UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended **March 31, 2023**

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

For the transition period from _______ to ________

Commission file number: **001-35593**

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

Maryland	**45-5055422**
(State or other jurisdiction of incorporation of organization)	(I.R.S. Employer Identification No.)

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

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

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer ☐	Accelerated filer ☒
Non-accelerated filer ☐	Smaller reporting company ☐
Emerging growth company ☐	

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

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

There were 17,370,063 shares of common stock, par value of $0.01 per share, issued and outstanding as of May 4, 2023.

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

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

Term	Definition
ACL	Allowance for Credit Losses
AFS	Available-For-Sale
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
BOLI	Bank Owned Life Insurance
CARES Act	Coronavirus Aid, Relief, and Economic Security Act of 2020
CD	Certificate of Deposit
CDA	Collateral Dependent Asset
CECL	Current Expected Credit Losses
CET1	Common Equity Tier 1
COVID-19	Coronavirus Disease 2019
CPI	Consumer Price Index
DCF	Discounted Cash Flow
EPS	Earnings Per Share
ESOP	Employee Stock Ownership Plan
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
Federal Reserve	Board of Governors of the Federal Reserve System
FHLB or FHLB of Atlanta	Federal Home Loan Bank
FRB	Federal Reserve Bank of Richmond
GSE	Government-Sponsored Enterprises
HELOC	Home Equity Line of Credit
IRLC	Interest Rate Lock Commitments
LIBOR	London Interbank Offered Rate
MBS	Mortgage-Backed Securities
NCCOB	North Carolina Office of the Commissioner of Banks
PCD	Purchased Financial Assets with Credit Deterioration
PPP	Paycheck Protection Program
Quantum	Quantum Capital Corp. and its wholly owned subsidiary, Quantum National Bank
REO	Real Estate Owned
ROA	Return on Assets
ROE	Return on Equity
ROU	Right of Use
RSU	Restricted Stock Unit
SBA	U.S. Small Business Administration
SBIC	Small Business Investment Companies
SEC	Securities and Exchange Commission
TBA	To-be-announced
TDR	Troubled Debt Restructuring
US GAAP	Generally Accepted Accounting Principles in the United States

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, 2023	June 30, 2022
Assets		
Cash	$ 18,262	$ 20,910
Interest-bearing deposits	296,151	84,209
Cash and cash equivalents	314,413	105,119
Commercial paper, net	—	194,427
Certificates of deposit in other banks	33,102	23,551
Debt securities available for sale, at fair value (amortized cost of $158,658 and $130,099 at March 31, 2023 and June 30, 2022, respectively)	154,718	126,978
FHLB and FRB stock	19,125	9,326
SBIC investments, at cost	13,620	12,758
Loans held for sale, at fair value	1,209	—
Loans held for sale, at the lower of cost or fair value	89,172	79,307
Total loans, net of deferred loan fees and costs	3,649,333	2,769,295
Allowance for credit losses – loans	(47,503)	(34,690)
Loans, net	3,601,830	2,734,605
Premises and equipment, net	74,107	69,094
Accrued interest receivable	13,813	8,573
Deferred income taxes, net	10,894	11,487
BOLI	105,952	95,281
Goodwill	33,682	25,638
Core deposit intangibles, net	11,637	93
Other assets	49,596	52,967
Total assets	$ 4,526,870	$ 3,549,204
Liabilities and stockholders' equity		
Liabilities		
Deposits	$ 3,675,599	$ 3,099,761
Junior subordinated debt	9,945	—
Borrowings	320,263	—
Other liabilities	62,821	60,598
Total liabilities	4,068,628	3,160,359
Commitments and contingencies – See Note 12		
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, 17,370,063 shares issued and outstanding at March 31, 2023; 15,591,466 at June 30, 2022	174	156
Additional paid in capital	170,670	126,106
Retained earnings	295,325	270,276
Unearned ESOP shares	(4,893)	(5,290)
Accumulated other comprehensive loss	(3,034)	(2,403)
Total stockholders' equity	458,242	388,845
Total liabilities and stockholders' equity	$ 4,526,870	$ 3,549,204

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,	
	2023	2022	2023	2022
Interest and dividend income				
Loans	$ 47,908	$ 26,616	$ 120,148	$ 81,440
Commercial paper	—	411	1,300	869
Debt securities available for sale	1,183	384	3,012	1,319
Other investments and interest-bearing deposits	1,575	784	3,535	2,360
Total interest and dividend income	50,666	28,195	127,995	85,988
Interest expense				
Deposits	7,864	1,151	12,862	4,028
Junior subordinated debt	109	—	109	—
Borrowings	1,239	4	1,505	45
Total interest expense	9,212	1,155	14,476	4,073
Net interest income	41,454	27,040	113,519	81,915
Provision (benefit) for credit losses	8,760	(45)	14,987	(4,005)
Net interest income after provision (benefit) for credit losses	32,694	27,085	98,532	85,920
Noninterest income				
Service charges and fees on deposit accounts	2,256	2,216	7,117	7,101
Loan income and fees	562	752	1,779	2,536
Gain on sale of loans held for sale	1,811	2,969	4,499	10,927
BOLI income	522	492	1,543	1,500
Operating lease income	1,505	1,661	4,246	4,920
Gain (loss) on sale of premises and equipment	900	—	2,015	(87)
Other	754	857	2,963	2,496
Total noninterest income	8,310	8,947	24,162	29,393
Noninterest expense				
Salaries and employee benefits	16,246	14,730	45,545	44,882
Occupancy expense, net	2,467	2,483	7,291	7,201
Computer services	2,911	2,686	8,470	7,817
Telephone, postage, and supplies	613	623	1,791	1,946
Marketing and advertising	372	573	1,443	2,110
Deposit insurance premiums	612	412	1,700	1,280
Core deposit intangible amortization	606	50	666	208
Merger-related expenses	4,741	—	5,465	—
Other	4,265	4,242	12,627	12,194
Total noninterest expense	32,833	25,799	84,998	77,638
Net income before income taxes	8,171	10,233	37,696	37,675
Income tax expense	1,437	2,210	8,105	8,047
Net income	$ 6,734	$ 8,023	$ 29,591	$ 29,628
Per share data				
Net income per common share				
Basic	$ 0.40	$ 0.51	$ 1.91	$ 1.87
Diluted	$ 0.40	$ 0.51	$ 1.90	$ 1.84
Average shares outstanding				
Basic	16,021,994	15,523,813	15,341,222	15,666,093
Diluted	16,077,116	15,793,012	15,449,060	15,997,377

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

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

	(Unaudited)			
	Three Months Ended March 31,		**Nine Months Ended March 31,**	
	2023	**2022**	**2023**	**2022**
Net income	$ 6,734	$ 8,023	$ 29,591	$ 29,628
Other comprehensive income (loss)				
Unrealized holding gains (losses) on debt securities available for sale				
Gains (losses) arising during the period	908	(2,595)	(819)	(3,781)
Deferred income tax benefit (expense)	(209)	598	188	870
Total other comprehensive income (loss)	699	(1,997)	(631)	(2,911)
Comprehensive income	$ 7,433	$ 6,026	$ 28,960	$ 26,717

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

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

(Unaudited)
Three Months Ended March 31, 2023

	Common Stock		Additional Paid In Capital	Retained Earnings	Unearned ESOP Shares	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount					
Balance at December 31, 2022	15,673,595	$ 157	$ 128,486	$ 290,271	$ (5,026)	$ (3,733)	$ 410,155
Net income	—	—	—	6,734	—	—	6,734
Cash dividends declared on common stock, $0.10/ common share	—	—	—	(1,680)	—	—	(1,680)
Retired stock	(9,066)	—	(249)	—	—	—	(249)
Granted restricted stock	53,339	—	—	—	—	—	—
Stock issued for Quantum merger	1,374,646	14	37,720	—	—	—	37,734
Exercised stock options	277,549	3	4,063	—	—	—	4,066
Share-based compensation expense	—	—	434	—	—	—	434
ESOP compensation expense	—	—	216	—	133	—	349
Other comprehensive income	—	—	—	—	—	699	699
Balance at March 31, 2023	17,370,063	$ 174	$ 170,670	$ 295,325	$ (4,893)	$ (3,034)	$ 458,242

(Unaudited)
Three Months Ended March 31, 2022

	Common Stock		Additional Paid In Capital	Retained Earnings	Unearned ESOP Shares	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount					
Balance at December 31, 2021	16,303,461	$ 163	$ 147,552	$ 258,986	$ (5,555)	$ 600	$ 401,746
Net income	—	—	—	8,023	—	—	8,023
Cash dividends declared on common stock, $0.09/common share	—	—	—	(1,400)	—	—	(1,400)
Common stock repurchased	(419,931)	(4)	(12,911)	—	—	—	(12,915)
Forfeited restricted stock	(2,600)	—	—	—	—	—	—
Retired stock	(8,627)	—	(270)	—	—	—	(270)
Granted restricted stock	40,123	—	—	—	—	—	—
Exercised stock options	65,836	1	1,038	—	—	—	1,039
Share-based compensation expense	—	—	507	—	—	—	507
ESOP compensation expense	—	—	265	—	133	—	398
Other comprehensive loss	—	—	—	—	—	(1,997)	(1,997)
Balance at March 31, 2022	15,978,262	$ 160	$ 136,181	$ 265,609	$ (5,422)	$ (1,397)	$ 395,131

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

(Unaudited)
Nine Months Ended March 31, 2023

	Common Stock Shares	Common Stock Amount	Additional Paid In Capital	Retained Earnings	Unearned ESOP Shares	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance at June 30, 2022	15,591,466	$ 156	$ 126,106	$ 270,276	$ (5,290)	$ (2,403)	$ 388,845
Net income	—	—	—	29,591	—	—	29,591
Cash dividends declared on common stock, $0.29/common share	—	—	—	(4,542)	—	—	(4,542)
Forfeited restricted stock	(6,200)	—	—	—	—	—	—
Retired stock	(13,145)	—	(344)	—	—	—	(344)
Granted restricted stock	57,839	—	—	—	—	—	—
Stock issued for RSUs	13,861	—	—	—	—	—	—
Stock issued for Quantum merger	1,374,646	14	37,720	—	—	—	37,734
Exercised stock options	351,596	4	5,127	—	—	—	5,131
Share-based compensation expense	—	—	1,465	—	—	—	1,465
ESOP compensation expense	—	—	596	—	397	—	993
Other comprehensive loss	—	—	—	—	—	(631)	(631)
Balance at March 31, 2023	17,370,063	$ 174	$ 170,670	$ 295,325	$ (4,893)	$ (3,034)	$ 458,242

(Unaudited)
Nine Months Ended March 31, 2022

	Common Stock Shares	Common Stock Amount	Additional Paid In Capital	Retained Earnings	Unearned ESOP Shares	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance at June 30, 2021	16,636,483	$ 167	$ 160,582	$ 240,075	$ (5,819)	$ 1,514	$ 396,519
Net income	—	—	—	29,628	—	—	29,628
Cash dividends declared on common stock, $0.26/common share	—	—	—	(4,094)	—	—	(4,094)
Common stock repurchased	(1,095,763)	(11)	(32,307)	—	—	—	(32,318)
Forfeited restricted stock	(12,000)	—	—	—	—	—	—
Retired stock	(11,335)	—	(345)	—	—	—	(345)
Granted restricted stock	40,123	—	—	—	—	—	—
Stock issued for RSUs	7,118	—	—	—	—	—	—
Exercised stock options	413,636	4	6,077	—	—	—	6,081
Share-based compensation expense	—	—	1,407	—	—	—	1,407
ESOP compensation expense	—	—	767	—	397	—	1,164
Other comprehensive loss	—	—	—	—	—	(2,911)	(2,911)
Balance at March 31, 2022	15,978,262	$ 160	$ 136,181	$ 265,609	$ (5,422)	$ (1,397)	$ 395,131

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,	
	2023	**2022**
Operating activities		
Net income	$ 29,591	$ 29,628
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision (benefit) for credit losses	14,987	(4,005)
Depreciation and amortization of premises and equipment and equipment for operating leases	6,669	7,107
Deferred income tax (benefit) expense	(559)	5,277
Net accretion of purchase accounting adjustments on loans	(725)	(1,283)
Net amortization and accretion	3,213	1,582
Loss (gain) from sale of premises and equipment	(2,015)	87
Gain on sale of REO	78	7
Loss incurred at the end of operating leases	172	17
BOLI income	(1,543)	(1,500)
Gain on sale of loans held for sale	(4,499)	(10,927)
Origination of loans held for sale	(196,695)	(387,252)
Proceeds from sale of loans held for sale	178,007	402,161
New deferred loan origination fees, net	(3,039)	(640)
Decrease in accrued interest receivable and other assets	(1,537)	(3,612)
ESOP compensation expense	993	1,164
Share-based compensation expense	1,465	1,407
Decrease in other liabilities	(3,656)	(971)
Net cash provided by operating activities	20,907	38,247
Investing activities		
Purchases of debt securities available for sale	(66,994)	(9,762)
Proceeds from maturities, calls and paydowns of debt securities available for sale	49,221	55,600
Purchases of commercial paper	(210,292)	(463,446)
Proceeds from maturities and calls of commercial paper	406,269	340,999
Purchases of CDs in other banks	(15,676)	(996)
Proceeds from maturities of CDs in other banks	6,125	12,993
Net (purchases) redemptions of FHLB and FRB stock	(8,674)	3,087
Net capital contributions in SBIC investments, at cost	(862)	(2,417)
Net (increase) decrease in loans	(305,363)	39,394
Purchase of BOLI	(62)	(132)
Purchase of equipment for operating leases	(5,337)	(2,888)
Sale of equipment for operating leases	4,120	5,981
Purchase of premises and equipment	(3,240)	(6,043)
Proceeds from sale of premises and equipment and assets held for sale	7,534	2,322
Proceeds from sale of REO	1	181
Net cash received in merger	30,601	—
Net cash used in investing activities	(112,629)	(25,127)

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

	(Unaudited) Nine Months Ended March 31, 2023	2022
Financing activities		
Net increase in deposits	5,236	103,616
Net increase in revolving lines of credit	20,263	—
Net increase (decrease) in short-term borrowings	300,000	(115,000)
Proceeds from long-term borrowings	—	60,000
Repayment of long-term borrowings	(24,728)	(30,000)
Common stock repurchased	—	(32,318)
Cash dividends paid	(4,542)	(4,094)
Retired stock	(344)	(345)
Exercised stock options	5,131	6,081
Net cash provided by (used in) financing activities	301,016	(12,060)
Net increase in cash and cash equivalents	209,294	1,060
Cash and cash equivalents at beginning of period	105,119	50,990
Cash and cash equivalents at end of period	$ 314,413	$ 52,050
Supplemental disclosures		
Cash paid during the period for:		
Interest	$ 12,854	$ 4,080
Income taxes	5,931	269
Noncash transactions		
Unrealized loss in value of debt securities available for sale, net of income taxes	$ (631)	$ (2,911)
Transfer of loans held for sale to loans held for investment	14,298	19,032
Transfer of loans held for investment to loans held for sale	—	12,827
ROU asset and lease liabilities for operating lease accounting	2,108	1,186
Transfer of premises and equipment to assets held for sale (included in other assets)	—	3,229
Business combinations		
Fair value of assets acquired	$ 664,840	$ —
Fair value of liabilities assumed	609,938	—
Net assets acquired	$ 54,902	$ —

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

1. Summary of Significant Accounting Policies

The consolidated unaudited 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 its consolidated subsidiary, unless the context otherwise requires. HomeTrust is a bank holding company primarily engaged in the business of planning, directing, and coordinating the business activities of the Bank. The Bank is a North Carolina state chartered bank and provides a wide range of retail and commercial banking products within its geographic footprint, which includes: North Carolina (the Asheville metropolitan area, Greensboro/"Piedmont" region, Charlotte, and Raleigh/Cary), Upstate South Carolina (Greenville), East Tennessee (Kingsport/Johnson City, Knoxville, and Morristown), Southwest Virginia (the Roanoke Valley) and Georgia (Greater Atlanta). The Bank operates under a single set of corporate policies and procedures and is recognized as a single banking segment for financial reporting purposes.

As a result of its merger with Quantum on February 12, 2023, HomeTrust became the 100% successor owner of the Quantum Capital Statutory Trust II Delaware trust. The sole assets of the trust represent the proceeds of offerings loaned in exchange for subordinated debentures with similar terms to the trust preferred securities.

The accompanying unaudited consolidated financial statements have been prepared in accordance with US GAAP for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X as promulgated by the SEC. Accordingly, they do not include all the information and footnotes required by US GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the financial position and results of operations for the periods presented have been included. It is recommended that these unaudited interim consolidated financial statements be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended June 30, 2022 ("2022 Form 10-K") filed with the SEC on September 12, 2022. The results of operations for the nine months ended March 31, 2023 are not necessarily indicative of results that may be expected for the entire fiscal year ending June 30, 2023.

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements. Various elements of the Company's accounting policies, by their nature, are inherently subject to estimation techniques, valuation assumptions, and other subjective assessments. In particular, management has identified the determination of the provision and the ACL on loans as an accounting policy that, due to the judgments, estimates and assumptions inherent in this policy, is critical to an understanding of the Company's financial statements. This policy and the related judgments, estimates and assumptions is described in greater detail in the notes to the Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations (Critical Accounting Policies) in the 2022 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 this critical accounting policy, 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 this estimate and the Company's financial condition and operating results in future periods.

Reclassifications

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 or stockholders’ equity as previously reported.

Loans Held for Sale

Residential mortgages originated and intended for sale in the secondary market through mandatory delivery contracts are recorded at fair value (fair value option elected). The fair value includes the servicing value of the loans as well as any accrued interest, with changes in value recorded through the gain on sale of loans held for sale. Conversely, residential mortgages originated and intended for sale in the secondary market on a best efforts basis are sold with servicing released and carried at the lower of cost or fair value as determined by outstanding commitments from investors. Net unrealized losses, if any, are recorded as a valuation allowance and charged to earnings.

The Company originates loans guaranteed by the SBA for the purchase of businesses, business startups, business expansion, equipment, and working capital. All SBA loans are underwritten and documented as prescribed by the SBA. SBA loans are generally fully amortizing and have maturity dates and amortizations of up to 25 years. SBA loans are classified as held for sale and are carried at the lower of cost or fair value. The guaranteed portion of the loan is sold and the servicing rights are retained. A gain is recorded for any premium received in excess of the carrying value of the net assets transferred in the sale and is included in the gain on sale of loans held for sale. The portion of SBA loans that are retained are adjusted to fair value and reclassified to total loans, net of deferred costs (loans held for investment). The net value of the retained loans is included in the appropriate loan classification for disclosure purposes.

HELOCs held for sale are originated through a third party in various states outside the Company's geographic footprint, but are underwritten to the Company's underwriting guidelines. The loans are generally held for sale by the Company over a 90 to 180 day period and are serviced by the third party. The loans are marketed by the third party to investors in pools and once sold the Company recognizes a gain or loss on the sale which is recorded through the gain on sale of loans held for sale.

Derivative Instruments and Hedging

The Company holds and issues derivative financial instruments such as IRLCs and other forward sale commitments. IRLCs are subject to pricing risk primarily related to fluctuations in market interest rates. To hedge the interest rate risk on certain IRLCs, the Company uses forward sale commitments such as TBAs or mandatory delivery commitments with investors. Management expects these forward sale commitments to experience changes in fair value opposite to the changes in fair value of the IRLCs, thereby reducing earnings volatility. Forward sale commitments are also used to hedge the interest rate risk on mortgage loans held for sale that are not committed to investors and still subject to price risk. If the mandatory delivery commitments are not fulfilled, the Company pays a pair-off fee. Best effort forward sale commitments are also executed with investors, whereby certain loans are locked with a borrower and simultaneously committed to an investor at a fixed price. If the best effort IRLC does not fund, there is no obligation to fulfill the investor commitment.

(Dollars in thousands, except per share data)

The Company considers various factors and strategies in determining what portion of the IRLCs and uncommitted mortgage loans held for sale to economically hedge. All derivative instruments are recognized as other assets or other liabilities on the consolidated statements of financial condition at their fair value. Changes in the fair value of the derivative instruments and gains and losses resulting from the pairing-out of forward sale commitments are recognized in the gain on sale of loans held for sale on the consolidated statements of income in the period in which they occur. The Company accounts for all derivative instruments as free-standing derivative instruments and does not designate any for hedge accounting.

2. Recent Accounting Pronouncements

Newly Issued but Not Yet Effective Accounting Standards

ASU 2022-02, "Financial Instruments—Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures." This ASU eliminates the TDR recognition and measurement guidance and requires that an entity evaluate whether the modification represents a new loan or a continuation of an existing loan. The amendment also adjusts the disclosures related to modifications and requires entities to disclose current-period gross write-offs by year of origination within the existing vintage disclosures. The amendments in this ASU are effective for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years and early adoption is permitted. The Company is currently evaluating the impact of adopting the new guidance on the consolidated financial statements.

3. Merger with Quantum

On February 12, 2023, the Company merged with Quantum which operated two locations in the Atlanta metro area. The aggregate amount of consideration to be paid per the purchase agreement of approximately $70.8 million, inclusive of consideration of common stock, other cash consideration, and cash in lieu of fractional shares, included $15.9 million of cash consideration already paid by Quantum to its stockholders in advance of the closing date as is further described below. These distributions reduced Quantum's stockholders' equity by an equal amount prior to the transaction closing date.

The following table provides a summary of the assets acquired, liabilities assumed, associated preliminary fair value adjustments, and provisional period adjustments by the Company as of the merger date. As provided for under US GAAP, management has up to 12 months following the date of merger to finalize the fair value adjustments.

	Quantum	Fair Value Adjustments	Provisional Period Adjustments	As Recorded by HomeTrust
Assets acquired				
Cash and cash equivalents	$ 47,769	$ —	$ —	$ 47,769
Debt securities available for sale	10,608	—	—	10,608
FHLB and FRB stock	1,125	—	—	1,125
Loans[(1)]	567,140	(5,207)	—	561,933
Premises and equipment	4,415	4,668	—	9,083
Accrued interest receivable	1,706	—	—	1,706
BOLI	9,066	—	—	9,066
Core deposit intangibles	—	12,210	—	12,210
Other assets	2,727	569	—	3,296
Total assets acquired	$ 644,556	$ 12,240	$ —	$ 656,796
Liabilities assumed				
Deposits	$ 570,419	$ 183	$ —	$ 570,602
Junior subordinated debt	11,341	(1,408)	—	9,933
Other borrowings	24,728	—	—	24,728
Deferred income taxes	—	1,341	—	1,341
Other liabilities	3,334	—	—	3,334
Total liabilities assumed	$ 609,822	$ 116	$ —	$ 609,938
Net assets acquired				$ 46,858

(1) Adjustments to Quantum's total loans include the elimination of Quantum's existing allowance for loan losses of $6.0 million, the recognition of an ACL at close on PCD loans of $0.4 million, and adjustments to reflect the estimated credit fair value mark on the non-PCD loan portfolio of $3.0 million and the estimated interest rate fair value adjustment on the loan portfolio as a whole (non-PCD and PCD) of $7.9 million.

(Dollars in thousands, except per share data)

	Quantum	Fair Value Adjustments	Provisional Period Adjustments	As Recorded by HomeTrust
Consideration paid				
Common stock consideration				
Shares of Quantum				574,157
Exchange ratio				2.3942
HomeTrust common stock issued				1,374,647
Price per share of HomeTrust common stock on February 10, 2023				$ 27.45
HomeTrust common stock consideration				$ 37,734
Cash consideration(2)				17,168
Total consideration				$ 54,902
Goodwill				$ 8,044

(2) As indicated in the Current Report on Form 8-K/A filed with the SEC on March 30, 2023, the amount of cash consideration paid at closing differs from the $57.54 per share, or $33.0 million, reported in the Current Report on Form 8-K filed on February 13, 2023, which announced the closing of the merger. Consistent with the merger agreement, between the execution of the merger agreement and the transaction closing date, Quantum's principal stockholders had the option to withdraw some or all of the amount of cash consideration to eventually be paid at closing in advance of the closing date. The amount of cash consideration paid at closing was reduced by the amount withdrawn during this time period.

Goodwill of $8,044 arising from the merger consisted largely of synergies and the cost saves resulting from the combining of operations of the companies, and is not expected to be deductible for income tax purposes.

The following table provides a summary of PCD loans purchased as part of the Quantum merger as of the merger date:

	Commercial Real Estate	Commercial	Residential Real Estate	Consumer	Total
Unpaid principal balance	$ 4,472	$ 9,631	$ 393	$ —	$ 14,496
ACL	(292)	(72)	(5)	—	(369)
Non-credit premium (discount)	(1,448)	(190)	4	—	(1,634)
Fair value of PCD loans at merger date	$ 2,732	$ 9,369	$ 392	$ —	$ 12,493

The following unaudited pro forma combined condensed consolidated financial information presents the results of operations of the Company, including the effects of purchase accounting adjustments and acquisition expenses, had the merger taken place at July 1, 2021. The schedule excludes merger-related credit loss and merger-related expenses.

	(Unaudited)			
	Three Months Ended March 31,		Nine Months Ended March 31,	
	2023	2022	2023	2022
Interest and dividend income	$ 56,512	$ 36,480	$ 154,621	$ 112,282
Interest expense	10,201	1,514	17,606	5,021
Net interest income	46,311	34,966	137,015	107,261
Provision (benefit) for credit losses	3,490	(45)	9,717	(4,490)
Net interest income after provision (benefit) for credit losses	42,821	35,011	127,298	111,751
Noninterest income	8,835	9,399	26,068	34,055
Noninterest expense	30,296	30,293	89,928	91,715
Net income before income taxes	21,360	14,117	63,438	54,091
Income tax expense	4,470	3,103	14,026	11,823
Net income	$ 16,890	$ 11,014	$ 49,412	$ 42,268
Per share data				
Net income per common share				
Basic	$ 0.96	$ 0.65	$ 2.93	$ 2.46
Diluted	$ 0.96	$ 0.64	$ 2.91	$ 2.41
Average shares outstanding				
Basic	17,396,640	16,898,459	16,715,868	17,040,739
Diluted	17,451,762	17,167,658	16,823,706	17,372,023

(Dollars in thousands, except per share data)

4. Debt Securities

Debt securities available for sale consist of the following at the dates indicated:

	March 31, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. government agencies	$ 15,999	$ —	$ (434)	$ 15,565
MBS, residential	103,078	135	(2,082)	101,131
Municipal bonds	3,513	—	(81)	3,432
Corporate bonds	36,068	—	(1,478)	34,590
Total	$ 158,658	$ 135	$ (4,075)	$ 154,718

	June 30, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. government agencies	$ 18,993	$ 5	$ (539)	$ 18,459
MBS, residential	48,377	3	(1,147)	47,233
Municipal bonds	5,545	31	(18)	5,558
Corporate bonds	57,184	1	(1,457)	55,728
Total	$ 130,099	$ 40	$ (3,161)	$ 126,978

Debt securities available for sale by contractual maturity at March 31, 2023 and June 30, 2022 are shown below. MBS are not included in the maturity categories because the borrowers in the underlying pools may prepay without penalty; therefore, it is unlikely that the securities will pay at their stated maturity schedule.

	March 31, 2023	
	Amortized Cost	Estimated Fair Value
Due within one year	$ 47,067	$ 45,656
Due after one year through five years	3,000	2,940
Due after five years through ten years	5,513	4,991
Due after ten years	—	—
MBS, residential	103,078	101,131
Total	$ 158,658	$ 154,718

	June 30, 2022	
	Amortized Cost	Estimated Fair Value
Due within one year	$ 35,350	$ 34,956
Due after one year through five years	40,325	39,018
Due after five years through ten years	6,047	5,771
Due after ten years	—	—
MBS, residential	48,377	47,233
Total	$ 130,099	$ 126,978

The Company had no sales of debt securities available for sale and no gross realized gains or losses were recognized during the nine months ended March 31, 2023 and 2022.

Debt securities available for sale with amortized costs totaling $58,138 and $43,187 and market values of $56,884 and $41,876 at March 31, 2023 and June 30, 2022, 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 debt 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, 2023 and June 30, 2022 were as follows:

	March 31, 2023					
	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	$ 996	$ (4)	$ 14,569	$ (430)	$ 15,565	$ (434)
MBS, residential	59,175	(826)	18,034	(1,256)	77,209	(2,082)
Municipal bonds	3,432	(81)	—	—	3,432	(81)
Corporate bonds	15,462	(205)	17,227	(1,273)	32,689	(1,478)
Total	$ 79,065	$ (1,116)	$ 49,830	$ (2,959)	$ 128,895	$ (4,075)

	June 30, 2022					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. government agencies	$ 14,461	$ (539)	$ —	$ —	$ 14,461	$ (539)
MBS, residential	41,658	(994)	5,269	(153)	46,927	(1,147)
Municipal bonds	1,970	(18)	—	—	1,970	(18)
Corporate bonds	39,454	(730)	14,273	(727)	53,727	(1,457)
Total	$ 97,543	$ (2,281)	$ 19,542	$ (880)	$ 117,085	$ (3,161)

The total number of securities with unrealized losses at March 31, 2023 and June 30, 2022 were 190 and 177, respectively.

Management evaluates securities for impairment where there has been a decline in fair value below the amortized cost basis of a security to determine whether there is a credit loss associated with the decline in fair value on at least a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. All debt securities available for sale in an unrealized loss position as of March 31, 2023 continue to perform as scheduled and management does not believe that there is a credit loss or that a provision for credit losses is necessary. Also, as part of management's evaluation of its intent and ability to hold investments for a period of time sufficient to allow for any anticipated recovery in the market, management considers its investment strategy, cash flow needs, liquidity position, capital adequacy and interest rate risk position. Management does not currently intend to sell the securities within the portfolio and it is not more-likely-than-not that securities will be required to be sold. See "Note 1 – Summary of Significant Accounting Policies" in our 2022 Form 10-K for further discussion.

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

Management excludes the accrued interest receivable balance from the amortized cost basis in measuring expected credit losses on investment securities and does not record an ACL on accrued interest receivable. As of March 31, 2023, the accrued interest receivable for debt securities available for sale was $518.

5. Loans Held For Sale

Loans held for sale, at the lower of cost or fair value, consist of the following as of the dates indicated:

	March 31, 2023	June 30, 2022
One-to-four family	$ 156	$ 4,176
SBA	29,884	14,774
HELOCs	59,132	60,357
Total loans held for sale, at the lower of cost or fair value	$ 89,172	$ 79,307

The carrying balance of loans held for sale, at fair value, was $1,209 and $0 at March 31, 2023 and June 30, 2022, respectively, while the amortized cost of these loans was $1,179 and $0 at the same dates.

(Dollars in thousands, except per share data)

6. Loans and Allowance for Credit Losses on Loans

Loans consist of the following at the dates indicated[1]:

	March 31, 2023	June 30, 2022
Commercial real estate loans		
Construction and land development	$ 368,756	$ 291,202
Commercial real estate - owner occupied	524,247	335,658
Commercial real estate - non-owner occupied	926,991	662,159
Multifamily	85,285	81,086
Total commercial real estate loans	1,905,279	1,370,105
Commercial loans		
Commercial and industrial	229,840	193,313
Equipment finance	440,345	394,541
Municipal leases	138,436	129,766
Total commercial loans	808,621	717,620
Residential real estate loans		
Construction and land development	105,617	81,847
One-to-four family	518,274	354,203
HELOCs	193,037	160,137
Total residential real estate loans	816,928	596,187
Consumer loans	118,505	85,383
Total loans, net of deferred loan fees and costs	3,649,333	2,769,295
ACL on loans	(47,503)	(34,690)
Loans, net	$ 3,601,830	$ 2,734,605

(1) At March 31, 2023 and June 30, 2022 accrued interest receivable of $13,027 and $7,969 was accounted for separately from the amortized cost basis.

As a result of HomeTrust's merger with Quantum on February 12, 2023, $561.9 million in loans (net of purchase accounting adjustments) were added to the portfolio.

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

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

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

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

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

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

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

(Dollars in thousands, except per share data)

The following table presents the credit risk profile by risk grade for commercial real estate, commercial, residential real estate, and consumer loans by origination year as of March 31, 2023:

	Term Loans By Origination Fiscal Year							
March 31, 2023	**2023**	**2022**	**2021**	**2020**	**2019**	**Prior**	**Revolving**	**Total**
Construction and land development								
Risk rating								
Pass	$ 40,745	$ 45,061	$ 9,070	$ 2,766	$ 1,549	$ 6,920	$ 261,693	$ 367,804
Special mention	73	—	—	—	—	—	362	435
Substandard	—	481	—	—	—	36	—	517
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total construction and land development	40,818	45,542	9,070	2,766	1,549	6,956	262,055	368,756
Commercial real estate - owner occupied								
Risk rating								
Pass	195,337	65,636	67,866	42,634	38,712	81,856	24,534	516,575
Special mention	—	132	—	380	376	2,934	—	3,822
Substandard	1,054	—	—	—	—	2,496	300	3,850
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total commercial real estate - owner occupied	196,391	65,768	67,866	43,014	39,088	87,286	24,834	524,247
Commercial real estate - non-owner occupied								
Risk rating								
Pass	237,787	106,637	117,075	89,284	55,862	233,180	74,662	914,487
Special mention	2,390	—	—	—	—	4,517	5,341	12,248
Substandard	256	—	—	—	—	—	—	256
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total commercial real estate - non-owner occupied	240,433	106,637	117,075	89,284	55,862	237,697	80,003	926,991
Multifamily								
Risk rating								
Pass	18,584	11,649	18,759	10,286	3,341	21,409	863	84,891
Special mention	—	—	—	—	29	62	—	91
Substandard	—	—	—	—	—	303	—	303
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total multifamily	18,584	11,649	18,759	10,286	3,370	21,774	863	85,285
Total commercial real estate								
Risk rating								
Pass	$ 492,453	$ 228,983	$ 212,770	$ 144,970	$ 99,464	$ 343,365	$ 361,752	$ 1,883,757
Special mention	2,463	132	—	380	405	7,513	5,703	16,596
Substandard	1,310	481	—	—	—	2,835	300	4,926
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total commercial real estate	$ 496,226	$ 229,596	$ 212,770	$ 145,350	$ 99,869	$ 353,713	$ 367,755	$ 1,905,279

(Dollars in thousands, except per share data)

	Term Loans By Origination Fiscal Year							
March 31, 2023	**2023**	**2022**	**2021**	**2020**	**2019**	**Prior**	**Revolving**	**Total**
Commercial and industrial								
Risk rating								
Pass	$ 54,377	$ 62,247	$ 16,449	$ 12,538	$ 6,893	$ 20,989	$ 48,060	$ 221,553
Special mention	—	327	465	93	139	—	—	1,024
Substandard	1,633	13	25	588	864	44	3,513	6,680
Doubtful	—	—	70	—	152	—	360	582
Loss	—	—	—	—	—	1	—	1
Total commercial and industrial	56,010	62,587	17,009	13,219	8,048	21,034	51,933	229,840
Equipment finance								
Risk rating								
Pass	146,546	149,488	83,516	43,049	13,619	734	—	436,952
Special mention	—	143	349	497	441	—	—	1,430
Substandard	—	81	—	20	145	—	—	246
Doubtful	—	815	527	233	138	—	—	1,713
Loss	—	—	—	—	4	—	—	4
Total equipment finance	146,546	150,527	84,392	43,799	14,347	734	—	440,345
Municipal leases								
Risk rating								
Pass	17,088	28,164	22,987	8,495	9,990	45,723	5,989	138,436
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total municipal leases	17,088	28,164	22,987	8,495	9,990	45,723	5,989	138,436
Total commercial								
Risk rating								
Pass	$ 218,011	$ 239,899	$ 122,952	$ 64,082	$ 30,502	$ 67,446	$ 54,049	$ 796,941
Special mention	—	470	814	590	580	—	—	2,454
Substandard	1,633	94	25	608	1,009	44	3,513	6,926
Doubtful	—	815	597	233	290	—	360	2,295
Loss	—	—	—	—	4	1	—	5
Total commercial	$ 219,644	$ 241,278	$ 124,388	$ 65,513	$ 32,385	$ 67,491	$ 57,922	$ 808,621

(Dollars in thousands, except per share data)

	Term Loans By Origination Fiscal Year							
March 31, 2023	**2023**	**2022**	**2021**	**2020**	**2019**	**Prior**	**Revolving**	**Total**
Construction and land development								
Risk rating								
Pass	$ 620	$ 857	$ —	$ 48	$ —	$ 1,311	$ 102,447	$ 105,283
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	334	—	334
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total construction and land development	620	857	—	48	—	1,645	102,447	105,617
One-to-four family								
Risk rating								
Pass	119,751	84,901	96,028	47,502	27,421	121,007	15,971	512,581
Special mention	416	—	—	—	—	587	—	1,003
Substandard	—	126	—	56	—	4,471	—	4,653
Doubtful	—	—	—	—	—	36	—	36
Loss	—	—	—	—	—	1	—	1
Total one-to-four family	120,167	85,027	96,028	47,558	27,421	126,102	15,971	518,274
HELOCs								
Risk rating								
Pass	12,328	882	142	341	862	7,489	170,223	192,267
Special mention	—	—	—	—	—	—	—	—
Substandard	—	10	—	—	46	673	12	741
Doubtful	—	—	—	—	—	29	—	29
Loss	—	—	—	—	—	—	—	—
Total HELOCs	12,328	892	142	341	908	8,191	170,235	193,037
Total residential real estate								
Risk rating								
Pass	$ 132,699	$ 86,640	$ 96,170	$ 47,891	$ 28,283	$ 129,807	$ 288,641	$ 810,131
Special mention	416	—	—	—	—	587	—	1,003
Substandard	—	136	—	56	46	5,478	12	5,728
Doubtful	—	—	—	—	—	65	—	65
Loss	—	—	—	—	—	1	—	1
Total residential real estate	$ 133,115	$ 86,776	$ 96,170	$ 47,947	$ 28,329	$ 135,938	$ 288,653	$ 816,928

	Term Loans By Origination Fiscal Year							
March 31, 2023	**2023**	**2022**	**2021**	**2020**	**2019**	**Prior**	**Revolving**	**Total**
Total consumer								
Risk rating								
Pass	$ 62,141	$ 19,306	$ 14,570	$ 10,175	$ 6,539	$ 4,140	$ 531	$ 117,402
Special mention	—	—	—	—	—	—	—	—
Substandard	55	251	221	277	80	181	37	1,102
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	1	—	—	1
Total consumer	$ 62,196	$ 19,557	$ 14,791	$ 10,452	$ 6,620	$ 4,321	$ 568	$ 118,505

(Dollars in thousands, except per share data)

The following table presents the credit risk profile by risk grade for commercial real estate, commercial, residential real estate, and consumer loans by origination year as of June 30, 2022:

	Term Loans By Origination Fiscal Year							
June 30, 2022	**2022**	**2021**	**2020**	**2019**	**2018**	**Prior**	**Revolving**	**Total**
Construction and land development								
Risk rating								
Pass	$ 21,988	$ 5,686	$ 627	$ 2,089	$ 1,092	$ 5,819	$ 248,189	$ 285,490
Special mention	—	—	—	—	—	97	4,677	4,774
Substandard	871	—	—	—	—	67	—	938
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total construction and land development	22,859	5,686	627	2,089	1,092	5,983	252,866	291,202
Commercial real estate - owner occupied								
Risk rating								
Pass	55,167	71,429	45,665	43,786	21,720	74,602	16,857	329,226
Special mention	—	—	396	418	—	2,416	—	3,230
Substandard	—	—	—	—	577	2,227	398	3,202
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total commercial real estate - owner occupied	55,167	71,429	46,061	44,204	22,297	79,245	17,255	335,658
Commercial real estate - non-owner occupied								
Risk rating								
Pass	97,885	122,975	95,268	56,846	81,037	182,664	7,214	643,889
Special mention	—	—	—	—	13,844	4,421	—	18,265
Substandard	—	—	—	—	—	5	—	5
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total commercial real estate - non-owner occupied	97,885	122,975	95,268	56,846	94,881	187,090	7,214	662,159
Multifamily								
Risk rating								
Pass	10,135	19,985	15,881	8,614	2,796	20,587	2,495	80,493
Special mention	—	—	—	29	—	217	—	246
Substandard	—	—	—	—	—	347	—	347
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total multifamily	10,135	19,985	15,881	8,643	2,796	21,151	2,495	81,086
Total commercial real estate								
Risk rating								
Pass	$ 185,175	$ 220,075	$ 157,441	$ 111,335	$ 106,645	$ 283,672	$ 274,755	$ 1,339,098
Special mention	—	—	396	447	13,844	7,151	4,677	26,515
Substandard	871	—	—	—	577	2,646	398	4,492
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total commercial real estate	$ 186,046	$ 220,075	$ 157,837	$ 111,782	$ 121,066	$ 293,469	$ 279,830	$ 1,370,105

(Dollars in thousands, except per share data)

	Term Loans By Origination Fiscal Year							
June 30, 2022	**2022**	**2021**	**2020**	**2019**	**2018**	**Prior**	**Revolving**	**Total**
Commercial and industrial								
Risk rating								
Pass	$ 70,863	$ 21,434	$ 11,647	$ 9,377	$ 6,338	$ 20,856	$ 43,119	$ 183,634
Special mention	—	346	260	364	—	—	1,957	2,927
Substandard	—	770	343	1,152	—	52	4,337	6,654
Doubtful	—	98	—	—	—	—	—	98
Loss	—	—	—	—	—	—	—	—
Total commercial and industrial	70,863	22,648	12,250	10,893	6,338	20,908	49,413	193,313
Equipment finance								
Risk rating								
Pass	186,139	113,363	64,400	26,467	1,755	—	—	392,124
Special mention	200	331	1,002	547	—	—	—	2,080
Substandard	—	123	18	159	—	—	—	300
Doubtful	32	—	—	5	—	—	—	37
Loss	—	—	—	—	—	—	—	—
Total equipment finance	186,371	113,817	65,420	27,178	1,755	—	—	394,541
Municipal leases								
Risk rating								
Pass	19,425	24,480	8,962	11,034	13,584	39,529	12,715	129,729
Special mention	—	37	—	—	—	—	—	37
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total municipal leases	19,425	24,517	8,962	11,034	13,584	39,529	12,715	129,766
Total commercial								
Risk rating								
Pass	$ 276,427	$ 159,277	$ 85,009	$ 46,878	$ 21,677	$ 60,385	$ 55,834	$ 705,487
Special mention	200	714	1,262	911	—	—	1,957	5,044
Substandard	—	893	361	1,311	—	52	4,337	6,954
Doubtful	32	98	—	5	—	—	—	135
Loss	—	—	—	—	—	—	—	—
Total commercial	$ 276,659	$ 160,982	$ 86,632	$ 49,105	$ 21,677	$ 60,437	$ 62,128	$ 717,620

(Dollars in thousands, except per share data)

	Term Loans By Origination Fiscal Year							
June 30, 2022	**2022**	**2021**	**2020**	**2019**	**2018**	**Prior**	**Revolving**	**Total**
Construction and land development								
Risk rating								
Pass	$ 864	$ —	$ 53	$ —	$ —	$ 1,783	$ 78,775	$ 81,475
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	372	—	372
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total construction and land development	864	—	53	—	—	2,155	78,775	81,847
One-to-four family								
Risk rating								
Pass	55,415	74,035	47,364	29,075	23,250	113,307	4,077	346,523
Special mention	—	—	—	—	—	835	—	835
Substandard	128	—	1,002	540	430	4,590	—	6,690
Doubtful	—	—	—	—	—	155	—	155
Loss	—	—	—	—	—	—	—	—
Total one-to-four family	55,543	74,035	48,366	29,615	23,680	118,887	4,077	354,203
HELOCs								
Risk rating								
Pass	1,466	458	282	901	107	7,441	148,526	159,181
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	879	49	928
Doubtful	—	—	—	—	—	28	—	28
Loss	—	—	—	—	—	—	—	—
Total HELOCs	1,466	458	282	901	107	8,348	148,575	160,137
Total residential real estate								
Risk rating								
Pass	$ 57,745	$ 74,493	$ 47,699	$ 29,976	$ 23,357	$ 122,531	$ 231,378	$ 587,179
Special mention	—	—	—	—	—	835	—	835
Substandard	128	—	1,002	540	430	5,841	49	7,990
Doubtful	—	—	—	—	—	183	—	183
Loss	—	—	—	—	—	—	—	—
Total residential real estate	$ 57,873	$ 74,493	$ 48,701	$ 30,516	$ 23,787	$ 129,390	$ 231,427	$ 596,187

	Term Loans By Origination Fiscal Year							
June 30, 2022	**2022**	**2021**	**2020**	**2019**	**2018**	**Prior**	**Revolving**	**Total**
Total consumer								
Risk rating								
Pass	$ 25,935	$ 20,443	$ 15,849	$ 11,329	$ 8,235	$ 2,398	$ 277	$ 84,466
Special mention	—	—	—	—	—	—	—	—
Substandard	72	169	274	85	182	100	33	915
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	2	—	—	—	2
Total consumer	$ 26,007	$ 20,612	$ 16,123	$ 11,416	$ 8,417	$ 2,498	$ 310	$ 85,383

(Dollars in thousands, except per share data)

The following tables present aging analyses of past due loans (including nonaccrual loans) by segment and class for the periods indicated below:

	Past Due				Total
	30-89 Days	90 Days+	Total	Current	Loans
March 31, 2023					
Commercial real estate					
Construction and land development	$ —	$ —	$ —	$ 368,756	$ 368,756
Commercial real estate - owner occupied	67	—	67	524,180	524,247
Commercial real estate - non-owner occupied	—	—	—	926,991	926,991
Multifamily	—	—	—	85,285	85,285
Total commercial real estate	67	—	67	1,905,212	1,905,279
Commercial					
Commercial and industrial	—	620	620	229,220	229,840
Equipment finance	1,387	843	2,230	438,115	440,345
Municipal leases	—	—	—	138,436	138,436
Total commercial	1,387	1,463	2,850	805,771	808,621
Residential real estate					
Construction and land development	—	132	132	105,485	105,617
One-to-four family	830	1,178	2,008	516,266	518,274
HELOCs	245	914	1,159	191,878	193,037
Total residential real estate	1,075	2,224	3,299	813,629	816,928
Consumer	245	259	504	118,001	118,505
Total loans	$ 2,774	$ 3,946	$ 6,720	$ 3,642,613	$ 3,649,333

	Past Due				Total
	30-89 Days	90 Days+	Total	Current	Loans
June 30, 2022					
Commercial real estate					
Construction and land development	$ —	$ —	$ —	$ 291,202	$ 291,202
Commercial real estate - owner occupied	—	52	52	335,606	335,658
Commercial real estate - non-owner occupied	—	—	—	662,159	662,159
Multifamily	—	—	—	81,086	81,086
Total commercial real estate	—	52	52	1,370,053	1,370,105
Commercial					
Commercial and industrial	255	—	255	193,058	193,313
Equipment finance	186	56	242	394,299	394,541
Municipal leases	—	—	—	129,766	129,766
Total commercial	441	56	497	717,123	717,620
Residential real estate					
Construction and land development	115	22	137	81,710	81,847
One-to-four family	910	1,394	2,304	351,899	354,203
HELOCs	283	122	405	159,732	160,137
Total residential real estate	1,308	1,538	2,846	593,341	596,187
Consumer	330	177	507	84,876	85,383
Total loans	$ 2,079	$ 1,823	$ 3,902	$ 2,765,393	$ 2,769,295

(Dollars in thousands, except per share data)

The following table presents recorded investment in loans on nonaccrual status, by segment and class, including restructured loans. It also includes interest income recognized on nonaccrual loans for the nine months ended March 31, 2023.

	March 31, 2023	June 30, 2022	90 Days+ & Still Accruing as of March 31, 2023	Nonaccrual With No Allowance as of March 31, 2023	Interest Income Recognized
Commercial real estate					
Construction and land development	$ 36	$ 67	$ —	$ —	$ 1
Commercial real estate - owner occupied	603	706	—	—	13
Commercial real estate - non-owner occupied	2	5	—	—	6
Multifamily	89	103	—	—	6
Total commercial real estate	730	881	—	—	26
Commercial					
Commercial and industrial	1,389	1,951	—	59	92
Equipment finance	1,929	270	—	—	100
Municipal leases	106	—	—	—	6
Total commercial	3,424	2,221	—	59	198
Residential real estate					
Construction and land development	132	137	—	—	2
One-to-four family	2,000	1,773	—	—	44
HELOCs	1,144	724	—	—	37
Total residential real estate	3,276	2,634	—	—	83
Consumer	481	384	—	—	13
Total loans	$ 7,911	$ 6,120	$ —	$ 59	$ 320

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, and/or a longer term to maturity. The above table excludes $8,548 and $9,818 of TDRs that were performing under their restructured payment terms as of March 31, 2023 and June 30, 2022, respectively.

The following tables present analyses of the ACL on loans by segment for the periods indicated below. In addition to the provision (benefit) for credit losses on loans presented below, provisions (benefits) of $400 and $758 for off-balance sheet credit exposures and $0 and $(250) for commercial paper were recorded for the three and nine months ended March 31, 2023, respectively. Provisions (benefits) of $650 and $415 for off-balance sheet credit exposures and $(55) and $(5) for commercial paper were recorded for the three and nine months ended March 31, 2022. For the three and nine months ended March 31, 2023, $4.9 million and $0.4 million of the provision for credit losses were recognized to establish ACLs on both Quantum's loan portfolio and off-balance-sheet credit exposure, respectively.

	Three Months Ended March 31, 2023				
	Commercial Real Estate	Commercial	Residential Real Estate	Consumer	Total
Balance at beginning of period	$ 15,059	$ 12,382	$ 9,048	$ 2,370	$ 38,859
Provision (benefit) for credit losses	6,262	2,413	(100)	(215)	8,360
Initial ACL on PCD loans	292	72	5	—	369
Charge-offs	—	(484)	(3)	(91)	(578)
Recoveries	—	275	172	46	493
Net (charge-offs) recoveries	—	(209)	169	(45)	(85)
Balance at end of period	$ 21,613	$ 14,658	$ 9,122	$ 2,110	$ 47,503

	Nine Months Ended March 31, 2023				
	Commercial Real Estate	Commercial	Residential Real Estate	Consumer	Total
Balance at beginning of period	$ 13,414	$ 12,036	$ 7,611	$ 1,629	$ 34,690
Provision (benefit) for credit losses	7,904	4,709	1,267	599	14,479
Initial ACL on PCD loans	292	72	5	—	369
Charge-offs	—	(2,617)	(126)	(261)	(3,004)
Recoveries	3	458	365	143	969
Net (charge-offs) recoveries	3	(2,159)	239	(118)	(2,035)
Balance at end of period	$ 21,613	$ 14,658	$ 9,122	$ 2,110	$ 47,503

(Dollars in thousands, except per share data)

	Three Months Ended March 31, 2022				
	Commercial Real Estate	Commercial	Residential Real Estate	Consumer	Total
Balance at beginning of period	$ 12,750	$ 10,219	$ 5,917	$ 2,047	$ 30,933
Provision (benefit) for credit losses	62	(1,357)	1,063	(408)	(640)
Charge-offs	—	(261)	(45)	(28)	(334)
Recoveries	23	887	72	93	1,075
Net (charge-offs) recoveries	23	626	27	65	741
Balance at end of period	$ 12,835	$ 9,488	$ 7,007	$ 1,704	$ 31,034

	Nine Months Ended March 31, 2022				
	Commercial Real Estate	Commercial	Residential Real Estate	Consumer	Total
Balance at beginning of period	$ 15,084	$ 9,663	$ 8,185	$ 2,536	$ 35,468
Provision (benefit) for credit losses	(2,527)	469	(1,463)	(894)	(4,415)
Charge-offs	(439)	(1,572)	(72)	(107)	(2,190)
Recoveries	717	928	357	169	2,171
Net (charge-offs) recoveries	278	(644)	285	62	(19)
Balance at end of period	$ 12,835	$ 9,488	$ 7,007	$ 1,704	$ 31,034

(Dollars in thousands, except per share data)

In estimating expected credit losses, ASC 326 prescribes that if foreclosure is probable, a CDA is required to be measured at the fair value of collateral, but as a practical expedient, even if foreclosure is not probable, this method may be applied. For those CDA loans measured at the fair value of collateral, a credit loss expense is recorded for loan amounts in excess of fair value. The following tables provide a breakdown between loans identified as CDAs and non-CDAs, by segment and class, and securing collateral, as well as collateral coverage for those loans for the periods indicated below:

	Type of Collateral and Extent to Which Collateral Secures Financial Assets					
March 31, 2023	**Residential Property**	**Investment Property**	**Commercial Property**	**Business Assets**	**Financial Assets Not Considered Collateral Dependent**	**Total**
Commercial real estate						
Construction and land development	$ —	$ —	$ —	$ —	$ 368,756	$ 368,756
Commercial real estate - owner occupied	—	—	1,054	—	523,193	524,247
Commercial real estate - non-owner occupied	—	—	3,025	—	923,966	926,991
Multifamily	—	—	—	—	85,285	85,285
Total commercial real estate	—	—	4,079	—	1,901,200	1,905,279
Commercial						
Commercial and industrial	—	—	—	1,238	228,602	229,840
Equipment finance	—	—	—	—	440,345	440,345
Municipal leases	—	—	—	—	138,436	138,436
Total commercial	—	—	—	1,238	807,383	808,621
Residential real estate						
Construction and land development	—	—	—	—	105,617	105,617
One-to-four family	758	—	—	—	517,516	518,274
HELOCs	—	—	—	—	193,037	193,037
Total residential real estate	758	—	—	—	816,170	816,928
Consumer	—	—	—	—	118,505	118,505
Total	$ 758	$ —	$ 4,079	$ 1,238	$ 3,643,258	$ 3,649,333
Total collateral value	$ 1,435	$ —	$ 8,870	$ 110		

	Type of Collateral and Extent to Which Collateral Secures Financial Assets					
June 30, 2022	**Residential Property**	**Investment Property**	**Commercial Property**	**Business Assets**	**Financial Assets Not Considered Collateral Dependent**	**Total**
Commercial real estate						
Construction and land development	$ —	$ —	$ —	$ —	$ 291,202	$ 291,202
Commercial real estate - owner occupied	—	—	—	—	335,658	335,658
Commercial real estate - non-owner occupied	—	—	—	—	662,159	662,159
Multifamily	—	—	—	—	81,086	81,086
Total commercial real estate	—	—	—	—	1,370,105	1,370,105
Commercial						
Commercial and industrial	—	—	—	2,594	190,719	193,313
Equipment finance	—	—	—	—	394,541	394,541
Municipal leases	—	—	—	—	129,766	129,766
Total commercial	—	—	—	2,594	715,026	717,620
Residential real estate						
Construction and land development	—	—	—	—	81,847	81,847
One-to-four family	1,318	—	—	—	352,885	354,203
HELOCs	—	—	—	—	160,137	160,137
Total residential real estate	1,318	—	—	—	594,869	596,187
Consumer	—	—	—	—	85,383	85,383
Total	$ 1,318	$ —	$ —	$ 2,594	$ 2,765,383	$ 2,769,295
Total collateral value	$ 2,443	$ —	$ —	$ 69		

(Dollars in thousands, except per share data)

The following tables present a breakdown of the types of concessions made on TDRs by loan class for the periods indicated below:

	Three Months Ended March 31,					
	2023			2022		
	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
Other TDRs						
Commercial						
Commercial and industrial	—	$ —	$ —	2	$ 841	$ 835
Residential real estate						
One-to-four family	—	—	—	1	37	37
Consumer	—	—	—	1	5	5
Total other TDRs	—	$ —	$ —	4	$ 883	$ 877

	Nine Months Ended March 31,					
	2023			2022		
	Number of Loans	Pre Modification Outstanding Recorded Investment	Post Modification Outstanding Recorded Investment	Number of Loans	Pre Modification Outstanding Recorded Investment	Post Modification Outstanding Recorded Investment
Below market interest rate						
Commercial loans						
Commercial and industrial	5	$ 569	$ 565	—	$ —	$ —
Residential real estate						
One-to-four family	—	—	—	1	124	121
Total below market interest rate	5	569	565	1	124	121
Extended payment terms						
Residential real estate						
One-to-four family	—	—	—	1	35	35
HELOCs	—	—	—	1	50	50
Total extended payment terms	—	—	—	2	85	85
Other TDRs						
Commercial						
Commercial and industrial	—	—	—	2	841	835
Residential real estate loans						
One-to-four family	—	—	—	2	93	92
HELOCs	—	—	—	1	18	18
Consumer	4	49	34	6	89	82
Total other TDRs	4	49	34	11	1,041	1,027
Total	9	$ 618	$ 599	14	$ 1,250	$ 1,233

(Dollars in thousands, except per share data)

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 periods indicated below:

	Three Months Ended March 31,			
	2023		2022	
	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment
Below market interest rate				
Commercial loans				
Commercial and industrial	5	$ 592	—	$ —

	Nine Months Ended March 31,			
	2023		2022	
	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment
Below market interest rate				
Commercial loans				
Commercial and industrial	6	$ 732	—	$ —
Extended payment terms				
Residential real estate loans				
One-to-four family	1	34	—	—
Other TDRs				
Consumer	1	2	2	44
Total	8	$ 768	2	$ 44

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

Off-Balance-Sheet Credit Exposure

The Company maintains a separate reserve for credit losses on off-balance-sheet credit exposures, including unfunded loan commitments, which is included in other liabilities on the consolidated balance sheet. The reserve for credit losses on off-balance-sheet credit exposures is adjusted as a provision for credit losses in the consolidated statement of income. The estimate includes consideration of the likelihood that funding will occur and an estimate of ECLs on commitments expected to be funded over its estimated life, utilizing the same models and approaches for the Company's other loan portfolio segments described above, as these unfunded commitments share similar risk characteristics as its loan portfolio segments. The Company has identified the unfunded portion of certain lines of credit as unconditionally cancellable credit exposures, meaning the Company can cancel the unfunded commitment at any time. No credit loss estimate is reported for off-balance-sheet credit exposures that are unconditionally cancellable by the Company or for undrawn amounts under such arrangements that may be drawn prior to the cancellation of the arrangement. At March 31, 2023 and June 30, 2022, the ACL on off-balance-sheet credit exposures included in other liabilities was $4,062 and $3,304, respectively.

7. Deposit Accounts

Deposit accounts at the dates indicated consist of the following:

	March 31, 2023	June 30, 2022
Core deposits		
Noninterest-bearing accounts	$ 872,492	$ 745,746
NOW accounts	678,178	654,981
Money market accounts	1,299,503	969,661
Savings accounts	228,390	238,197
Total core deposits	3,078,563	2,608,585
Certificates of deposit	597,036	491,176
Total	$ 3,675,599	$ 3,099,761

As a result of HomeTrust's merger with Quantum on February 12, 2023, $570.6 million in deposits, net of purchase accounting adjustments, were added to the portfolio.

(Dollars in thousands, except per share data)

Deposits received from executive officers and directors and their associates totaled approximately $1,316 and $1,012 at March 31, 2023 and June 30, 2022, respectively.

As of March 31, 2023, scheduled maturities of certificates of deposit are as follows:

Fiscal year ending June 30	
Remaining 2023	$ 122,230
2024	414,223
2025	44,759
2026	7,288
2027	5,242
Thereafter	3,294
Total	$ 597,036

The balance of uninsured deposits was $730.4 million, or 19.9% of total deposits. Included within this amount, certificates of deposit with balances of $250 or greater totaled $255,089 and $156,558 at March 31, 2023 and June 30, 2022, respectively. Generally, deposit amounts in excess of $250 are not federally insured.

8. Borrowings

Junior Subordinated Debentures

On February 21, 2007, Quantum formed a Connecticut statutory trust, Quantum Capital Statutory Trust II (the "Trust"), which issued $11.0 million of trust preferred securities that were designed to qualify as Tier I capital under Federal Reserve Board guidelines. All of the common securities of the Trust were owned by Quantum. The proceeds from the issuance of the common securities and the trust preferred securities were used by the Trust to purchase $11.3 million of junior subordinated debentures of Quantum. As a result of its merger with Quantum on February 12, 2023, HomeTrust became the 100% successor owner of the Trust.

The trust preferred securities accrue and pay quarterly distributions at a floating rate of 3-month LIBOR plus 194 basis points, which was 7.13% at March 31, 2023. The Company has guaranteed distributions and other payments due on the trust preferred securities to the extent the Trust has insufficient funds with which to make the distributions and other payments. The net combined effect of all documents entered into in connection with the trust preferred securities is that the Company is liable to make the distributions and other payments required on the trust preferred securities.

The trust preferred securities are mandatorily redeemable upon maturity of the debentures on March 15, 2037, or upon earlier redemption as provided in the indenture. The Company has the right to redeem the debentures purchased by the Trust, in whole or in part, on or after March 15, 2012. As specified in the indenture, if the debentures are redeemed prior to maturity, the redemption price will be the principal amount and any accrued but unpaid interest.

Other Borrowings

Borrowings, outside of junior subordinated debt, consist of the following at the dates indicated:

	March 31, 2023		**June 30, 2022**	
	Balance	**Weighted Average Rate**	**Balance**	**Weighted Average Rate**
FHLB advances	$ 200,000	5.03 %	$ —	— %
FRB advances	100,000	5.00	—	—
Revolving lines of credit	20,263	8.50	—	—
Total borrowings	$ 320,263	5.24 %	$ —	— %

All qualifying one-to-four family loans, HELOCs, commercial real estate loans, and FHLB of Atlanta stock are pledged as collateral to secure outstanding FHLB advances while commercial construction, indirect auto and municipal loans are pledged as collateral to secure outstanding FRB advances.

At March 31, 2023 and June 30, 2022, the Company had the ability to borrow $68,484 and $277,561, respectively, through additional FHLB advances and $23,055 and $68,230, respectively, through the unused portion of a line of credit with the FRB. At March 31, 2023 and June 30, 2022, the Company had revolving lines of credit with three unaffiliated banks, the unused portion of which totaled $129,737 and $120,000, respectively.

(Dollars in thousands, except per share data)

9. Leases

As Lessee - Operating Leases

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

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

Supplemental Balance Sheet Information	**March 31, 2023**	**June 30, 2022**
ROU assets	$ 6,854	$ 5,846
Lease liabilities	7,872	6,641
Weighted-average remaining lease terms (years)	10.7	10.8
Weighted-average discount rate	3.24 %	2.90 %

The following schedule summarizes aggregate future minimum lease payments under these operating leases at March 31, 2023:

Fiscal year ending June 30	
Remaining 2023	$ 422
2024	1,247
2025	946
2026	821
2027	838
Thereafter	5,267
Total undiscounted minimum lease payments	9,541
Less: amount representing interest	(1,669)
Total lease liability	$ 7,872

The following table presents components of operating lease expense for the periods indicated:

	Three Months Ended March 31,		**Nine Months Ended March 31,**	
	2023	**2022**	**2023**	**2022**
Operating lease cost (included in occupancy expense, net)	$ 394	$ 347	$ 1,086	$ 1,215
Variable lease cost (included in occupancy expense, net)	3	7	7	13
Sublease income (included in other, noninterest income)	(42)	(60)	(127)	(154)
Total operating lease expense, net	$ 355	$ 294	$ 966	$ 1,074

As Lessee - Finance Lease

During the quarter ended March 31, 2023, the Company purchased the property associated with the finance lease reported historically. The Company purchased the property for $1.2 million, terminating the existing land lease. Prior to the purchase, for the three months ended March 31, 2023 and 2022, interest expense on the lease liability totaled $15 and $23, while for the nine months ended March 31, 2023 and 2022, interest expense on the lease liability totaled $60 and $70, respectively.

Supplemental lease cash flow information for the periods indicated:

	Nine Months Ended March 31,	
	2023	**2022**
ROU assets - noncash additions (operating leases)	$ 2,108	$ 1,186
Cash paid for amounts included in the measurement of lease liabilities (operating leases)	994	1,281
Cash paid for amounts included in the measurement of lease liabilities (finance leases)	89	100

(Dollars in thousands, except per share data)

As Lessor - General

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

As Lessor - Operating Leases

Operating lease income is recognized as a component of noninterest income on a straight-line basis over the lease term. Lease terms range from one to five years. Assets related to operating leases are included in other assets and the corresponding depreciation expense is recorded on a straight-line basis as a component of other noninterest expense. The net book value of leased assets totaled $19,200 and $20,075 with a residual value of $13,226 and $12,874 as of March 31, 2023 and June 30, 2022, respectively.

The following table presents total equipment finance operating lease income and depreciation expense for the periods indicated:

	Three Months Ended March 31,		**Nine Months Ended March 31,**	
	2023	**2022**	**2023**	**2022**
Operating lease income	$ 1,505	$ 1,661	$ 4,246	$ 4,920
Depreciation expense	1,266	1,339	3,608	4,221

The following schedule summarizes, as of March 31, 2023, aggregate future minimum lease payments to be received:

Fiscal year ending June 30	
Remaining 2023	$ 1,424
2024	5,206
2025	1,962
2026	689
2027	113
Thereafter	—
Total of future minimum lease payments	$ 9,394

As Lessor - Direct Financing Leases

Finance lease income is recognized as a component of loan interest income over the lease term. The finance leases are included as a component of the equipment finance class of financing receivables under the commercial loan segment of the loan portfolio. For the three months ended March 31, 2023 and 2022, interest income on equipment finance leases totaled $860 and $763, respectively. For the nine months ended March 31, 2023 and 2022, interest income on equipment finance leases totaled $2,435 and $2,275, respectively.

The lease receivable component of finance lease net investment included within the equipment finance class of financing receivables was $66.7 million and $62.2 million at March 31, 2023 and June 30, 2022, respectively.

The following schedule summarizes, as of March 31, 2023, aggregate future minimum finance lease payments to be received:

Fiscal year ending June 30	
Remaining 2023	$ 8,260
2024	22,284
2025	17,749
2026	13,532
2027	8,494
Thereafter	6,716
Total undiscounted minimum lease payments	77,035
Less: amount representing interest	(10,304)
Total lease receivable	$ 66,731

(Dollars in thousands, except per share data)

10. Equity Incentive Plan

The Company historically provided stock-based awards through the 2013 Omnibus Incentive Plan, which provided for awards of restricted stock, restricted stock units, stock options, stock appreciation rights and cash awards to directors, directors emeritus, officers, employees and advisory directors. On November 14, 2022, at the Company's annual meeting, stockholders approved the 2022 Omnibus Incentive Plan which provides for the same types of awards as described under the 2013 Omnibus Incentive Plan. Going forward, any future grants will be made under this plan.

The cost of equity-based awards under the 2022 Omnibus Incentive Plan generally is based on the fair value of the awards on their grant date. The maximum number of shares that may be utilized for awards under the plan is 1,000,000. Shares of common stock issued under the plan will be issued out of authorized but unissued shares, some or all of which may be repurchased shares.

The table below presents share-based compensation expense and the estimated related tax benefit for stock options and restricted stock for the dates indicated below:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2023	2022	2023	2022
Share-based compensation expense	$ 434	$ 507	$ 1,465	$ 1,407
Tax benefit	102	120	347	332

The table below presents stock option activity and related information for the nine months ended March 31, 2023 and 2022:

	Options	Weighted-Average Exercise Price	Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Options outstanding at June 30, 2021	1,319,456	$ 19.07	3.9	$ 11,657
Granted	42,850	31.35	—	—
Exercised	(413,636)	14.70	—	—
Forfeited	(20,800)	23.17	—	—
Options outstanding at March 31, 2022	927,870	$ 21.49	4.3	$ 7,541
Exercisable at March 31, 2022	756,720	$ 20.24	3.5	$ 7,028
Non-vested at March 31, 2022	171,150	$ 26.99	7.7	$ 513
Options outstanding at June 30, 2022	928,870	$ 21.49	4.1	$ 4,036
Granted	5,000	24.07	—	—
Exercised	(351,596)	14.59	—	—
Forfeited	(11,700)	25.36	—	—
Options outstanding at March 31, 2023	570,574	$ 25.68	5.3	$ 327
Exercisable at March 31, 2023	493,764	$ 25.39	4.9	$ 287
Non-vested at March 31, 2023	76,810	$ 27.55	8.2	$ 40

Assumptions used in estimating the fair value of options granted during the nine months ended March 31, 2023 and March 31, 2022 are detailed below:

	March 31, 2023	March 31, 2022
Weighted-average volatility	27.78 %	28.02 %
Expected dividend yield	1.62 %	1.12 %
Risk-free interest rate	3.11 %	1.90 %
Expected life (years)	6.5	6.5
Weighted-average fair value of options granted	$ 6.77	$ 8.68

At March 31, 2023, the Company had $529 of unrecognized compensation expense related to 76,810 stock options originally scheduled to vest over a five-year period. The weighted average period over which compensation cost related to non-vested awards expected to be recognized was 1.8 years at March 31, 2023. At March 31, 2022, the Company had $1,076 of unrecognized compensation expense related to 171,150 stock options originally scheduled to vest over a five-year period. The weighted average period over which compensation cost related to non-vested awards expected to be recognized was 1.8 years at March 31, 2022.

(Dollars in thousands, except per share data)

The table below presents restricted stock award activity and related information:

	Restricted Stock Awards	Weighted-Average Grant Date Fair Value	Aggregate Intrinsic Value
Non-vested at June 30, 2021	151,575	$ 25.06	$ 4,229
Granted	49,679	31.35	—
Vested	(53,744)	25.22	—
Forfeited	(12,000)	24.90	—
Non-vested at March 31, 2022	135,510	$ 27.41	$ 2,817
Non-vested at June 30, 2022	135,910	$ 27.40	$ 2,345
Granted	75,358	27.24	—
Vested	(55,449)	27.38	—
Forfeited	(6,200)	27.64	—
Non-vested at March 31, 2023	149,619	$ 27.31	$ 3,134

The table above includes non-vested performance-based restricted stock units totaling 40,362 and 33,218 at March 31, 2023 and 2022, respectively. Each issuance of these stock units is scheduled to vest over 3.0 years assuming the applicable dilutive EPS goals are met.

At March 31, 2023, unrecognized compensation expense was $3,628 related to 149,619 shares of restricted stock originally scheduled to vest over three- and five-year periods. The weighted average period over which compensation cost related to non-vested awards is expected to be recognized was 2.0 years at March 31, 2023. At March 31, 2022, unrecognized compensation expense was $3,137 related to 135,510 shares of restricted stock originally scheduled to vest over three- and five-year periods. The weighted average period over which compensation cost related to non-vested awards is expected to be recognized was 1.9 years at March 31, 2022.

11. Net Income per Share

The following table sets forth the computation of basic and diluted net income per common share for the periods indicated:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2023	2022	2023	2022
Numerator				
Net income	$ 6,734	$ 8,023	$ 29,591	$ 29,628
Allocation of earnings to participating securities	(64)	(69)	(292)	(254)
Numerator for basic EPS - Net income available to common stockholders	$ 6,670	$ 7,954	$ 29,299	$ 29,374
Effect of dilutive securities				
Dilutive effect of participating securities	$ —	$ —	$ —	$ —
Numerator for diluted EPS	$ 6,670	$ 7,954	$ 29,299	$ 29,374
Denominator				
Weighted-average common shares outstanding - basic	16,021,994	15,523,813	15,341,222	15,666,093
Dilutive effect of assumed exercises of stock options	55,122	269,199	107,838	331,284
Weighted-average common shares outstanding - diluted	16,077,116	15,793,012	15,449,060	15,997,377
Net income per share - basic	$ 0.40	$ 0.51	$ 1.91	$ 1.87
Net income per share - diluted	$ 0.40	$ 0.51	$ 1.90	$ 1.84

Potential dilutive shares are excluded from the computation of earnings per share if their effect is anti-dilutive. There were 112,250 and 538,374 of stock options that were anti-dilutive for the three and nine months ended March 31, 2023. There were 47,850 and 95,350 of stock options that were anti-dilutive for the three and nine months ended March 31, 2022, respectively.

12. 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, 2023 and June 30, 2022, respectively, loan commitments (excluding $270,491 and $312,893 of undisbursed portions of construction loans) totaled $93,915 and $104,745 of which $13,754 and $23,159 were variable rate commitments and $80,161 and $81,586 were fixed rate commitments. The fixed rate loan commitments had interest rates ranging from 1.55% to 9.69% at March 31, 2023 and 1.41% to 9.00% at June 30, 2022, 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 $597,522 and $485,239 at March 31, 2023 and June 30, 2022, respectively. These amounts represent the Company's exposure to credit risk, and in the opinion of management have no more than the normal lending risk that the Company commits to its borrowers.

The Company has two types of commitments related to certain one-to-four family loans held for sale: rate lock commitments and forward loan commitments. Rate lock commitments are commitments to extend credit to a customer that has an interest rate lock and are considered derivative instruments. The rate lock commitments do not qualify for hedge accounting. In order to mitigate the risk from interest rate fluctuations, the Company enters into forward loan sale commitments such as TBAs, mandatory delivery commitments with investors, or best efforts forward sale commitments with investors. The fair value of these interest rate lock commitments was not material at March 31, 2023 or June 30, 2022.

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

Restrictions on Cash – In response to COVID-19, the FRB reduced the reserve requirements to zero on March 15, 2020. Prior to this change the Bank was required by regulation to maintain a varying cash reserve balance with the FRB.

Guarantees – Standby letters of credit obligate the Company to meet certain financial obligations of its customers, if, under the contractual terms of the agreement, the customers are unable to do so. The financial standby letters of credit issued by the Company are irrevocable and payment is only guaranteed upon the borrower's failure to perform its obligations to the beneficiary. Total commitments under standby letters of credit as of March 31, 2023 and June 30, 2022 were $31,090 and $18,362, respectively. There was no liability recorded for these letters of credit at March 31, 2023 or June 30, 2022.

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.

13. Fair Value of Financial Instruments

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of valuation methodologies used for assets recorded at fair value. As of both March 31, 2023 and June 30, 2022, the Company did not have any liabilities recorded at fair value.

The methods of determining the fair value of assets and liabilities presented in this note are consistent with the methodologies disclosed in Note 19 of the 2022 Form 10-K.

(Dollars in thousands, except per share data)

Financial Assets Recorded at Fair Value

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

	March 31, 2023			
	Total	Level 1	Level 2	Level 3
Debt securities available for sale				
U.S government agencies	$ 15,565	$ —	$ 15,565	$ —
MBS, residential	101,131	—	101,131	—
Municipal bonds	3,432	—	3,432	—
Corporate bonds	34,590	—	34,590	—
Total debt securities available for sale	$ 154,718	$ —	$ 154,718	$ —
Loans held for sale	$ 1,209	$ —	$ 1,209	$ —

	June 30, 2022			
	Total	Level 1	Level 2	Level 3
Debt securities available for sale				
U.S government agencies	$ 18,459	$ —	$ 18,459	$ —
MBS, residential	47,233	—	47,233	—
Municipal bonds	5,558	—	5,558	—
Corporate bonds	55,728	—	55,728	—
Total debt securities available for sale	$ 126,978	$ —	$ 126,978	$ —

Loans held for sale carried at fair value are valued at the individual loan level using quoted secondary market prices.

There were no transfers between levels during the nine months ended March 31, 2023 and June 30, 2022.

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

	March 31, 2023			
	Total	Level 1	Level 2	Level 3
Collateral dependent loans				
Commercial real estate				
Commercial real estate - owner occupied	$ 920	$ —	$ —	$ 920
Commercial real estate - non-owner occupied	2,971	—	—	2,971
Commercial loans				
Commercial and industrial	336	—	—	336
Total	$ 4,227	$ —	$ —	$ 4,227

	June 30, 2022			
	Total	Level 1	Level 2	Level 3
Collateral dependent loans				
Commercial loans				
Commercial and industrial	$ 415	$ —	$ —	$ 415

A loan is considered to be collateral dependent when, based on current information and events, the Company expects repayment of the financial assets to be provided substantially through the operation or sale of the collateral and the Company has determined that the borrower is experiencing financial difficulty as of the measurement date. For real estate loans, the fair value of the loan's collateral is determined by a third party appraisal, which is then adjusted for the estimated selling and closing costs related to liquidation of the collateral (typically ranging from 8% to 12% of the appraised value). For this asset class, the actual valuation methods (income, sales comparable, or cost) vary based on the status of the project or property. Additional discounts of 5% to 15% may be applied depending on the age of the appraisals. The unobservable inputs may vary depending on the individual asset with no one of the three methods being the predominant approach. For non-real estate loans, the fair value of the loan's collateral may be determined using an appraisal, net book value per the borrower's financial statements, or aging reports, adjusted or discounted based on management's historical knowledge, changes in market conditions from the time of the valuation, and management's expertise and knowledge of the customer and customer's business.

(Dollars in thousands, except per share data)

The stated carrying value and estimated fair value amounts of financial instruments as of March 31, 2023 and June 30, 2022, are summarized below:

	March 31, 2023				
	Carrying Value	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Assets					
Cash and cash equivalents	$ 314,413	$ 314,413	$ 314,413	$ —	$ —
Certificates of deposit in other banks	33,102	33,102	—	33,102	—
Debt securities available for sale, at fair value	154,718	154,718	—	154,718	—
FHLB and FRB stock	19,125	N/A	N/A	N/A	N/A
SBIC investments, at cost	13,620	13,620	—	—	13,620
Loans held for sale, at fair value	1,209	1,209	—	1,209	—
Loans held for sale, at the lower of cost or fair value	89,172	91,040	—	—	91,040
Loans, net	3,601,830	3,468,167	—	—	3,468,167
Accrued interest receivable	13,813	13,813	—	786	13,027
Liabilities					
Noninterest-bearing and NOW deposits	1,550,670	1,550,670	—	1,550,670	—
Money market accounts	1,299,503	1,299,503	—	1,299,503	—
Savings accounts	228,390	228,390	—	228,390	—
Certificates of deposit	597,036	588,776	—	588,776	—
Junior subordinated debt	9,945	9,980	—	9,980	—
Borrowings	320,263	320,261	—	320,261	—
Accrued interest payable	1,660	1,660	—	1,660	—

	June 30, 2022				
	Carrying Value	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Assets					
Cash and cash equivalents	$ 105,119	$ 105,119	$ 105,119	$ —	$ —
Commercial paper, net	194,427	194,427	194,427	—	—
Certificates of deposit in other banks	23,551	23,551	—	23,551	—
Debt securities available for sale	126,978	126,978	—	126,978	—
FHLB and FRB stock	9,326	N/A	N/A	N/A	N/A
SBIC investments, at cost	12,758	12,758	—	—	12,758
Loans held for sale	79,307	80,489	—	—	80,489
Loans, net	2,734,605	2,687,293	—	—	2,687,293
Accrued interest receivable	8,573	8,573	24	580	7,969
Liabilities					
Noninterest-bearing and NOW deposits	1,400,727	1,400,727	—	1,400,727	—
Money market accounts	969,661	969,661	—	969,661	—
Savings accounts	238,197	238,197	—	238,197	—
Certificates of deposit	491,176	485,452	—	485,452	—
Accrued interest payable	80	80	—	80	—

The Company had off-balance sheet financial commitments, which included approximately $993,018 and $921,239 of commitments to originate loans, undisbursed portions of construction loans, unused lines of credit, and standby letters of credit at March 31, 2023 and June 30, 2022, respectively (see "Note 12 – Commitments and Contingencies"). Since these commitments are based on current rates, the carrying amount approximates the fair value.

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

In November 2020, the SEC adopted amendments to Regulation S-K to eliminate certain disclosure requirements and to revise several others to make the disclosures provided in the management's discussion and analysis section more useful for investors. When providing a discussion and analysis of interim period results, the amendments provide a registrant with the option to discuss its interim results by comparing its most recent quarter to the immediately preceding quarter rather than to the same quarter of the prior year. The Company elected to exercise this option as it believes that the comparison of current quarter results to a linked quarter, rather than the prior year comparable quarter, more accurately reflects management's perspective of the organization and its results.

Forward-Looking Statements

Certain matters in this Form 10-Q constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate to our financial condition, results of operations, plans, objectives, future performance or business. Forward-looking statements are not statements of historical fact, but instead are based on certain assumptions and are generally identified by use of the words "believes," "expects," "anticipates," "estimates," "forecasts," "intends," "plans," "targets," "potentially," "probably," "projects," "outlook" or similar expressions or future or conditional verbs such as "may," "will," "should," "would," and "could." Forward-looking statements include statements with respect to our beliefs, plans, objectives, goals, expectations, assumptions, and statements about future economic performance and projections of financial items. These forward-looking statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from the results anticipated or implied by our forward-looking statements.

The factors that could result in material differentiation include, but are not limited to:

- the remaining effects of the COVID-19 pandemic on general economic and financial market conditions and on public health, both nationally and in our market areas;
- expected revenues, cost savings, synergies and other benefits from our merger and acquisition activities, including our recent merger with Quantum, might not be realized to the extent anticipated, within the anticipated time frames, or at all, and costs or difficulties relating to integration matters, including but not limited to customer and employee retention, might be greater than expected;
- the credit risks of lending activities, including changes in the level and trend of loan delinquencies and write offs and changes in our allowance for credit losses and provision for credit losses that may be impacted by deterioration in the housing and commercial real estate markets;
- changes in general economic conditions, either nationally or in our market areas;
- changes in the levels of general interest rates, and the relative differences between short and long term interest rates, deposit interest rates, our net interest margin and funding sources and the effects of inflation or a potential recession;
- uncertainty regarding the limited future of LIBOR, and the expected transition toward new interest rate benchmarks;
- fluctuations in the demand for loans, the number of unsold homes, land and other properties and fluctuations in real estate values in our market areas;
- decreases in the secondary market for the sale of loans that we originate;
- results of examinations of us by the Federal Reserve, the NCCOB, or other regulatory authorities, including the possibility that any such regulatory authority may, among other things, require us to increase our allowance for credit losses, write-down assets, change our regulatory capital position or affect our ability to borrow funds or maintain or increase deposits, which could adversely affect our liquidity and earnings;
- legislative or regulatory changes that adversely affect our business including the effects of the Dodd-Frank Wall Street Reform and Consumer Protection Act, changes in laws or regulations, changes in regulatory policies and principles or the application or interpretation of laws and regulations by regulatory agencies and tax authorities, including changes in deferred tax asset and liability activity, or the interpretation of regulatory capital or other rules, including as a result of Basel III;
- our ability to attract and retain deposits;
- management's assumptions in determining the adequacy of the allowance for credit losses;
- our ability to control operating costs and expenses, especially costs associated with our operation as a public company;
- the use of estimates in determining fair value of certain assets, which estimates may prove to be incorrect and result in significant declines in valuation;
- difficulties in reducing risks associated with the loans on our balance sheet;
- staffing fluctuations in response to product demand or the implementation of corporate strategies that affect our workforce and potential associated charges;
- disruptions, security breaches, or other adverse events, failures or interruptions in, or attacks on, our information technology systems or on the third-party vendors who perform several of our critical processing functions;
- our ability to retain key members of our senior management team;
- costs and effects of litigation, including settlements and judgments;
- our ability to successfully integrate any assets, liabilities, customers, systems, and management personnel we may in the future acquire into our operations and our ability to realize related revenue synergies and cost savings within expected time frames and any goodwill charges related thereto;
- increased competitive pressures among financial services companies;
- changes in consumer spending, borrowing and savings habits;
- the availability of resources to address changes in laws, rules, or regulations or to respond to regulatory actions;
- adverse changes in the securities markets;
- inability of key third-party providers to perform their obligations to us;
- changes in accounting principles, policies or guidelines and practices, as may be adopted by the financial institution regulatory agencies, the Public Company Accounting Oversight Board or the FASB;

- other economic, competitive, governmental, regulatory, and technological factors affecting our operations, pricing, products and services including the CARES Act; and
- other risks detailed from time to time in our filings with the SEC, including this report on Form 10-Q.

Any 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 ("HomeTrust" or "Bank") unless the context indicates otherwise.

Overview

HomeTrust Bancshares, Inc., a Maryland corporation, was formed for the purpose of becoming the holding company for HomeTrust Bank in connection with the Bank's conversion from mutual to stock form, which was completed on July 10, 2012. As a bank holding company and financial holding company, we are regulated by the Federal Reserve. The Company has not engaged in any significant activity other than holding the stock of the Bank. As a North Carolina state-chartered bank, and member of the FRB, the Bank's primary regulators are the NCCOB and the Federal Reserve. The Bank's deposits are federally insured up to applicable limits by the FDIC. The Bank is a member of the FHLB of Atlanta, which is one of the 11 regional banks in the FHLB System. Our headquarters is located in Asheville, North Carolina.

After completing our merger with Quantum on February 12, 2023, the Bank has more than 30 locations across Georgia, North Carolina, South Carolina, Tennessee, and Virginia, many of which are located in markets experiencing growth rates above the national average. Historically, our branches and facilities have primarily been located in small- to medium-sized communities, but in recent years we have implemented a strategy of expanding into larger, higher growth markets via business banking centers rather than retail-focused branches.

Our principal business consists of attracting deposits from the general public and investing those funds, along with borrowed funds, in commercial real estate loans, construction and development loans, commercial and industrial loans, equipment finance leases, municipal leases, loans secured by first and second mortgages on one-to-four family residences including home equity and other consumer loans. We also originate one-to-four family loans, SBA loans, and HELOCs to sell to third parties. In addition, we invest in debt securities issued by United States Government agencies and GSEs, corporate bonds, commercial paper, and certificates of deposit in other banks insured by the FDIC. We offer a variety of deposit accounts for individuals, businesses, and nonprofit organizations.

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 and fees on deposit accounts, loan income and fees, gains on the sale of loans held for sale, BOLI income, and operating lease income.

An offset to net interest income is the provision for credit losses which is required to establish the ACL at a level that adequately provides for current expected credit losses inherent in our loan portfolio, off balance sheet credit commitments, and available for sale debt securities. See "Note 1 – Summary of Significant Accounting Policies" in Item 1 of our 2022 Form 10-K for further discussion.

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

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 which could 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.

The following represent our critical accounting policies:

Allowance for Credit Losses, or ACL, on Loans. The ACL reflects our estimate of credit losses that will result from the inability of our borrowers to make required loan payments. We charge off loans against the ACL and subsequent recoveries, if any, increase the ACL when they are recognized. We use a systematic methodology to determine our ACL for loans held for investment and certain off-balance-sheet credit exposures. The ACL is a valuation account that is deducted from the amortized cost basis to present the net amount expected to be collected on the loan portfolio. We consider the effects of past events, current conditions, and reasonable and supportable forecasts on the collectability of the loan portfolio. The estimate of our ACL involves a high degree of judgment; therefore, our process for determining expected credit losses may result in a range of expected credit losses. Our ACL recorded in the balance sheet reflects our best estimate within the range of expected credit losses. We recognize in net income the amount needed to adjust the ACL for management's current estimate of expected credit losses. Our ACL is calculated using collectively evaluated and individually evaluated loans.

Business Combinations and Acquired Loans. ASC 805 requires that we use the acquisition method of accounting for all business combinations. The acquisition method of accounting requires us as the acquirer to recognize the fair value of assets acquired and liabilities assumed at the acquisition date, as well as, recognize goodwill or a gain from a bargain purchase, if appropriate. Any acquisition-related costs and restructuring costs are recognized as period expenses as incurred.

The fair value for acquired loans at the time of acquisition is based on a variety of factors including discounted expected cash flows, adjusted for estimated prepayments and credit losses. In accordance with ASC 326, the fair value adjustment is recorded as premium or discount to the unpaid principal balance of each acquired loan. Loans that have been identified as having experienced a more-than-insignificant deterioration in credit quality since origination are PCD loans. An ACL on PCD loans is established at the time of acquisition as part of the purchase accounting adjustments, while the remaining net premium or discount is accreted or amortized into interest income over the remaining life of the loan using the level yield method. The net premium or discount on non-PCD loans, that includes credit quality and interest rate considerations, is accreted or amortized into interest income over the remaining life of the loan using the level yield method. The Company then records the necessary ACL on the non-PCD loans through provision for credit losses expense.

Financial Highlights

Results for the quarter ended March 31, 2023 include the impact of the merger of Quantum into the Company effective February 12, 2023. The addition of Quantum contributed total assets of $656.7 million, including loans of $561.9 million, and $570.6 million of deposits, all reflecting the impact of purchase accounting adjustments. Merger-related expenses of $4.7 million and $5.5 million were recognized during the three and nine months ended March 31, 2023, while a $5.3 million provision for credit losses was recognized during the three months ended March 31, 2023 to establish allowances for credit losses on both Quantum's loan portfolio and off-balance-sheet credit exposure. Quantum's scheduled core system conversion was completed in March.

For the quarter ended March 31, 2023 compared to the quarter ended December 31, 2022:

- net income was $6.7 million compared to $13.7 million;
- diluted EPS was $0.40 compared to $0.90;
- annualized ROA was 0.69% compared to 1.54%;
- annualized ROE was 6.21% compared to 13.37%;
- net interest income was $41.5 million compared to $37.5 million;
- net interest margin was 4.55% compared to 4.53%;
- provision for credit losses was $8.8 million compared to $2.2 million;
- noninterest income was $8.3 million compared to $8.5 million;
- net organic loan growth was $104.1 million, or 14.2% annualized, compared to $121.9 million, or 17.4% annualized; and
- quarterly cash dividends of $0.10 per share totaling $1.7 million compared to $1.5 million.

For the nine months ended March 31, 2023 compared to the nine months ended March 31, 2022:

- net income was $29.6 million compared to $29.6 million;
- diluted EPS was $1.90 compared to $1.84;
- annualized ROA was 1.07% compared to 1.12%;
- annualized ROE was 9.52% compared to 9.91%;
- net interest income was $113.5 million compared to $81.9 million;
- net interest margin was 4.40% compared to 3.34%;
- provision for credit losses was $15.0 million compared to a net benefit of $4.0 million;
- noninterest income was $24.2 million compared to $29.4 million;
- net organic loan growth was $307.8 million, or 15.1% annualized, compared to $34.9 million, or 1.8% annualized; and
- cash dividends of $0.29 per share totaling $4.5 million compared to $0.26 per share totaling $4.1 million.

(Dollars in thousands)	Three Months Ended		Nine Months Ended	
	March 31, 2023	December 31, 2022	March 31, 2023	March 31, 2022
Interest and dividend income	$ 50,666	$ 41,402	$ 127,995	$ 85,988
Interest expense	9,212	3,857	14,476	4,073
Net interest income	41,454	37,545	113,519	81,915
Provision (benefit) for credit losses	8,760	2,240	14,987	(4,005)
Net interest income after provision (benefit) for credit losses	32,694	35,305	98,532	85,920
Noninterest income	8,310	8,454	24,162	29,393
Noninterest expense	32,833	26,076	84,998	77,638
Income before income taxes	8,171	17,683	37,696	37,675
Income tax expense	1,437	4,025	8,105	8,047
Net income	$ 6,734	$ 13,658	$ 29,591	$ 29,628
Net income per common share[(1)]				
Basic	$ 0.40	$ 0.90	$ 1.91	$ 1.87
Diluted	0.40	0.90	1.90	1.84
Cash dividends declared per common share	0.10	0.10	0.29	0.26
Book value per share at end of period	26.38	26.17	26.38	24.73
Tangible book value per share at end of period[(2)]	23.93	24.53	23.93	23.13
Market price per share at end of period	24.59	24.17	24.59	29.53

(1) Basic and diluted net income per common share have been prepared in accordance with the two-class method.
(2) See Non-GAAP reconciliations below for adjustments.

GAAP Reconciliation of Non-GAAP Financial Measures

We believe the non-GAAP financial measures included within this report provide useful information to management and investors that is supplementary to our financial condition, results of operations and cash flows computed in accordance with US GAAP; however, we acknowledge that our non-GAAP financial measures have a number of limitations. The following reconciliation tables provide detailed analyses of these non-GAAP financial measures.

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

	As of			
(Dollars in thousands, except per share data)	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022
Total stockholders' equity	$ 458,242	$ 410,155	$ 396,222	$ 388,845
Less: goodwill, core deposit intangibles, net of taxes	42,642	25,663	25,683	25,710
Tangible book value	$ 415,600	$ 384,492	$ 370,539	$ 363,135
Common shares outstanding	17,370,063	15,673,595	15,632,348	15,591,466
Book value per share at end of period	$ 26.38	$ 26.17	$ 25.35	$ 24.94
Tangible book value per share at end of period	$ 23.93	$ 24.53	$ 23.70	$ 23.29

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

	As of			
(Dollars in thousands)	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022
Tangible equity (1)	$ 415,600	$ 384,492	$ 370,539	$ 363,135
Total assets	4,526,870	3,647,015	3,555,186	3,549,204
Less: goodwill, core deposit intangibles, net of taxes	42,642	25,663	25,683	25,710
Total tangible assets	$ 4,484,228	$ 3,621,352	$ 3,529,503	$ 3,523,494
Tangible equity to tangible assets	9.27 %	10.62 %	10.50 %	10.31 %

(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.

Comparison of Results of Operations for the Three Months Ended March 31, 2023 and December 31, 2022

Net Income. Net income totaled $6.7 million, or $0.40 per diluted share, for the three months ended March 31, 2023 compared to net income of $13.7 million, or $0.90 per diluted share, for the three months ended December 31, 2022, a decrease of $7.0 million, or 50.7%. The results for the three months ended March 31, 2023 were negatively impacted by increases of $6.5 million in the provision for credit losses and $6.8 million in noninterest expense, partially offset by a $4.0 million increase in net interest income. These changes were primarily related to the merger with Quantum completed this quarter. Details of the changes in the various components of net income are further discussed below.

Net Interest Income. The following table presents the distribution of average assets, liabilities and equity, as well as interest income earned on average interest-earning assets and interest expense paid on 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.

	Three Months Ended					
	March 31, 2023			December 31, 2022		
(Dollars in thousands)	Average Balance Outstanding	Interest Earned / Paid	Yield / Rate	Average Balance Outstanding	Interest Earned / Paid	Yield / Rate
Assets						
Interest-earning assets						
Loans receivable[1]	$ 3,413,641	$ 47,908	5.69 %	$ 2,999,207	$ 38,995	5.16 %
Commercial paper	—	—	—	34,487	184	2.12
Debt securities available for sale	156,778	1,183	3.06	167,818	1,151	2.72
Other interest-earning assets[2]	124,120	1,575	5.15	86,430	1,072	4.92
Total interest-earning assets	3,694,539	50,666	5.56	3,287,942	41,402	5.00
Other assets	253,746			236,159		
Total assets	$ 3,948,285			$ 3,524,101		
Liabilities and equity						
Interest-bearing liabilities						
Interest-bearing checking accounts	$ 645,011	$ 976	0.61 %	$ 627,548	$ 571	0.36 %
Money market accounts	1,133,415	4,338	1.55	954,007	1,935	0.80
Savings accounts	230,820	48	0.08	236,027	45	0.08
Certificate accounts	515,326	2,502	1.97	444,845	1,052	0.94
Total interest-bearing deposits	2,524,572	7,864	1.26	2,262,427	3,603	0.63
Junior subordinated debt	5,299	109	8.34	—	—	—
Borrowings	98,400	1,239	5.11	26,063	254	3.87
Total interest-bearing liabilities	2,628,271	9,212	1.42	2,288,490	3,857	0.67
Noninterest-bearing deposits	830,510			785,785		
Other liabilities	49,674			44,333		
Total liabilities	3,508,455			3,118,608		
Stockholders' equity	439,830			405,493		
Total liabilities and stockholders' equity	$ 3,948,285			$ 3,524,101		
Net earning assets	$ 1,066,268			$ 999,452		
Average interest-earning assets to average interest-bearing liabilities	140.57 %			143.67 %		
Non-tax-equivalent						
Net interest income		$ 41,454			$ 37,545	
Interest rate spread			4.14 %			4.33 %
Net interest margin[3]			4.55 %			4.53 %
Tax-equivalent[4]						
Net interest income		$ 41,744			$ 37,832	
Interest rate spread			4.17 %			4.36 %
Net interest margin[3]			4.58 %			4.56 %

(1) Average loans receivable balances include loans held for sale and nonaccruing loans.
(2) Average other interest-earning assets consist of FRB stock, FHLB stock, SBIC investments, and deposits in other banks.
(3) Net interest income divided by average interest-earning assets.
(4) Interest income used in the average interest earned and yield calculation includes the tax equivalent adjustment of $290 and $287 for the three months ended March 31, 2023 and December 31, 2022, respectively, calculated based on a combined federal and state tax rate of 24%.

Total interest and dividend income for the three months ended March 31, 2023 increased $9.3 million, or 22.4%, compared to the three months ended December 31, 2022, which was driven by a $8.9 million, or 22.9%, increase in interest income on loans. Accretion income on acquired loans of $353,000 and $195,000 was recognized during the same periods, respectively, and was included in interest income on loans.

Beyond accretion income, the increase was driven by a continued increase in the average yield on loans and the inclusion of Quantum's loan portfolio for roughly half a quarter.

Total interest expense for the three months ended March 31, 2023 increased $5.4 million, or 138.8%, compared to the three months ended December 31, 2022. The increase was the result of increases in the average cost of funds across funding sources, an increase in average deposits outstanding and the inclusion of junior subordinated debt assumed from Quantum.

The following table shows the effects that changes in average balances (volume), including differences in the number of days in the periods compared, and average interest rates (rate) had on the interest earned on interest-earning assets and interest paid on interest-bearing liabilities:

	Increase / (Decrease) Due to		Total Increase / (Decrease)
(Dollars in thousands)	Volume	Rate	
Interest-earning assets			
Loans receivable	$ 4,324	$ 4,589	$ 8,913
Commercial paper	(184)	—	(184)
Debt securities available for sale	(102)	134	32
Other interest-earning assets	432	71	503
Total interest-earning assets	4,470	4,794	9,264
Interest-bearing liabilities			
Interest-bearing checking accounts	(6)	411	405
Money market accounts	267	2,136	2,403
Savings accounts	(2)	5	3
Certificate accounts	111	1,339	1,450
Junior subordinated debt	109	—	109
Borrowings	677	308	985
Total interest-bearing liabilities	1,156	4,199	5,355
Net increase in interest income			$ 3,909

Provision for Credit Losses. The provision for credit losses is the amount of expense that, based on our judgment, is required to maintain the ACL at an appropriate level under the CECL model.

The following table presents a breakdown of the components of the provision for credit losses:

	Three Months Ended			
(Dollars in thousands)	March 31, 2023	December 31, 2022	$ Change	% Change
Provision for credit losses				
Loans	$ 8,360	$ 2,425	$ 5,935	245 %
Off-balance-sheet credit exposure	400	(85)	485	571
Commercial paper	—	(100)	100	100
Total provision for credit losses	$ 8,760	$ 2,240	$ 6,520	291 %

For the quarter ended March 31, 2023, the "loans" portion of the provision for credit losses was the result of the following, offset by net charge-offs of $0.1 million during the quarter:

- $4.9 million provision to establish an allowance on Quantum's loan portfolio.
- $2.0 million provision driven by loan growth and changes in the loan mix.
- $1.2 million provision due to changes in the projected economic forecast, specifically the national unemployment rate, and changes in qualitative adjustments.
- $0.2 million increase in specific reserves on individually evaluated credits.

For the quarter ended December 31, 2022, the "loans" portion of the provision for credit losses was the result of the following, offset by net charge-offs of $1.9 million during the quarter:

- $1.6 million provision driven by loan growth and changes in the loan mix.
- $0.4 million provision due to changes in the projected economic forecast, specifically the national unemployment rate, and changes in qualitative adjustments.
- $1.5 million reduction of specific reserves on individually evaluated credits, which was tied to two relationships which were fully charged-off during the quarter.

For the quarter ended March 31, 2023, a provision of $0.4 million was also recorded to establish an allowance on Quantum's off-balance-sheet credit exposure. For the quarter ended December 31, 2022, the change was the result of changes in the balance of loan commitments as well as changes in the loan mix and changes in the projected economic forecast outlined above.

Noninterest Income. Noninterest income for the three months ended March 31, 2023 decreased $0.1 million, or 1.7%, when compared to the quarter ended December 31, 2022. Changes in the components of noninterest income are discussed below:

(Dollars in thousands)	Three Months Ended March 31, 2023	Three Months Ended December 31, 2022	$ Change	% Change
Noninterest income				
Service charges and fees on deposit accounts	$ 2,256	$ 2,523	$ (267)	(11)%
Loan income and fees	562	647	(85)	(13)
Gain on sale of loans held for sale	1,811	1,102	709	64
BOLI income	522	494	28	6
Operating lease income	1,505	1,156	349	30
Gain (loss) on sale of premises and equipment	900	1,127	(227)	(20)
Other	754	1,405	(651)	(46)
Total noninterest income	$ 8,310	$ 8,454	$ (144)	(2)%

- *Gain on sale of loans held for sale:* The increase in the gain on sale of loans held for sale was primarily driven by an increase in volume of SBA loans sold during the period. During the quarter ended March 31, 2023, there were $16.6 million in sales of the guaranteed portion of SBA commercial loans with gains of $1.2 million compared to $8.2 million sold and gains of $568,000 for the quarter ended December 31, 2022. There were $6.4 million of residential mortgage loans originated for sale which were sold during the current quarter with gains of $147,000 compared to $7.3 million sold with gains of $183,000 in the prior quarter. There were $35.2 million of HELOCs sold during the current quarter for a gain of $354,000 compared to $41.4 million sold and gains of $340,000 in the prior quarter.
- *Operating lease income:* The increase in operating lease income was the result of a net gain of $17,000 at the end of operating leases for the quarter ended March 31, 2023 versus a net loss of $337,000 for the quarter ended December 31, 2022.
- *Gain (loss) on sale of premises and equipment:* During the quarter ended March 31, 2023, one property was sold for a gain of $900,000. During the quarter ended December 31, 2022, two properties were sold for a combined gain of $1.6 million, partially offset by additional impairment of $420,000 on premises and equipment associated with prior branch closures.
- *Other:* The decrease in other income was driven by a $721,000 gain recognized during the quarter ended December 31, 2022 on the sale of closely held equity securities which the Company obtained through a prior bank acquisition. No such sales occurred during the quarter ended March 31, 2023.

Noninterest Expense. Noninterest expense for the three months ended March 31, 2023 increased $6.8 million, or 25.9%, when compared to the three months ended December 31, 2022. Changes in the components of noninterest expense are discussed below:

(Dollars in thousands)	Three Months Ended March 31, 2023	Three Months Ended December 31, 2022	$ Change	% Change
Noninterest expense				
Salaries and employee benefits	$ 16,246	$ 14,484	$ 1,762	12 %
Occupancy expense, net	2,467	2,428	39	2
Computer services	2,911	2,796	115	4
Telephone, postage and supplies	613	575	38	7
Marketing and advertising	372	481	(109)	(23)
Deposit insurance premiums	612	546	66	12
Core deposit intangible amortization	606	26	580	2,231
Merger-related expenses	4,741	250	4,491	1,796
Other	4,265	4,490	(225)	(5)
Total noninterest expense	$ 32,833	$ 26,076	$ 6,757	26 %

- *Salaries and employee benefits:* The increase in salaries and employee benefits expense is primarily the result of the inclusion of Quantum employees for half a quarter, partially offset by lower mortgage banking incentive pay as a result of the reduction in the volume of originations due to rising interest rates.
- *Core deposit intangible amortization:* The increase in amortization expense is a result of a $12.2 million core deposit intangible associated with the Company's merger with Quantum, which will be amortized on an accelerated basis over ten years.
- *Merger-related expenses:* With the closing of the Company's merger with Quantum, merger-related expenses increased both in anticipation of and after the closing. The most significant expenses incurred included the payout of severance and employment contracts, professional fees, termination of prior contracts, and conversion of IT systems which occurred during the quarter.

Income Taxes. The amount of income tax expense is influenced by the amount of pre-tax income, the amount of tax-exempt income, changes in the statutory rate, and the effect of changes in valuation allowances maintained against deferred tax benefits. Income tax expense for the three months ended March 31, 2023 decreased $2.6 million as a result of lower pre-tax income and permanent tax differences associated with employee stock options recognized during the current quarter.

Comparison of Results of Operations for the Nine Months Ended March 31, 2023 and March 31, 2022

Net Income. Net income totaled $29.6 million, or $1.90 per diluted share, for the nine months ended March 31, 2023 compared to net income of $29.6 million, or $1.84 per diluted share, for the nine months ended March 31, 2022, a decrease of $37,000, or 0.1%. The results for the nine months ended March 31, 2023 were negatively impacted by an increase of $19.0 million in the provision for credit losses, a $5.2 million decrease in noninterest income, and a $7.4 million increase in noninterest expense driven by $5.5 million in merger-related expenses, partially offset by a $31.6 million increase in net interest income. Details of the changes in the various components of net income are further discussed below.

Net Interest Income. The following table presents the distribution of average assets, liabilities and equity, as well as interest income earned on average interest-earning assets and interest expense paid on 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.

	Nine Months Ended					
	March 31, 2023			March 31, 2022		
(Dollars in thousands)	Average Balance Outstanding	Interest Earned / Paid	Yield / Rate	Average Balance Outstanding	Interest Earned / Paid	Yield / Rate
Assets						
Interest-earning assets						
Loans receivable[1]	$ 3,095,358	$ 120,148	5.17 %	$ 2,810,240	$ 81,440	3.86 %
Commercial paper	83,506	1,300	2.07	211,739	869	0.55
Debt securities available for sale	153,178	3,012	2.62	124,053	1,319	1.42
Other interest-earning assets[2]	108,007	3,535	4.36	121,936	2,360	2.58
Total interest-earning assets	3,440,049	127,995	4.96	3,267,968	85,988	3.51
Other assets	244,271			259,535		
Total assets	$ 3,684,320			$ 3,527,503		
Liabilities and equity						
Interest-bearing liabilities						
Interest-bearing checking accounts	$ 642,217	$ 1,814	0.38 %	$ 640,194	$ 1,038	0.22 %
Money market accounts	1,017,663	6,794	0.89	1,002,542	1,056	0.14
Savings accounts	235,312	137	0.08	224,664	120	0.07
Certificate accounts	478,712	4,117	1.15	447,623	1,814	0.54
Total interest-bearing deposits	2,373,904	12,862	0.72	2,315,023	4,028	0.23
Junior subordinated debt	1,741	109	8.34	—	—	—
Borrowings	41,585	1,505	4.82	48,894	45	0.12
Total interest-bearing liabilities	2,417,230	14,476	0.80	2,363,917	4,073	0.23
Noninterest-bearing deposits	805,555			719,872		
Other liabilities	47,544			45,443		
Total liabilities	3,270,329			3,129,232		
Stockholders' equity	413,991			398,271		
Total liabilities and stockholders' equity	$ 3,684,320			$ 3,527,503		
Net earning assets	$ 1,022,819			$ 904,051		
Average interest-earning assets to average interest-bearing liabilities	142.31 %			138.24 %		
Non-tax-equivalent						
Net interest income		$ 113,519			$ 81,915	
Interest rate spread			4.16 %			3.28 %
Net interest margin[3]			4.40 %			3.34 %
Tax-equivalent						
Net interest income		$ 114,383			$ 82,852	
Interest rate spread			4.19 %			3.31 %
Net interest margin[3]			4.43 %			3.38 %

(1) Average loans receivable balances include loans held for sale and nonaccruing loans.
(2) Average other interest-earning assets consist of FRB stock, FHLB stock, SBIC investments, and deposits in other banks.
(3) Net interest income divided by average interest-earning assets.
(4) Interest income used in the average interest earned and yield calculation includes the tax equivalent adjustment of $864 and $937 for the nine months ended March 31, 2023 and March 31, 2022, respectively, calculated based on a combined federal and state tax rate of 24%.

Total interest and dividend income for the nine months ended March 31, 2023 increased $42.0 million, or 48.9%, compared to the nine months ended March 31, 2022, which was driven by a $38.7 million, or 47.5%, increase in interest income on loans, a combined increase of $2.1 million, or 97.4%, in interest income on commercial paper and debt securities available for sale, and an increase of $1.2 million, or 49.8%, in interest income on other interest-earning assets. The overall increase in average yield on interest-earning assets and rate paid on liabilities was the result of rising interest rates. Specific to debt securities available for sale, the Company has intentionally maintained a relatively short-term duration portfolio which has allowed, and will continue to allow, the Company to take advantage of rising rates when reinvesting the proceeds of maturing instruments.

Total interest expense for the nine months ended March 31, 2023 increased $10.4 million, or 255.4%, compared to the nine months ended March 31, 2022. The increase was primarily the result of increases in the average cost of funds across all funding sources driven by higher market interest rates.

The following table shows the effects that changes in average balances (volume), including differences in the number of days in the periods compared, and average interest rates (rate) had on the interest earned on interest-earning assets and interest paid on interest-bearing liabilities:

(Dollars in thousands)	Increase / (Decrease) Due to		Total Increase / (Decrease)
	Volume	Rate	
Interest-earning assets			
Loans receivable	$ 8,263	$ 30,445	$ 38,708
Commercial paper	(526)	957	431
Debt securities available for sale	310	1,383	1,693
Other interest-earning assets	(270)	1,445	1,175
Total interest-earning assets	7,777	34,230	42,007
Interest-bearing liabilities			
Interest-bearing checking accounts	3	773	776
Money market accounts	16	5,722	5,738
Savings accounts	6	11	17
Certificate accounts	126	2,177	2,303
Junior subordinated debt	109	—	109
Borrowings	(7)	1,467	1,460
Total interest-bearing liabilities	253	10,150	10,403
Net increase in interest income			$ 31,604

Provision (Benefit) for Credit Losses. The following table presents a breakdown of the components of the provision (benefit) for credit losses:

(Dollars in thousands)	Nine Months Ended			
	March 31, 2023	March 31, 2022	$ Change	% Change
Provision (benefit) for credit losses				
Loans	$ 14,479	$ (4,415)	$ 18,894	428 %
Off-balance-sheet credit exposure	758	415	343	83
Commercial paper	(250)	(5)	(245)	(4,900)
Total provision (benefit) for credit losses	$ 14,987	$ (4,005)	$ 18,992	474 %

For the nine months ended March 31, 2023, the "loans" portion of the provision (benefit) for credit losses was the result of the following, offset by net charge-offs of $2.0 million during the period:

- $4.9 million provision to establish an allowance on Quantum's loan portfolio.
- $0.9 million provision specific to fintech portfolios which have a riskier credit profile than loans originated in-house. The elevated credit risk is offset by the higher yields earned on the portfolios.
- $4.9 million provision driven by loan growth and changes in the loan mix.
- $3.1 million provision due to changes in the projected economic forecast, specifically the national unemployment rate, and changes in qualitative adjustments.
- $1.3 million reduction of specific reserves on individually evaluated credits, which was tied to two relationships which were fully charged-off during the period.

For the nine months ended March 31, 2022, the "loans" portion of the benefit for credit losses was driven by an improvement in the economic forecast, as more clarity was gained regarding the impact of COVID-19 upon the loan portfolio.

For the nine months ended March 31, 2023, a provision of $0.4 million was also recorded to establish an allowance on Quantum's off-balance-sheet credit exposure. The remainder of the change was the result of changes in the balance of loan commitments as well as changes in the loan mix and changes in the projected economic forecast outlined above, which is the same reasoning for the provision for the nine months ended March 31, 2022.

Noninterest Income. Noninterest income for the nine months ended March 31, 2023 decreased $5.2 million, or 17.8%, when compared to the same period last year. Changes in the components of noninterest income are discussed below:

(Dollars in thousands)	Nine Months Ended March 31, 2023	Nine Months Ended March 31, 2022	$ Change	% Change
Noninterest income				
Service charges and fees on deposit accounts	$ 7,117	$ 7,101	$ 16	— %
Loan income and fees	1,779	2,536	(757)	(30)
Gain on sale of loans held for sale	4,499	10,927	(6,428)	(59)
BOLI income	1,543	1,500	43	3
Operating lease income	4,246	4,920	(674)	(14)
Gain (loss) on sale of premises and equipment	2,015	(87)	2,102	2,416
Other	2,963	2,496	467	19
Total noninterest income	$ 24,162	$ 29,393	$ (5,231)	(18)%

- *Loan income and fees:* The decrease in loan income and fees was driven by lower underwriting fees, interest rate swap fees, and prepayment penalties in the current period compared to the same period last year, all of which were impacted by rising interest rates.
- *Gain on sale of loans held for sale:* The decrease in the gain on sale of loans held for sale was primarily driven by a decrease in volume of SBA loans and residential mortgages sold during the period as a result of rising interest rates. During the nine months ended March 31, 2023, there were $36.9 million of sales of the guaranteed portion of SBA commercial loans with gains of $2.7 million compared to $43.5 million sold and gains of $4.5 million for the corresponding period in the prior year. There were $34.6 million of residential mortgage loans originated for sale which were sold during the current period with gains of $823,000 compared to $204.1 million sold with gains of $5.6 million for the corresponding period in the prior year. There were $99.4 million of HELOCs sold during the current period for a gain of $897,000 compared to $97.2 million sold and gains of $581,000 for the corresponding period in the prior year. Lastly, $11.5 million of indirect auto finance loans were sold out of the held for investment portfolio during the nine months ended March 31, 2022 for a gain of $205,000. No such sales occurred in the same period in the current year.
- *Operating lease income:* The decrease in operating lease income was the result of lower contractual earnings as well as gains or losses incurred at the end of operating leases, where we recognized a net loss of $172,000 for the nine months ended March 31, 2023 versus a net loss of $17,000 in the same period last year.
- *Gain (loss) on sale of premises and equipment:* During the nine months ended March 31, 2023 three properties were sold for a combined gain of $2.5 million, partially offset by additional impairment of $420,000 on premises associated with prior branch closures. For the nine months ended March 31, 2022, no sales occurred but $87,000 of additional impairment was recorded on premises held for sale.
- *Other:* The increase in other income was driven by a $721,000 gain recognized on the sale of closely held equity securities which the Company obtained through a prior bank acquisition. No such sales occurred in the same period in the prior year.

Noninterest Expense. Noninterest expense for the nine months ended March 31, 2023 increased $7.4 million, or 9.5%, when compared to the same period last year. Changes in the components of noninterest expense are discussed below:

(Dollars in thousands)	Nine Months Ended March 31, 2023	Nine Months Ended March 31, 2022	$ Change	% Change
Noninterest expense				
Salaries and employee benefits	$ 45,545	$ 44,882	$ 663	1 %
Occupancy expense, net	7,291	7,201	90	1
Computer services	8,470	7,817	653	8
Telephone, postage and supplies	1,791	1,946	(155)	(8)
Marketing and advertising	1,443	2,110	(667)	(32)
Deposit insurance premiums	1,700	1,280	420	33
Core deposit intangible amortization	666	208	458	220
Merger-related expenses	5,465	—	5,465	100
Other	12,627	12,194	433	4
Total noninterest expense	$ 84,998	$ 77,638	$ 7,360	9 %

- *Computer services*: The increase in expense between periods is due to continued investments in technology as well as increases in the cost of services provided by third parties.
- *Marketing and advertising:* The decrease in expense is primarily driven by a reduction in traditional media advertising (print, billboards, etc.) in favor of digital platforms at lower costs during the current fiscal year.
- *Deposit insurance premiums:* The increase in expense can be traced to an increase in rates the Company is charged for deposit insurance and the inclusion of Quantum's deposit portfolio for roughly half a quarter.

- *Core deposit intangible amortization:* The increase in amortization expense during the nine months ended March 31, 2023 is a result of a $12.2 million core deposit intangible associated with the Company's merger with Quantum, which will be amortized on an accelerated basis over ten years.
- *Merger-related expenses:* These are expenses related to the merger of Quantum into the Company. The most significant expenses incurred included the payout of severance and employment contracts, due diligence, professional fees, termination of prior contracts, due diligence, and conversion of IT systems which occurred during the period.
- *Other:* During the nine months ended March 31, 2023 the Company wrote off $350,000 in previously capitalized costs associated with a technology project which the Company is no longer pursuing. No such expense was incurred in the prior period.

Income Taxes. The amount of income tax expense is influenced by the amount of pre-tax income, the amount of tax-exempt income, changes in the statutory rate, and the effect of changes in valuation allowances maintained against deferred tax benefits. Income tax expense for the nine months ended March 31, 2023 increased $58,000 compared to the prior period.

Comparison of Financial Condition at March 31, 2023 and June 30, 2022

General. Total assets increased by $977.7 million to $4.5 billion and total liabilities increased by $908.3 million to $4.1 billion, respectively, at March 31, 2023 as compared to June 30, 2022. The majority of these changes were the result of the Company's merger with Quantum.

Cash and cash equivalents and commercial paper. Total cash and cash equivalents increased $209.3 million, or 199.1%, to $314.4 million at March 31, 2023 from $105.1 million at June 30, 2022. Commercial paper decreased from $194.4 million to none at March 31, 2023 as the proceeds were used to fund loan growth during the period.

Debt securities available for sale and other investments. Debt securities available for sale increased $27.7 million, or 21.8%, to $154.7 million at March 31, 2023 from $127.0 million at June 30, 2022. This increase can be traced to securities acquired from Quantum.

Loans held for sale. Loans held for sale increased $11.1 million, or 14.0%, to $90.4 million at March 31, 2023 from $79.3 million at June 30, 2022. This was driven by an increase of $15.1 million, or 102.3%, in SBA loans held for sale, partially offset by a $2.8 million, or 67.3%, decrease in mortgage loans held for sale.

Loans, net of deferred loan fees and costs. Total loans increased $880.0 million, or 31.8%, to $3.6 billion at March 31, 2023 from $2.8 billion at June 30, 2022. Excluding the $561.9 million acquired as part of the merger with Quantum, total loans increased $318.1 million, or 11.5%. The following table illustrates the changes within the portfolio:

(Dollars in thousands)	As of March 31, 2023	As of June 30, 2022	Change $	Change %	Percent of Total March 31, 2023	Percent of Total June 30, 2022
Commercial real estate loans						
Construction and land development	$ 368,756	$ 291,202	$ 77,554	27 %	10 %	11 %
Commercial real estate - owner occupied	524,247	335,658	188,589	56	15	12
Commercial real estate - non-owner occupied	926,991	662,159	264,832	40	25	24
Multifamily	85,285	81,086	4,199	5	2	3
Total commercial real estate loans	1,905,279	1,370,105	535,174	39	52	50
Commercial loans						
Commercial and industrial	229,840	193,313	36,527	19	6	7
Equipment finance	440,345	394,541	45,804	12	12	14
Municipal leases	138,436	129,766	8,670	7	4	5
Total commercial loans	808,621	717,620	91,001	13	22	26
Residential real estate loans						
Construction and land development	105,617	81,847	23,770	29	3	3
One-to-four family	518,274	354,203	164,071	46	14	13
HELOCs	193,037	160,137	32,900	21	6	6
Total residential real estate loans	816,928	596,187	220,741	37	23	22
Consumer loans	118,505	85,383	33,122	39	3	2
Loans, net of deferred loan fees and costs	$ 3,649,333	$ 2,769,295	$ 880,038	32 %	100 %	100 %

Asset quality. Nonperforming assets increased by $1.7 million, or 27.1%, to $8.0 million, or 0.18% of total assets, at March 31, 2023 compared to $6.3 million, or 0.18% of total assets, at June 30, 2022. Nonperforming assets included $7.9 million in nonaccruing loans and $123,000 of REO at March 31, 2023, compared to $6.1 million and $200,000 in nonaccruing loans and REO, respectively, at June 30, 2022. Nonperforming loans to total loans was 0.22% at March 31, 2023 and 0.22% at June 30, 2022.

The ratio of classified assets to total assets decreased to 0.49% at March 31, 2023 from 0.61% at June 30, 2022, mainly due to growth in the balance sheet as a result of the merger with Quantum. Classified assets increased $416,000, or 1.9%, to $22.0 million at March 31, 2023 compared to $21.5 million at June 30, 2022.

Our individually evaluated loans include loans on nonaccrual status and all TDRs, whether performing or on nonaccrual status under their restructured terms. Individually evaluated loans may be evaluated for reserve purposes using either the discounted cash flow or the collateral valuation method. As of March 31, 2023, there was $7.5 million in loans individually evaluated compared to $5.3 million at June 30, 2022, due to the inclusion of PCD loans from the merger with Quantum.

Allowance for credit losses. The ACL on loans was $47.5 million, or 1.30% of total loans, at March 31, 2023 compared to $34.7 million, or 1.25% of total loans, as of June 30, 2022. Net loan charge-offs totaled $2.0 million, or 0.09% as a percentage of average loans, for the nine months ended March 31, 2023 compared to $19,000, or 0.00% as a percentage of average loans, for the same period last year. The drivers of these changes are discussed in the "Nine Months Ended March 31, 2023 and March 31, 2022" section above.

Other assets. Other assets decreased $3.4 million, or 6.4%, to $49.6 million at March 31, 2023 from $53.0 million at June 30, 2022. The decrease was primarily driven by lower current taxes receivable and the sale of properties held for sale.

Deposits. The following table summarizes the composition of our deposit portfolio as of the dates indicated:

	As of		Change	
(Dollars in thousands)	March 31, 2023	June 30, 2022	$	%
Core deposits				
Noninterest-bearing accounts	$ 872,492	$ 745,746	$ 126,746	17 %
NOW accounts	678,178	654,981	23,197	4
Money market accounts	1,299,503	969,661	329,842	34
Savings accounts	228,390	238,197	(9,807)	(4)
Total core deposits	3,078,563	2,608,585	469,978	18
Certificates of deposit	597,036	491,176	105,860	22
Total	$ 3,675,599	$ 3,099,761	$ 575,838	19 %

The following bullet points provide further information regarding the composition of our deposit portfolio as of March 31, 2023:

- Total deposits increased $57.0 million, or 1.9% (7.6% annualized), during the quarter, excluding the $570.6 million assumed as part of the merger with Quantum.
- The balance of uninsured deposits was $730.4 million, or 19.9% of total deposits, which excludes collateralized deposits to municipalities.
- The balance of brokered deposits was $134.9 million, or 3.7% of total deposits.
- Total deposits are evenly distributed between commercial and consumer depositors.
- The average balance of our deposit accounts was $33,000.
- Our largest 25 depositors made up $643.8 million, or 17.5% of total deposits. Of these depositors, $443.5 million, or 12.1% of total deposits, are collateralized deposits to municipalities.

Liquidity

Management maintains a liquidity position that it believes will adequately provide for funding of 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, wholesale borrowings, and cash flows from loan payments and the securities portfolio.

In addition to these primary sources of funds, management has several secondary sources available to meet potential funding requirements. As of March 31, 2023, the Bank had an available borrowing capacity of $68.5 million and $23.1 million with the FHLB of Atlanta and FRB, respectively, and revolving lines of credit with three unaffiliated banks, the unused portion of which totaled $129.7 million. Additionally, we classify our securities portfolio as available for sale, providing an additional source of liquidity. Management believes that our securities portfolio is of high quality and the securities would therefore be readily marketable. In addition, we have historically sold 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, 2023 brokered deposits totaled $134.9 million, or 3.7%, of total deposits.

Liquidity management is both a daily and long-term function of business management. Excess liquidity is generally invested in short-term investments, such as overnight deposits and federal funds. On a longer term basis, we maintain a strategy of investing in various lending products and debt securities, including MBS. On a stand-alone basis we are a separate legal entity from the Bank and must provide for our own liquidity and pay our own operating expenses. Our primary source of funds consists of dividends or capital distributions from the Bank, although there are regulatory restrictions on the ability of the Bank to pay dividends. At March 31, 2023, we (on an unconsolidated basis) had liquid assets of $3.4 million.

At the Bank level, we use our sources of funds primarily to meet our ongoing commitments, pay maturing deposits and fund withdrawals, and fund loan commitments. At March 31, 2023, the total approved loan commitments and unused lines of credit outstanding amounted to $364.4 million and $597.5 million, respectively, as compared to $417.6 million and $485.2 million as of June 30, 2022. Certificates of deposit scheduled to mature in one year or less at March 31, 2023, totaled $495.8 million. It is management's policy to manage deposit rates that are competitive with other local financial institutions. Based on this management strategy, we believe a majority of our maturing deposits will remain with us.

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, mainly to manage customers' requests for funding. These transactions primarily take the form of loan commitments and lines of credit and involve varying degrees of off-balance sheet credit, interest rate, and liquidity risks. For further information, see "Note 12 – Commitments and Contingencies" in this Quarterly Report on Form 10-Q.

Capital Resources

At March 31, 2023, stockholders' equity totaled $458.2 million compared to $388.8 million at June 30, 2022, an increase of $69.4 million which was the result of net income for the nine months and the issuance of our common stock as consideration in our merger with Quantum. HomeTrust Bancshares, Inc. is a bank 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 FRB and 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. Failure to meet minimum capital requirements can initiate certain mandatory and possibly discretionary actions by bank regulators that, if undertaken, could have a direct material effect on the Company's financial statements.

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, 2023, HomeTrust Bancshares, Inc. and the Bank each exceeded all regulatory capital requirements. 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" under applicable regulatory requirements.

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

			Regulatory Requirements			
	Actual		Minimum for Capital Adequacy Purposes		Minimum to Be Well Capitalized	
(Dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
HomeTrust Bancshares, Inc.						
March 31, 2023						
CET1 Capital (to risk-weighted assets)	$ 423,577	10.43 %	$ 182,836	4.50 %	$ 264,096	6.50 %
Tier I Capital (to total adjusted assets)	433,522	11.08	156,481	4.00	195,602	5.00
Tier I Capital (to risk-weighted assets)	433,522	10.67	243,781	6.00	325,041	8.00
Total Risk-based Capital (to risk-weighted assets)	473,543	11.65	325,041	8.00	406,301	10.00
June 30, 2022						
CET1 Capital (to risk-weighted assets)	$ 372,797	10.76 %	$ 155,844	4.50 %	$ 225,108	6.50 %
Tier I Capital (to total adjusted assets)	372,797	10.50	142,028	4.00	177,535	5.00
Tier I Capital (to risk-weighted assets)	372,797	10.76	207,792	6.00	277,057	8.00
Total Risk-based Capital (to risk-weighted assets)	395,962	11.43	277,057	8.00	346,321	10.00
HomeTrust Bank						
March 31, 2023						
CET1 Capital (to risk-weighted assets)	$ 443,910	10.93 %	$ 182,836	4.50 %	$ 264,096	6.50 %
Tier I Capital (to total adjusted assets)	443,910	11.35	156,493	4.00	195,617	5.00
Tier I Capital (to risk-weighted assets)	443,910	10.93	243,781	6.00	325,041	8.00
Total Risk-based Capital (to risk-weighted assets)	483,931	11.91	325,041	8.00	406,301	10.00
June 30, 2022						
CET1 Capital (to risk-weighted assets)	$ 358,600	10.35 %	$ 155,844	4.50 %	$ 225,108	6.50 %
Tier I Capital (to total adjusted assets)	358,600	10.11	141,814	4.00	177,267	5.00
Tier I Capital (to risk-weighted assets)	358,600	10.35	207,792	6.00	277,057	8.00
Total Risk-based Capital (to risk-weighted assets)	381,765	11.02	277,057	8.00	346,321	10.00

As permitted by the interim final rule issued on March 27, 2020 by the federal banking regulatory agencies, the Company elected the option to delay the estimated impact on regulatory capital of ASU 2016-13, which was adopted on July 1, 2020. The initial adoption of ASU 2016-13 as well as 25% of the quarterly increases in the ACL subsequent to adoption (collectively the "transition adjustments") was delayed for two years. Starting July 1, 2022, the cumulative amount of the transition adjustments became fixed and will be phased out of the regulatory capital calculations evenly over a three-year period, with 75% recognized in year three, 50% recognized in year four, and 25% recognized in year five. After five years, the temporary regulatory capital benefits will be fully reversed.

In addition to the minimum CET1, Tier 1 and total risk-based capital ratios, both HomeTrust Bancshares, Inc. and the Bank have to maintain a capital conservation buffer consisting of additional CET1 capital of more than 2.50% 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. As of March 31, 2023, the Company's and Bank's risk-based capital exceeded the required capital contribution buffer.

Dividends paid by HomeTrust Bank are limited, without regulatory approval, to current year earnings less dividends paid during the preceding two years.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There has not been any material change in the market risk disclosures contained in our 2022 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, 2023, 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, 2023, 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.

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 12 – Commitments and Contingencies" to the Consolidated Financial Statements included in Part I, Item 1 is incorporated herein by reference.

Item 1A. Risk Factors

There have been no material changes in the Risk Factors previously disclosed in Item 1A of the 2022 Form 10-K.

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

(a) Not applicable

(b) Not applicable

(c) Not applicable

	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, 2023	—	$ —	—	266,639
February 1 - February 28, 2023	—	—	—	266,639
March 1 - March 31, 2023	—	—	—	266,639
Total	—	$ —	—	266,639

No stock was repurchased during the nine months ended March 31, 2023.

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.	(d)
3.2	Amended and Restated Bylaws of HomeTrust Bancshares, Inc.	(f)
10.1	HomeTrust Bancshares, Inc. Senior Leadership Incentive Plan (formerly known as Operating Committee Incentive Program)	(a)
10.2	Amended and Restated Employment and Transition Agreement between HomeTrust Bancshares, Inc. and Dana L. Stonestreet	(a)
10.3	Amended and Restated Employment Agreement between HomeTrust Bancshares, Inc. and C. Hunter Westbrook	(g)
10.3A	Amendment No. 1 to Amended and Restated Employment Agreement between HomeTrust Bancshares, Inc. and C. Hunter Westbrook	(b)
10.3B	Amendment No. 2 to Amended and Restated Employment Agreement between HomeTrust Bancshares, Inc. and C. Hunter Westbrook	(h)
10.3C	Amendment No. 3 to Amended and Restated Employment Agreement between HomeTrust Bancshares, Inc. and C. Hunter Westbrook	(o)
10.3D	Amendment No. 4 to Amended and Restated Employment Agreement between HomeTrust Bancshares, Inc. and C. Hunter Westbrook	(e)
10.4	Amended and Restated Employment Agreement between HomeTrust Bancshares, Inc. and Tony J. VunCannon	(g)
10.4A	Amendment No. 1 to Amended and Restated Employment Agreement between HomeTrust Bancshares, Inc. and Tony VunCannon	(a)
10.5	HomeTrust Bank Executive Supplemental Retirement Income Master Agreement (“SERP”)	(d)
10.6	Amendment No. 1 to SERP	(m)
10.7	Amendment No. 2 to SERP	(l)
10.7A	SERP Joinder Agreement for F. Edward Broadwell, Jr.	(d)
10.7B	SERP Joinder Agreement for Dana L. Stonestreet	(d)
10.7C	SERP Joinder Agreement for Tony J. VunCannon	(d)
10.7D	SERP Joinder Agreement for Howard L. Sellinger	(d)
10.7E	SERP Joinder Agreement for Stan Allen	(d)
10.7F	SERP Joinder Agreement for Sidney A. Biesecker	(d)
10.7G	SERP Joinder Agreement for Peggy C. Melville	(d)
10.7H	SERP Joinder Agreement for William T. Flynt	(d)
10.7I	Amended and Restated Supplemental Income Agreement between HomeTrust Bank, as successor to Industrial Federal Savings Bank, and Sidney Biesecker	(i)
10.8	HomeTrust Bank Director Emeritus Plan (“Director Emeritus Plan”)	(d)
10.8A	Director Emeritus Plan Joinder Agreement for William T. Flynt	(d)
10.8B	Director Emeritus Plan Joinder Agreement for J. Steven Goforth	(d)
10.8C	Director Emeritus Plan Joinder Agreement for Craig C. Koontz	(d)
10.8D	Director Emeritus Plan Joinder Agreement for Larry S. McDevitt	(d)
10.8E	Director Emeritus Plan Joinder Agreement for F.K. McFarland, III	(d)
10.8F	Director Emeritus Plan Joinder Agreement for Peggy C. Melville	(d)
10.8G	Director Emeritus Plan Joinder Agreement for Robert E. Shepherd, Sr.	(d)
10.9	HomeTrust Bank Defined Contribution Executive Medical Care Plan	(d)
10.9A	Amendment No. 1 to HomeTrust Bank Defined Contribution Executive Medical Care Plan	(m)
10.9B	Form of Joinder Agreement Under the HomeTrust Bank Defined Contribution Executive Medical Care Plan	(m)
10.9C	Amendment No. 2 to HomeTrust Bank Defined Contribution Executive Medical Care Plan	(r)
10.10	HomeTrust Bank 2005 Deferred Compensation Plan	(d)
10.10A	Amendment No. 1 to HomeTrust Bank 2005 Deferred Compensation Plan	(m)
10.11	HomeTrust Bank Pre-2005 Deferred Compensation Plan	(d)

10.11A	Amendment No. 1 to HomeTrust Bank Pre-2005 Deferred Compensation Plan	(m)
10.12	HomeTrust Bancshares, Inc. 2013 Omnibus Incentive Plan (“Omnibus Incentive Plan”)	(j)
10.13	HomeTrust Bancshares, Inc. 2022 Omnibus Incentive Plan (“Omnibus Incentive Plan”)	(q)
10.14	Form of Incentive Stock Option Award Agreement under Omnibus Incentive Plan	(k)
10.15	Form of Non-Qualified Stock Option Award Agreement under Omnibus Incentive Plan	(k)
10.16	Form of Stock Appreciation Right Award Agreement under Omnibus Incentive Plan	(k)
10.17	Form of Restricted Stock Award Agreement under Omnibus Incentive Plan	(k)
10.18	Form of Restricted Stock Unit Award Agreement under Omnibus Incentive Plan	(k)
10.19	Retirement Payment Agreement, dated as of September 1, 1987, between HomeTrust Bank and Larry S. McDevitt, as amended	(n)
10.20	Change in Control Severance Agreement between HomeTrust Bancshares, Inc. and Marty Caywood	(c)
10.20A	Amendment No. 1 to Change in Control Severance Agreement between HomeTrust Bancshares, Inc. and Marty Caywood	(a)
10.21	Amended and Restated Change in Control Severance Agreement between HomeTrust Bancshares, Inc. and Keith J. Houghton	(g)
10.21A	Amendment No. 1 to Amended and Restated Change in Control Severance Agreement between HomeTrust Bancshares, Inc. and Keith J. Houghton	(a)
10.22	Amended and Restated Change in Control Severance Agreement between HomeTrust Bancshares, Inc. and R. Parrish Little	(p)
10.22A	Amendment No. 1 to Amended and Restated Change in Control Severance Agreement between HomeTrust Bancshares, Inc. and R. Parrish Little	(a)
10.23	Change in Control Severance Agreement between HomeTrust Bancshares, Inc. and Mark DeMarcus	(r)
10.23A	Amendment No. 1 to Change in Control Severance Agreement between HomeTrust Bancshares, Inc. and Mark DeMarcus	(a)
10.24	Change in Control Severance Agreement between HomeTrust Bancshares, Inc. and Kristin Powell	(r)
10.24A	Amendment No. 1 to Change in Control Severance Agreement between HomeTrust Bancshares, Inc. and Kristin Powell	(a)
10.25	Change in Control Severance Agreement between HomeTrust Bancshares, Inc. and Megan Pelletier	(a)
31.1	Certification of Chief Executive Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	31.1
31.2	Certification of Chief Financial Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	31.2
32.0	Certificate of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	32.0
101	The following materials from HomeTrust Bancshares’ Annual Report on Form 10-K for the year ended June 30, 2022, formatted in Extensible Business Reporting Language (XBRL): (a) Consolidated Balance Sheets; (b) Consolidated Statements of Income; (c) Consolidated Statements of Comprehensive Income; (d) Consolidated Statements of Changes in Stockholders' Equity; (e) Consolidated Statements of Cash Flows; and (f) Notes to Consolidated Financial Statements.	101

(a) Filed as an exhibit to HomeTrust Bancshares's Annual Report on Form 10-K for the fiscal year ended June 30, 2022 (File No. 001-35593).

(b) Filed as an exhibit to HomeTrust Bancshares’s Current Report on Form 8-K filed on September 25, 2018 (File No. 001-35593).

(c) Filed as an exhibit to HomeTrust Bancshares's Quarterly Report on Form 10-Q for the quarter ended March 31, 2019 (File No. 001-35593).

(d) Filed as an exhibit to HomeTrust Bancshares’s Registration Statement on Form S-1 (File No. 333-178817) filed on December 29, 2011.

(e) Filed as an exhibit to HomeTrust Bancshares's Current Report on Form 8-K filed on May 24, 2022 (File No. 001-35593).

(f) Filed as an exhibit to HomeTrust Bancshares's Quarterly Report on Form 10-Q for the quarter ended March 31, 2021 (File No. 001-35593).

(g) Filed as an exhibit to HomeTrust Bancshares’s Current Report on Form 8-K filed on September 11, 2018 (File No. 001-35593).

(h) Filed as an exhibit to HomeTrust Bancshares's Current Report on Form 8-K filed on October 28, 2020 (File No. 001-35593).

(i) Filed as an exhibit to Amendment No. 1 to HomeTrust Bancshares’s Registration Statement on Form S-1 (File No. 333-178817) filed on March 9, 2012.

(j) Attached as Appendix A to HomeTrust Bancshares’s definitive proxy statement filed on December 5, 2012 (File No. 001-35593).

(k) Filed as an exhibit to HomeTrust Bancshares’s Registration Statement on Form S-8 (File No. 333-186666) filed on February 13, 2013.

(l) Filed as an exhibit to HomeTrust Bancshares's Current Report on Form 8-K filed on February 15, 2022 (File No. 001-35593).

(m) Filed as an exhibit to HomeTrust Bancshares's Quarterly Report on Form 10-Q for the quarter ended March 31, 2022 (File No. 001-35593).

(n) Filed as an exhibit to HomeTrust Bancshares's Annual Report on Form 10-K for the fiscal year ended June 30, 2014 (File No. 001-35593).

(o) Filed as an exhibit to HomeTrust Bancshares's Current Report on Form 8-K filed on July 28, 2021 (File No. 001-35593).

(p) Filed as an exhibit to HomeTrust Bancshares's Annual Report on Form 10-K for the fiscal year ended June 30, 2018 (File No. 001-35593).

(q) Attached as Appendix A to HomeTrust Bancshares’s definitive proxy statement filed on October 3, 2022 (File No. 001-35593).

(r) Filed as an exhibit to HomeTrust Bancshares's Quarterly Report on Form 10-Q for the quarter ended September 30, 2022 (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, 2023	By:	/s/ C. Hunter Westbrook
		C. Hunter Westbrook
		President and Chief Executive Officer
		(Duly Authorized Officer)
Date: May 9, 2023	By:	/s/ Tony J. VunCannon
		Tony J. VunCannon
		Executive Vice President, CFO, Corporate Secretary and Treasurer
		(Principal Financial and Accounting Officer)

Exhibit 31.1

RULE 13a-14(a) CERTIFICATION

I, C. Hunter Westbrook, 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, 2023	By:	/s/ C. Hunter Westbrook
		C. Hunter Westbrook
		President and Chief Executive Officer

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, 2023	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, 2023, 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, 2023	By:	/s/ C. Hunter Westbrook
		C. Hunter Westbrook
		President and Chief Executive Officer
May 9, 2023	By:	/s/ Tony J. VunCannon
		Tony J. VunCannon
		Executive Vice President, CFO, and Treasurer