
Tier I Capital (to Risk-weighted Assets)	$ 372,188	12.97%	$ 172,145	6.00%	$ 229,527	8.00%
Total Risk-based Capital (to Risk-weighted Assets)	$ 393,703	13.72%	$ 229,527	8.00%	$ 286,909	10.00%
HomeTrust Bank:						
As of March 31, 2019						
Common Equity Tier I Capital to Risk-Weighted Assets	$ 346,890	11.40%	$ 136,882	4.50%	$ 197,718	6.50%
Tier I Capital (to Total Adjusted Assets)	$ 346,890	10.25%	$ 135,409	4.00%	$ 169,261	5.00%
Tier I Capital (to Risk-weighted Assets)	$ 346,890	11.40%	$ 182,509	6.00%	$ 243,345	8.00%
Total Risk-based Capital (to Risk-weighted Assets)	$ 371,756	12.22%	$ 243,345	8.00%	$ 304,181	10.00%
As of June 30, 2018						
Common Equity Tier I Capital to Risk-Weighted Assets	$ 335,152	11.70%	$ 128,889	4.50%	$ 186,173	6.50%
Tier I Capital (to Total Adjusted Assets)	$ 335,152	10.33%	$ 129,769	4.00%	$ 162,211	5.00%
Tier I Capital (to Risk-weighted Assets)	$ 335,152	11.70%	$ 171,852	6.00%	$ 229,136	8.00%
Total Risk-based Capital (to Risk-weighted Assets)	$ 356,603	12.45%	$ 229,136	8.00%	$ 286,421	10.00%

In addition to the minimum common equity Tier 1 ("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, 2019, the conservation buffer was 5.09% and 4.22% 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 consumer price index ("CPI") coincides with changes in interest rates. The price of one or more of the components of the CPI may fluctuate considerably and thereby influence the overall CPI without having a corresponding effect on interest rates or upon the cost of those goods and services normally purchased by the Company. In years of high inflation and high interest rates, intermediate and long-term interest rates tend to increase, thereby adversely impacting the market values of investment securities, mortgage loans and other long-term fixed rate loans. In addition, higher short-term interest rates caused by inflation tend to increase the cost of funds. In other years, the opposite may occur.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

There has not been any material change in the market risk disclosures contained in our 2018 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, 2019, 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, 2019, were effective in ensuring that the information required to be disclosed by the Company in the reports it files or submits under the Act is: (i) accumulated and communicated to the Company's management (including the Chief Executive Officer and Chief Financial Officer) in a timely manner and (ii) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. In addition, there have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Act) that occurred during the quarter ended March 31, 2019, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

The Company does not expect that its disclosure controls and procedures and internal control over financial reporting will prevent all 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 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 2018 Form 10-K.

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

(a) Not applicable

(b) Not applicable

(c) The following table provides information about repurchases of common stock by the Company during the quarter ended March 31, 2019:

Period	Total Number Of Shares Purchased	Average Price Paid per Share	Total Number Of Shares Purchased as Part of Publicly Announced Plans	Maximum Number of Shares that May Yet Be Purchased Under Publicly Announced Plans
January 1 - January 31, 2019	174,100	$ 26.38	174,100	640,901
February 1 - February 28, 2019	33,600	26.91	33,600	607,301
March 1 - March 31, 2019	89,700	26.87	89,700	517,601
Total	297,400	$ 26.59	297,400	517,601

On December 6, 2018, the Company announced that its Board of Directors had authorized the repurchase of up to 931,601 shares of the Company's common stock, representing 5% of the Company's outstanding shares at the time of the announcement. The shares may be purchased in the open market or in privately negotiated transactions, from time to time depending upon market conditions and other factors. As of March 31, 2019, 414,000 of the shares approved on December 6, 2018 had been purchased at an average price of $26.19.

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.	(b)
3.2	Articles Supplementary to the Charter of HomeTrust Bancshares, Inc. for HomeTrust Bancshares, Inc.'s Junior Participating Preferred Stock, Series A	(c)
3.3	Amended and Restated Bylaws of HomeTrust Bancshares, Inc.	(p)
4.1	Tax Benefits Preservation Plan, dated as of September 25, 2012, between HomeTrust Bancshares, Inc. and Registrar and Transfer Company, as Rights Agent	(c)
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	(l)
4.3	Amendment No. 2, dated as of August 21, 2018, to Tax Benefits Preservation Plan, dated as ofSeptember 25, 2012, between HomeTrust Bancshares, Inc. and Computershare Trust Company,N.A., as successor rights agent to Registrar and Transfer Company	(o)
10.1	HomeTrust Bancshares, Inc. Strategic Operating Committee Incentive Plan	(t)
10.2	Amended and Restated Employment Agreement entered into between HomeTrust Bancshares, Inc. and Dana L. Stonestreet	(q)
10.3	Amended and Restated Employment Agreement entered into between HomeTrust Bancshares,Inc. and C. Hunter Westbrook	(q)
10.3A	Amendment No. 1 to Amended and Restated Employment Agreement entered into between HomeTrust Bancshares, Inc. and C. Hunter Westbrook	(s)
10.4	Amended and Restated Employment Agreement entered into between HomeTrust Bancshares,Inc. and Tony J. VunCannon	(q)
10.5	Employment Agreement between HomeTrust Bancshares, Inc. and Howard L. Sellinger	(q)
10.6	Employment Agreement between HomeTrust Bank and Sidney A. Biesecker	(b)
10.7	HomeTrust Bank Executive Supplemental Retirement Income Master Agreement ("SERP")	(b)
10.7A	SERP Joinder Agreement for F. Edward Broadwell, Jr.	(b)
10.7B	SERP Joinder Agreement for Dana L. Stonestreet	(b)
10.7C	SERP Joinder Agreement for Tony J. VunCannon	(b)
10.7D	SERP Joinder Agreement for Howard L. Sellinger	(b)
10.7E	SERP Joinder Agreement for Stan Allen	(b)
10.7F	SERP Joinder Agreement for Sidney A. Biesecker	(b)
10.7G	SERP Joinder Agreement for Peggy C. Melville	(b)
10.7H	SERP Joinder Agreement for William T. Flynt	(b)
10.7I	Amended and Restated Supplemental Income Agreement between HomeTrust Bank, as successor to Industrial Federal Savings Bank, and Sidney Biesecker	(f)
10.8	HomeTrust Bank Director Emeritus Plan ("Director Emeritus Plan")	(b)
10.8A	Director Emeritus Plan Joinder Agreement for William T. Flynt	(b)
10.8B	Director Emeritus Plan Joinder Agreement for J. Steven Goforth	(b)
10.8C	Director Emeritus Plan Joinder Agreement for Craig C. Koontz	(b)

10.8D	Director Emeritus Plan Joinder Agreement for Larry S. McDevitt	(b)
10.8E	Director Emeritus Plan Joinder Agreement for F.K. McFarland, III	(b)
10.8F	Director Emeritus Plan Joinder Agreement for Peggy C. Melville	(b)
10.8G	Director Emeritus Plan Joinder Agreement for Robert E. Shepherd, Sr.	(b)
10.9	HomeTrust Bank Defined Contribution Executive Medical Care Plan	(b)
10.10	HomeTrust Bank 2005 Deferred Compensation Plan	(b)
10.11	HomeTrust Bank Pre-2005 Deferred Compensation Plan	(b)
10.12	HomeTrust Bancshares, Inc. 2013 Omnibus Incentive Plan ("Omnibus Incentive Plan")	(g)
10.13	Form of Incentive Stock Option Award Agreement under Omnibus Incentive Plan	(h)
10.14	Form of Non-Qualified Stock Option Award Agreement under Omnibus Incentive Plan	(h)
10.15	Form of Stock Appreciation Right Award Agreement under Omnibus Incentive Plan	(h)
10.16	Form of Restricted Stock Award Agreement under Omnibus Incentive Plan	(h)
10.17	Form of Restricted Stock Unit Award Agreement under Omnibus Incentive Plan	(h)
10.18	Reserved	
10.19	Reserved	
10.20	Money Purchase Deferred Compensation Agreement, dated as of September 1, 1987, between HomeTrust Bank and F. Edward Broadwell, Jr.	(k)
10.21	Retirement Payment Agreement, dated as of September 1, 1987, between HomeTrust Bank and F. Edward Broadwell, Jr., as amended	(k)
10.22	Retirement Payment Agreement, dated as of September 1, 1987, between HomeTrust Bank and Larry S. McDevitt, as amended	(k)
10.23	Retirement Payment Agreement, dated as of September 1, 1987, between HomeTrust Bank and Peggy C. Melville, as amended	(k)
10.24	Retirement Payment Agreement, dated as of August 1, 1988, between HomeTrust Bank and Robert E. Shepherd, Sr., as amended	(k)
10.25	Retirement Payment Agreement, dated as of May 1, 1991, between HomeTrust Bank and William T. Flynt, as amended	(k)
10.26	Offer Letter between HomeTrust Bank and Keith J. Houghton	(m)
10.27	Change in Control Severance Agreement between HomeTrust Bancshares, Inc. and Marty Caywood	10.27
10.28	Amended and Restated Change in Control Severance Agreement between HomeTrust Bancshares, Inc. and Keith J. Houghton	(q)
10.29	Amended and Restated Change in Control Severance Agreement between HomeTrust Bancshares, Inc. and R. Parrish Little	(r)
10.30	Change in Control Severance Agreement between HomeTrust Bancshares, Inc. and Paula C. Labian	(u)
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, 2019, 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) Reserved
(b) Filed as an exhibit to HomeTrust Bancshares's Registration Statement on Form S-1 (File No. 333-178817) filed on December 29, 2011.
(c) Filed as an exhibit to HomeTrust Bancshares's Current Report on Form 8-K filed on September 25, 2012 (File No. 001-35593).
(d) Filed as an exhibit to HomeTrust Bancshares's Current Report on Form 8-K filed on November 27, 2013 (File No. 001-35593).
(e) Filed as an exhibit to HomeTrust Bancshares's Annual Report on Form 10-K for the fiscal year ended June 30, 2012 (File No. 001-35593).
(f) 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.
(g) Attached as Appendix A to HomeTrust Bancshares's definitive proxy statement filed on December 5, 2012 (File No. 001-35593).
(h) Filed as an exhibit to HomeTrust Bancshares's Registration Statement on Form S-8 (File No. 333-186666) filed on February 13, 2013.

(i) Reserved.
(j) Filed as an exhibit to Jefferson Bancshares, Inc.'s Quarterly Report on Form 10-Q for the quarter ended December 31, 2008 (File No. 000-50347).
(k) 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).
(l) Reserved.
(m) 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).
(n) Filed as an exhibit to HomeTrust Bancshares's Current Report on Form 8-K filed on January 29, 2016 (File No. 001-35593).
(o) Filed as an exhibit to HomeTrust Bancshares’s Current Report on Form 8-K filed on August 21, 2018 (File No. 001-35593).
(p) Filed as an exhibit to HomeTrust Bancshares's Current Report on Form 8-K filed on May 1, 2018 (File No. 001-35593).
(q) Filed as an exhibit to HomeTrust Bancshares’s Current Report on Form 8-K filed on September 11, 2018 (File No. 001-35593).
(r) 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).
(s) Filed as an exhibit to HomeTrust Bancshares’s Current Report on Form 8-K filed on September 25, 2018 (File No. 001-35593.
(t) Filed as an exhibit to HomeTrust Bancshares's Quarterly Report on Form 10-Q for the quarter ended September 30, 2018 (File No. 001-35593).
(u) Filed as an exhibit to HomeTrust Bancshares's Quarterly Report on Form 10-Q for the quarter ended December 31, 2018 (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 9, 2018	By:	/s/ Dana L. Stonestreet
		Dana L. Stonestreet
		Chairman, President and CEO
		(Duly Authorized Officer)
Date: May 9, 2018	By:	/s/ Tony J. VunCannon
		Tony J. VunCannon
		Executive Vice President, CFO, Corporate Secretary and Treasurer
		(Principal Financial and Accounting Officer)

CHANGE IN CONTROL SEVERANCE AGREEMENT

OF

MARTY CAYWOOD

THIS CHANGE IN CONTROL SEVERANCE AGREEMENT ("Agreement") is made and entered into as of this first day of April 2019, by and between HomeTrust Bancshares, Inc, Asheville, North Carolina (hereinafter referred to as the "Company") and Marty Caywood (the "Employee").

WHEREAS, the Employee serves as the EVP/Chief Information Officer of HomeTrust Bank, Asheville, North Carolina (the "Bank"); and

WHEREAS, the Board of Directors of the Company believes it is in the best interests of the Company and the Bank to enter into this Agreement with the Employee; and

WHEREAS, the Board of Directors has approved and authorized the execution of this Agreement with the Employee;

NOW, THEREFORE, in consideration of the foregoing and of the respective covenants and agreements of the parties herein contained, it is AGREED as follows:

1. Definitions.

(a) The term "Cash Compensation" shall mean the highest annual base salary rate paid to the Employee at any time during his employment by the Company and its Consolidated Subsidiaries, plus the higher of (i) the Employee's annual bonus paid for the fiscal year immediately preceding the Date of Termination, or (ii) the Employee's target bonus for the fiscal year in which the Date of Termination occurs, in each case including any salary or bonus amounts deferred by the Employee.

(b) The term "Change in Control" means any of the following events: (1) any person or persons acting as a group (within the meaning of Section 409A of the Code) acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) ownership of stock of the Company or the Bank possessing 30% or more of the total voting power of the outstanding stock of the Company or the Bank; (2) individuals who are members of the Board of Directors of the Company on the date hereof (the "Incumbent Board") cease for any reason during any 12-month period to constitute at least a majority thereof, provided that any person becoming a director subsequent to the date hereof whose election was approved by a vote of at least a majority of the directors comprising the Incumbent Board, or whose nomination for election by the Company's stockholders was approved by the nominating committee serving under an Incumbent Board, shall be considered a member of the Incumbent Board; (3) any person or persons acting as a group (within the meaning of Section 409A of the Code) acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets of the Company or the Bank that have a gross fair market value of 40% or more of the total gross fair market value of all of the assets of the Company or the Bank immediately before such acquisition or acquisitions; or (4) any other event which is not covered by the foregoing subsections but which the Board of Directors determines to affect control of the Company or the Bank and with respect to which the Board of Directors adopts a resolution that the event constitutes a Change in Control for purposes of this Agreement; provided that with respect to each of the events covered by clauses (1) through (4) above, the event must also be deemed to be either a change in the ownership of the Company or the Bank, a change in the effective control of the Company or the Bank or a change in the ownership of a substantial portion of the assets of the Company or the Bank within the meaning of Section 409A of the Code.

(c) The term "Code" means the Internal Revenue Code of 1986, as amended, or any successor code thereto.

(d) The term “Consolidated Subsidiaries” means any subsidiary or subsidiaries of the Company (or its successors) that are part of the consolidated group of the Company (or its successors) for federal income tax reporting.

(e) The term “Date of Termination” means the date upon which the Employee's employment with the Company and its Consolidated Subsidiaries ceases, as specified in a written notice of termination, provided that all references in this Agreement to a Date of Termination that results in the payment of severance shall mean the date of the Executive’s involuntary Separation from Service.

(f) The term “Effective Date” means the date first written above.

(g) The term “Health Insurance Benefits” shall mean the following benefits to be provided pursuant to Section 3(a) of this Agreement to the Employee and his dependents who are covered by the Company or any of its Consolidated Subsidiaries at the time of the Employee’s Involuntary Termination (each such person, including the Employee, a “Covered Person” and collectively the “Covered Persons”): (i) the Company or the Bank shall pay 100% of the premiums for COBRA coverage for each such Covered Person until the earlier of (A) the expiration of the COBRA period or (B) the death of such person; or (ii) in the event that the continued participation of the Covered Person in any insurance plan as provided in clause (i) above is barred or would trigger the payment of an excise tax under Section 4980D of the Code, or during the COBRA Period any such insurance plan is discontinued, then the Company and the Bank shall at their election either (A) arrange to provide the Covered Person with alternative benefits substantially similar to those which the Covered Person was entitled to receive under such insurance plan immediately prior to the Date of Termination, provided that the alternative benefits do not trigger the payment of an excise tax under Section 4980D of the Code, or (B) in the event that the continuation of any insurance coverage as specified above would trigger the payment of an excise tax under Section 4980D of the Code or in the event such continued coverage is unable to be provided by the Company or the Bank, pay to the Employee within 30 days following the Date of Termination (or within 30 days following the discontinuation of the benefits if later) a lump sum cash amount equal to the projected cost to the Company and the Bank of providing continued coverage to the Covered Person until the expiration of the COBRA Period, with the projected cost to be based on the costs being incurred immediately prior to the Involuntary Termination (or the discontinuation of the benefits if later), as increased by 15% on each scheduled renewal date. Any insurance premiums payable by the Company or the Bank as specified above shall be payable at such times and in such amounts (except that the Company or the Bank shall also pay any employee portion of the premiums) as if the Employee was still an employee of the Company or its Consolidated Subsidiaries, subject to any increases in such amounts imposed by the insurance company or COBRA, and the amount of insurance premiums required to be paid by the Company or the Bank in any taxable year shall not affect the amount of insurance premiums required to be paid by the Company or the Bank in any other taxable year.

(h) The term “Involuntary Termination” means a termination of the employment of the Employee (i) by the Company without his express written consent; or (ii) by the Employee by reason of a material diminution of or interference with his duties, titles, responsibilities or benefits, including any of the following actions unless consented to in writing by the Employee: (1) a requirement that the Employee be based at any place other than Asheville, North Carolina, or within 20 miles thereof, except for reasonable travel on Company or Bank business; (2) a material demotion of the Employee; or (3) a material reduction in the Employee’s salary, other than prior to a Change in Control as part of an overall program applied uniformly and with equitable effect to all members of the senior management of the Company or the Bank; provided in each case that Involuntary Termination shall mean a cessation or reduction in the Employee’s services for the Company and the Bank (and any other affiliated entities that are deemed to constitute a “service recipient” as defined in Treasury Regulation §1.409A-1(h)(3)) that constitutes a “Separation from Service” as determined under Section 409A of the Code, taking into account all of the facts, circumstances, rules and presumptions set forth in Treasury Regulation §1.409A-1(h) and that also constitutes an involuntary Separation from Service under Treasury Regulation §1.409A-1(n). In addition, before the Employee terminates his employment pursuant to clauses (1) through (3) of the preceding sentence, the Employee must first provide written notice to the Company within ninety (90) days of the initial existence of the condition, describing the existence of such condition, and the Company shall thereafter have the right to remedy the condition within thirty (30) days following the date it received the written notice from the

Employee. If the Company remedies the condition within such thirty (30) day cure period, then the Employee shall not have the right to terminate his employment as the result of such event. If the Company does not remedy the condition within such thirty (30) day cure period, then the Employee may terminate his employment as the result of such event at any time within sixty (60) days following the expiration of such cure period. All references in this Agreement to an Involuntary Termination that results in the payment of severance shall mean an involuntary Separation from Service under Treasury Regulation §1.409A-1(n). The term "Involuntary Termination" does not include Termination for Cause, termination of employment due to death or permanent disability, or suspension or temporary or permanent prohibition from participation in the conduct of the affairs of a depository institution under Section 8 of the Federal Deposit Insurance Act.

(i) The term "Section 409A" means Section 409A of the Code and the regulations and guidance of general applicability issued thereunder.

(j) The terms "Termination for Cause" and "Terminated for Cause" mean any of the following: (i) the commission by the Employee of a willful act (including, without limitation, a dishonest or fraudulent act) or a grossly negligent act, or the willful or grossly negligent omission to act by the Employee, which is intended to cause, does cause or is reasonably likely to cause material harm to the Company or any of its Consolidated Subsidiaries (including harm to its business reputation); (ii) the indictment of the Employee for the commission or perpetration by the Employee of any felony or any crime involving dishonesty, moral turpitude or fraud; (iii) the material breach by the Employee of this Agreement; (iv) the receipt of any formal written notice that any regulatory agency having jurisdiction over the Company or the Bank intends to institute any formal regulatory action against the Employee, the Company or the Bank (provided that the Board determines in good faith, with the Employee abstaining from participating in the vote on the matter, that the subject matter of such action involves acts or omissions by the Employee); (v) the exhibition by the Employee of a standard of behavior within the scope of his employment that is materially disruptive to the orderly conduct of the business operations of the Company or any of its Consolidated Subsidiaries (including, without limitation, substance abuse or sexual misconduct) to a level which, in the Board's good faith and reasonable judgment, with the Employee abstaining from participating in the vote on the matter, is materially detrimental to the best interests of the Company or any of its Consolidated Subsidiaries; (vi) the failure of the Employee to devote his full business time and attention to his employment as provided under this Agreement; or (vii) the failure of the Employee to adhere to any policy or code of conduct of the Company or any of its Consolidated Subsidiaries which causes, or is reasonably likely to cause, material harm to the Company or any of its Consolidated Subsidiaries; provided that, if the Board of Directors determines in its good faith discretion that the breach, behavior or failure specified in clauses (iii), (v) or (vi) above is capable of being cured by the Employee, then Cause shall not be deemed to exist with respect to such matter if the Employee cures the breach, behavior or failure to the satisfaction of the Board of Directors within 10 days following written notice to the Employee of such breach, behavior or failure. No act or failure to act by the Employee shall be considered willful unless the Employee acted or failed to act with an absence of good faith and without a reasonable belief that his action or failure to act was in the best interest of the Company or the Bank. The Employee shall not be deemed to have been Terminated for Cause unless and until there shall have been delivered to the Employee a copy of a resolution, duly adopted by the affirmative vote of not less than a majority of the entire membership of the Board of Directors at a meeting of the Board duly called and held for such purpose (after reasonable notice to the Employee and an opportunity for the Employee to present his views on the matter to the Board either in person without counsel or in writing), stating that in the good faith opinion of the Board of Directors the Employee has engaged in conduct described in the preceding sentence and specifying the particulars thereof in detail. The opportunity of the Employee to be heard before the Board shall not affect the right of the Employee to arbitration as set forth in Section 13 of this Agreement. The Board reserves the right to suspend the Employee with pay pending the determination of Cause under this Section 1(j), as appropriate.

2. Term. The initial term of this Agreement shall be from the Effective Date until September 11, 2020, subject to earlier termination as provided herein. On September 11 each year, the term shall be extended for a period of one year in addition to the then-remaining term, provided that the Company has not given notice to the Employee in writing at least 30 days prior to such annual anniversary date that the term of this Agreement shall not be extended further, and provided further that the Employee has not received an unsatisfactory performance review

by their manager, the Board of Directors or the board of directors of the Bank. No annual extension can automatically extend beyond the Employee's 65th birthday.

3. Severance Benefits.

(a) In the event of the Involuntary Termination of the Employee at the time of or within 12 months following a Change in Control, the Company or the Bank shall, subject to the Employee executing and not revoking a general release of claims pursuant to Section 3(b) below, (i) pay to the Employee a lump sum cash amount equal to two times the Employee's Cash Compensation, with such lump sum payment to be made within 30 days following the date the general release of claims is executed and the revocation period expires without the release being revoked, except as otherwise set forth in Section 3(b) below, and (ii) provide Health Insurance Benefits to each Covered Person. If the Employee is a "Specified Employee" (as defined in Section 409A) at the time of his Separation from Service, then payments under this Section 3(a) which are not covered by either the separation pay plan exemption or the short-term deferral exemption from Section 409A set forth in Treasury Regulations §1.409A-1(b)(9)(iii) and §1.409A-1(b)(4), respectively, and as such constitute deferred compensation under Section 409A, shall not be paid until the 185th day following the Employee's Separation from Service, or his earlier death (the "Delayed Distribution Date"). Any payments deferred on account of the preceding sentence shall be accumulated without interest and paid with the first payment that is payable in accordance with the preceding sentence and Section 409A. To the extent permitted by Section 409A, amounts payable under this Section 3(a) which are considered deferred compensation shall be treated as payable after amounts which are not considered deferred compensation (i.e., which are considered payable on account of an involuntary Separation from Service as herein defined herein pursuant to a separation pay plan or pursuant to the short-term deferral exemption).

(b) The obligations of the Company and the Bank to pay severance or provide benefits under Section 3(a) above is expressly conditioned upon the Employee executing a general release of claims within the time period set forth in the release to be provided to him by the Company and not revoking such release, with such general release to release any and all claims, charges and complaints which the Employee may have against the Company and its Consolidated Subsidiaries, as well as the directors, officers and employees of such entities, in connection with the Employee's employment with the Company and its Consolidated Subsidiaries and the termination of such employment. Notwithstanding any other provision contained in this Agreement, in the event the time period that the Employee has to consider the terms of such general release (including any revocation period under such release) commences in one calendar year and ends in the succeeding calendar year, then the payments shall not commence or be paid until the succeeding calendar year.

(c) Certain Reduction of Payments by the Bank.

(i) In the event that the aggregate payments or benefits to be provided to the Employee pursuant to this Agreement, together with other payments and benefits which the Employee has a right to receive from the Company or its Consolidated Subsidiaries or any their successors are deemed to be parachute payments as defined in Section 280G of the Code or any successor thereto (the "Severance Benefits"), then the aggregate present value of amounts payable or distributable to or for the benefit of the Employee pursuant to this Agreement (such amounts payable or distributable pursuant to this Agreement are hereinafter referred to as "Agreement Payments") shall be reduced to the Reduced Amount. The "Reduced Amount" shall be an amount, not less than zero, expressed in present value which maximizes the aggregate present value of Agreement Payments without causing any Severance Benefits to be nondeductible by the Company because of Section 280G of the Code. For purposes of this Section 3(b), present value shall be determined in accordance with Section 280G(d)(4) of the Code.

(ii) All determinations required to be made under this Section 3(b)) related to the application of Section 280G of the Code shall be made by the Company's independent auditors or by such other firm with recognized expertise as may be selected by the Company (such auditors or, if applicable, such other firm are hereinafter referred to as the "Advisory Firm"). The Advisory Firm shall, within ten business days of the Date of

Termination or at such earlier time as is requested by the Company, provide to both the Company and the Employee an opinion (and detailed supporting calculations) that the Company has substantial authority to deduct for purposes of Section 280G of the Code (before taking into account any amount not deductible under Section 162(m) of the Code) the full amount of the Agreement Payments to be paid and that the Employee has substantial authority not to report on his federal income tax return any excise tax imposed by Section 4999 of the Code with respect to the Agreement Payments to be paid. Any such determination and opinion by the Advisory Firm shall be binding upon the Company and the Employee. If the Agreement Payments are required to be reduced to the Reduced Amount, then the cash severance payable pursuant to Section 3(a) of this Agreement shall be reduced first. The Company and the Employee shall cooperate fully with the Advisory Firm, including without limitation providing to the Advisory Firm all information and materials reasonably requested by it, in connection with the making of the determinations required under this Section 3(c).

(iii) As a result of uncertainty in the application of Section 280G of the Code at the time of the initial determination by the Advisory Firm hereunder, it is possible that Agreement Payments will have been made by the Company which should not have been made ("Overpayment") or that additional Agreement Payments will not have been made by the Company which should have been made ("Underpayment"), in each case, consistent with the calculations required to be made hereunder. In the event that the Advisory Firm, based upon the assertion by the Internal Revenue Service against the Employee of a deficiency which the Advisory Firm believes has a high probability of success, determines that an Overpayment has been made, any such Overpayment paid or distributed by the Company to or for the benefit of the Employee shall be repaid by the Employee to the Company together with interest at the applicable federal rate provided for in Section 1274 of the Code, with such repayment to be made within 60 days following the date the amount of the Overpayment has been communicated to the Employee. In the event that the Advisory Firm, based upon controlling precedent or other substantial authority, determines that an Underpayment has occurred, any such Underpayment shall be promptly paid by the Company to or for the benefit of the Employee together with interest at the applicable federal rate provided for in Section 1274 of the Code, with such payment to be made within 60 days following the date the amount of the Underpayment has been communicated to the Company.

(iv) Any payments made to the Employee pursuant to this Agreement, or otherwise, are subject to and conditioned upon their compliance with 12 U.S.C. 1828(k) and any regulations promulgated thereunder.

(d) <u>Termination for Cause</u>. In the event of Termination for Cause, the Company shall have no further obligation to the Employee under this Agreement after the Date of Termination.

4. <u>Attorneys Fees</u>. In the event of a dispute arising out of this Agreement, reasonable legal fees and related expenses incurred by the Employee resulting from such dispute shall be paid by the Company only if the Employee prevails in such dispute.

5. <u>Non-Disclosure, Non-Competition and Non-Solicitation Provisions</u>.

(a) <u>Non-Disclosure</u>. The Employee acknowledges that he has acquired, and will continue to acquire while employed by the Company and/or performing services for the Consolidated Subsidiaries, special knowledge of the business, affairs, strategies and plans of the Company and the Consolidated Subsidiaries which has not been disclosed to the public and which constitutes confidential and proprietary business information owned by the Company and the Consolidated Subsidiaries, including but not limited to, information about the customers, customer lists, software, data, formulae, processes, inventions, trade secrets, marketing information and plans, and business strategies of the Company and the Consolidated Subsidiaries, and other information about the products and services offered or developed or planned to be offered or developed by the Company and/or the Consolidated Subsidiaries ("Confidential Information"). The Employee agrees that, without the prior written consent of the Company, he shall not, during the term of his employment or at any time thereafter, in any manner directly or indirectly disclose any Confidential Information to any person or entity other than the Company and the Consolidated Subsidiaries. Notwithstanding the foregoing, if the Employee is requested or required (including but not limited to by oral questions, interrogatories, requests for information or documents in legal proceeding, subpoena, civil investigative demand or other similar process) to disclose any Confidential Information, the Employee shall provide the Company with prompt written notice of any such request or requirement so that the Company and/or a Consolidated Subsidiary may seek a protective order or other appropriate remedy and/or waive compliance with the provisions of this Section 5(a). If, in the absence of a protective order or other remedy or the receipt of a waiver from the Company, the Employee is nonetheless legally compelled to disclose Confidential Information to any tribunal or else stand liable for contempt or suffer other censure or penalty, the Employee may, without liability hereunder, disclose to such tribunal only that portion of the Confidential Information which is legally required to be disclosed, provided that the Employee exercise his best efforts to preserve the confidentiality of the Confidential Information, including without limitation by cooperating with the Company and/or a Consolidated Subsidiary to obtain an appropriate protective order or other reliable assurance that confidential treatment will be accorded the Confidential Information by such tribunal. Notwithstanding anything to the contrary herein, the parties hereto agree that nothing contained in this Agreement limits the Employee's ability to report information to or file a charge or complaint with the Equal Employment Opportunity Commission, the Securities and Exchange Commission, the Federal Deposit Insurance Corporation, the Board of Governors of the Federal Reserve System or any other federal, state or local governmental agency or commission that has jurisdiction over the Company or any Consolidated Subsidiary (the "Government Agencies"). The Employee further understands that this Agreement does not limit his ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company and/or any Consolidated Subsidiary. This Agreement does not limit the Employee's right to receive an award for information provided to any Government Agencies. In addition, pursuant to the Defend Trade Secrets Act of 2016, the Employee understands that an individual may not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that (i) is made (A) in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney; and (B) solely for the purpose of reporting or investigating a suspected violation of law; or (ii) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. Further, an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the employer's trade secrets to the attorney and use the trade secret information in the court proceeding if the individual (y) files any document containing the trade secret under seal; and (z) does not disclose the trade secret, except pursuant to court order. On the Date of Termination, the Employee shall promptly deliver to the Company all copies of documents or other records (including without limitation electronic records) containing any Confidential Information that is in his possession or under his control, and shall retain no written or electronic record of any Confidential Information.

(b) Non-Competition. As partial consideration for the severance payments and benefits to be provided to the Employee pursuant to Section 3 of this Agreement, the Employee agrees that during the two-year period next following the Date of Termination (the "Non-Competition Period"), the Employee shall not engage in, become interested in, directly or indirectly, as a sole proprietor, as a partner in a partnership, or as a shareholder in a corporation, or become associated with, in the capacity of employee, director, officer, principal, agent, consultant, trustee or in any other capacity whatsoever, any enterprise or entity with an office located within 50 miles of any office of the Company or any Consolidated Subsidiary during the Non-Competition Period, which proprietorship, partnership, corporation, enterprise or other entity is engaged in any line of business conducted by the Company or any banking subsidiary of the Company during the Non-Competition Period, including but not limited to entities which lend money and take deposits (in each case, a "Competing Business"), provided, however, that this provision shall not prohibit the Employee from owning bonds, non-voting preferred stock or up to five percent (5%) of the outstanding common stock of any Competing Business if such common stock is publicly traded.

(c) Non-Solicitation. As partial consideration for the severance payments and benefits to be provided to the Employee pursuant to Section 3 of this Agreement, the Employee agrees that during the two-year period next following the Date of Termination, the Employee shall not directly or indirectly (i) solicit or induce, or cause others to solicit or induce, any employee of the Company or any Consolidated Subsidiary to leave the employment of such entities, or (ii) solicit (whether by mail, telephone, personal meeting or any other means, excluding general solicitations of the public that are not based in whole or in part on any list of customers of the Company or any Consolidated Subsidiary) any customer of the Company or any Consolidated Subsidiary to transact business with any Competing Business, or to reduce or refrain from doing any business with the Company or any

Consolidated Subsidiary, or interfere with or damage (or attempt to interfere with or damage) any relationship between the Company or any Consolidated Subsidiary and any such customers.

The provisions of this Section 5 shall survive any termination of the Employee’s employment and any termination of this Agreement.

6. No Assignments.

(a) This Agreement is personal to each of the parties hereto, and neither party may assign or delegate any of its rights or obligations hereunder without first obtaining the written consent of the other party; provided, however, that the Company shall require any successor or assign (whether direct or indirect, by purchase, merger, consolidation or otherwise) by an assumption agreement in form and substance satisfactory to the Employee, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession or assignment had taken place. Failure of the Company to obtain such an assumption agreement prior to the effectiveness of any such succession or assignment shall be a breach of this Agreement and shall entitle the Employee to compensation and benefits from the Company in the same amount and on the same terms as provided for upon an Involuntary Termination under Section 3 hereof. For purposes of implementing the provisions of this Section 6(a), the date on which any such succession becomes effective shall be deemed the Date of Termination.

(b) This Agreement and all rights of the Employee hereunder shall inure to the benefit of and be enforceable by the Employee’s personal and legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

7. No Mitigation. The Employee shall not be required to mitigate the amount of any payment or benefit provided for in this Agreement by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for in this Agreement be reduced by any compensation earned by the Employee as the result of employment by another employer, by retirement benefits after the Date of Termination or otherwise.

8. Notice. For the purposes of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or sent by certified mail, return receipt requested, postage prepaid, to the Company at its principal office, to the attention of the Board of Directors with a copy to the Secretary of the Company, or, if to the Employee, to such home or other address as the Employee has most recently provided in writing to the Company.

9. Amendments. No amendments or additions to this Agreement shall be binding unless in writing and signed by both parties, except as herein otherwise provided.

10. Headings. The headings used in this Agreement are included solely for convenience and shall not affect, or be used in connection with, the interpretation of this Agreement.

11. Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof.

12. Governing Law. This Agreement shall be governed by the laws of the State of North Carolina.

13. Arbitration. Any dispute or controversy arising under or in connection with this Agreement (other than relating to the enforcement of the provisions of Section 5) shall be settled exclusively by arbitration before a single arbitrator in Asheville, North Carolina under the commercial arbitration rules of the American Arbitration Association (the “AAA”) then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction. The arbitrator shall be selected by the mutual agreement of the parties within ten (10) business days of the date when the parties shall first have the opportunity to select an arbitrator (the “Selection Period”); provided, however, that if the parties fail to agree upon an arbitrator by the expiration of the Selection Period, each party shall, within five (5) business days after the expiration of the Selection Period, select an arbitrator from the list of

arbitrators provided by the AAA and the two arbitrators so selected by each party, acting independently, shall, as soon as practicable and within thirty (30) days of both being selected, agree upon the selection of the arbitrator to arbitrate the controversy or claim.

14. Equitable and Other Judicial Relief.

(a) It is the intention of the parties hereto that the provisions of this Agreement shall be enforced to the fullest extent permissible under all applicable laws and public policies, but that the unenforceability or the modification to conform with such laws or public policies of any provision hereof shall not render unenforceable or impair the remainder of this Agreement. The covenants in Section 5(b) with respect to the geographic area surrounding each office shall be deemed to be separate covenants with respect to each office, and should any court of competent jurisdiction conclude or find that this Agreement or any portion is not enforceable with respect to a particular office, such conclusion or finding shall in no way render invalid or unenforceable the covenants herein with respect to any other office. Accordingly, if any provision shall be determined to be invalid or unenforceable either in whole or in part, including without limitation the geographic scope or duration of such provision, the parties hereto agree that the court or authority making such determination shall have the power to reduce the scope or duration of such provision or to delete specific words or phrases as necessary (but only to the minimum extent necessary) to cause such provision or part to be valid and enforceable. If such court or authority does not have the legal authority to take the actions described in the preceding sentence, the parties agree to negotiate in good faith a modified provision that would, in so far as possible, reflect the original intent of this Agreement, including without limitation Section 5 hereof, without violating applicable law.

(b) The Employee acknowledges that any breach of Section 5 will result in irreparable damage to the Company for which the Company will not have an adequate remedy at law, especially in light of the impossibility of ascertaining exact money damages. In addition to any other remedies and damages available to the Company, the Employee further acknowledges that the Company shall be entitled to seek a temporary restraining order as well as preliminary and permanent injunctive relief hereunder to enjoin any breach or threatened breach of Section 5 of this Agreement, and the Employee hereby consents to any restraining order or injunction issued in favor of the Company by any court of competent jurisdiction, without prejudice to any other right or remedy to which the Company may be entitled. In addition, in the event of a breach of Section 5 of this Agreement by the Employee, the Employee acknowledges that in addition to or in lieu of the Company seeking injunctive relief, the Company may also seek a forfeiture of the cash severance payments paid or payable to the Employee pursuant to Section 3 of this Agreement with respect to the period of the breach in an amount equal to (i) the value ascribed to the non-competition or non-solicitation provision in Section 5 that was breached, multiplied by (ii) a fraction, the numerator of which is the period of time that the Employee was in breach of such provision and the denominator of which is the total duration of such provision in Section 5. The Employee represents and acknowledges that, in light of the Employee’s experience and capabilities, the Employee can obtain employment with an entity other than a Competing Business or in a business engaged in other lines of business and/or of a different nature than those engaged in by the Company or its Consolidated Subsidiaries, and that the enforcement of a remedy by way of a temporary restraining order or injunction will not prevent the Employee from earning a livelihood. Each of the remedies available to the Company in the event of a breach by the Employee shall be cumulative and not mutually exclusive.

15. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original and all of which together will constitute one and the same instrument.

16. Changes in Statutes or Regulations. If any statutory or regulatory provision referenced herein is subsequently changed or re-numbered, or is replaced by a separate provision, then the references in this Agreement to such statutory or regulatory provision shall be deemed to be a reference to such section as amended, re-numbered or replaced.

17. Entire Agreement. This Agreement embodies the entire agreement between the Company and the Employee with respect to the matters agreed to herein. All prior agreements between the Company and the

Employee with respect to the matters agreed to herein, including the Prior Agreement, are hereby superseded and shall have no force or effect.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first written above.

THIS AGREEMENT CONTAINS A BINDING ARBITRATION PROVISION WHICH MAY BE ENFORCED BY THE PARTIES.

HOMETRUST BANCSHARES, INC.

/s/ Dana L. Stonestreet
By: Dana Stonestreet
Its: Chairman, President and Chief Executive Officer

EMPLOYEE

/s/ Marty Caywood
Marty Caywood

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 9, 2018	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 9, 2018	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, 2019, 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 9, 2018	By:	/s/ Dana L. Stonestreet
		Dana L. Stonestreet
		Chairman, President, and CEO
May 9, 2018	By:	/s/ Tony J. VunCannon
		Tony J. VunCannon
		Executive Vice President, CFO, and Treasurer