HomeTrust Bancshares, Inc.
Form 10-K
September 11, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K
(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended June 30, 2015
OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period From ___________________ To ___________________
Commission File Number 1-35593
HOMETRUST BANCSHARES, INC.
(Exact Name of Registrant as Specified in its Charter)

Maryland	45-5055422
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
10 Woodfin Street, Asheville, North Carolina	28801
(Address of Principal Executive Offices)	(Zip Code)

Registrant's Telephone Number, Including Area Code: (828) 259-3939

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $0.01 per share	The NASDAQ Stock Market LLC

Securities Registered Pursuant to Section 12(g) of the Act:
Preferred Share Purchase Rights
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [ ] No [X]
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes [ ] No [X]
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ].
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [X] No [ ].
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer [ ] Accelerated Filer [X]
Non-Accelerated Filer [ ] (Do not check if a smaller reporting company) Smaller reporting company [ ]
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [ ] No [X].

As of September 8, 2015, there were issued and outstanding 19,154,577 shares of the Registrant's Common Stock. The aggregate market value of the voting stock held by non-affiliates of the Registrant computed by reference to the closing price of such stock as of December 31, 2014, was $324.5 million. (The exclusion from such amount of the market value of the shares owned by any person shall not be deemed an admission by the Registrant that such person is an affiliate of the Registrant).

HOMETRUST BANCSHARES, INC.
FORM 10-K
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
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Forward-Looking Statements

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

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

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

PART I

Item 1. Business

General

HomeTrust Bancshares, Inc., a Maryland corporation, was formed for the purpose of becoming the savings and loan holding company for HomeTrust Bank in connection with HomeTrust Bank's conversion from mutual to stock form, which was completed on July 10, 2012 (the "Conversion"). In connection with the Conversion, HomeTrust Bancshares issued an aggregate of 21,160,000 shares of common stock at an offering price of $10.00 per share for gross proceeds of $211.6 million. HomeTrust Bancshares received $208.4 million in net proceeds from the stock offering of which $104.2 million or 50% of the net proceeds were contributed to HomeTrust Bank upon completion of the Conversion.

On August 25, 2014, HomeTrust Bancshares converted from a savings and loan holding company to a bank holding company and is subject to regulation by the Board of Governors of the Federal Reserve System ("Federal Reserve"), as a result of HomeTrust Bank converting from a federal savings bank to a national bank with the title, "HomeTrust Bank, National Association." HomeTrust Bank is regulated by the OCC, its primary federal regulator, and by the Federal Deposit Insurance Corporation ("FDIC"), the insurer of its deposits. HomeTrust Bank is a member of the Federal Home Loan Bank of Atlanta ("FHLB" or "FHLB of Atlanta"), which is one of the 12 regional banks in the Federal Home Loan Bank System ("FHLB System"). Our headquarters is located in Asheville, North Carolina.

The Bank was originally formed in 1926, in Clyde, North Carolina, as Clyde Building & Loan Association (later Clyde Savings Bank). As we expanded our geographic footprint and product offerings, our name changed to HomeTrust after rebranding on July 22, 2003.

Between fiscal years 1996 and 2011, Home Trust Bank's board of directors and executive management created a unique partnership between six established banks and one de novo bank, where hometown community banks could combine their financial resources to achieve a shared vision. The original partnership banks included:

- HomeTrust Bank, since 1926, Asheville, North Carolina
- Tryon Federal Bank, since 1935, Tryon, North Carolina
- Shelby Savings Bank, since 1905, Shelby, North Carolina
- Home Savings Bank, since 1909, Eden, North Carolina
- Industrial Federal Bank, since 1929, Lexington, North Carolina
- Cherryville Federal Bank, since 1912, Cherryville, North Carolina
- Rutherford County Bank, since 2007, Forest City, North Carolina (de novo bank)

Beginning in 2012, executive management implemented a strategic plan that would complement our existing market areas and enhance our ability to achieve positive growth. Between 2013 and 2015, we entered five attractive markets through various acquisitions and new office openings, as well as expanded our product lines. New locations and markets included:

- BankGreenville Financial Corporation ("BankGreenville") - one office in Greenville, South Carolina (acquired in July 2013)
- Jefferson Bancshares, Inc. ("Jefferson") - 12 offices across East Tennessee (acquired in May 2014)
- Commercial loan production office ("LPO") in Roanoke, Virginia (opened in July 2014)
- Bank of Commerce - one office in Charlotte, North Carolina (acquired in July 2014)
- Ten Bank of America Branch Offices - nine in southwest Virginia, one in Eden, North Carolina (acquired in November 2014)
- Commercial LPO in Raleigh, North Carolina (opened in November 2014)

By expanding our geographic footprint and hiring local experienced talent, we have built a foundation that allows us to focus on organic growth, while maintaining the community-focused, relationship style of exceptional customer service that has differentiated our brand and characterized our success to date.

Our mission is to create stockholder value by building relationships with our employees, customers, and communities. By building a platform that supports growth and profitability, we are continuing our transition toward becoming a high-performing community bank and delivering on our promise that "It's Just Better Here."

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

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

Market Areas

HomeTrust Bank operates in nine metropolitan statistical areas ("MSAs"): Asheville, NC; Charlotte-Concord-Gastonia, NC-SC; Greenville-Anderson-Mauldin, SC; Johnson City, TN; Kingsport-Bristol-Bristol, TN-VA; Knoxville, TN; Morristown, TN, Roanoke, VA, and Raleigh, NC.

Asheville is known for its natural beauty, scenic surroundings, and its vibrant cultural and arts community that parallels that of many larger cities in the United States. It is home to a number of historical attractions, the most prominent of which is the Biltmore Estate, a historic mansion with gardens and a winery that draws approximately one million tourists each year. Due to its scenic location and diverse cultural and historical offerings, the Asheville metropolitan area is a popular destination for tourists, which continues to positively impact our local economy. In addition, affordable housing prices, compared to many bigger cities, combined with the region’s favorable climate have also made the Asheville metropolitan area an increasingly attractive destination for retirees seeking to relocate from other parts of the United States.

Although the recent recession has slowed the region's economic growth somewhat over the past several years, local officials are committed to continuous improvement of the economy. In 2015, Asheville successfully concluded a five-year economic development plan, which brought in over $1 billion in investments from various companies and helped create over 6,300 jobs. Also supporting the economy is the Asheville Regional Airport that transports over 756,000 passengers a year as well as numerous colleges including the University of North Carolina Asheville, Western Carolina University, and Warren Wilson College. The area has several major employers which include: Buncombe County Public Schools, City of Asheville, Mission Health System and Hospital, The Biltmore Company, Ingles Markets, Inc., and the VA Medical Center.

Based on information from the North Carolina Association of Realtors, the average existing home price in the Asheville metropolitan area in June 2015 was $287,352, a 1.1% decrease from June 2014 and a 10.9% increase from June 2013. Existing home sales in the Asheville metropolitan area for June 2015 increased by 18% and 22% as compared to June 2014 and 2013, respectively. Based on information from the U.S. Bureau of Labor Statistics we have set forth below information regarding the unemployment rate in our market areas. In the Asheville metropolitan area, the average unemployment rate in 2015 was 4.7%, a decrease from 4.9% in 2014 and a decrease from 6.3% in 2013.

The Charlotte-Concord-Gastonia, NC-SC metropolitan area is located in both North and South Carolina, within and surrounding the city of Charlotte. Located in the Piedmont region of the Southeastern United States, the Charlotte metropolitan area is well known for its stock car racing history. The region is headquarters to eight Fortune 500 and 15 Fortune 1000 companies, including Bank of America, Duke Energy, Nucor Steel, and Lowe's Home Improvement Stores. Additional headquarters include Harris Teeter, Belk, and Carolinas HealthCare System. The Charlotte MSA is the largest in the Carolinas. Based on information from the North Carolina Association of Realtors, the average existing home price in the Charlotte-Concord-Gastonia, NC-SC metropolitan area in June 2015 was $260,003, a 1% increase from June 2014 and a 8% increase from June 2013. The Charlotte-Concord-Gastonia, NC-SC metropolitan area had a 2014 total population of 2.5 million, an 8.7% increase from 2014 and 2013. The average unemployment rate in the Charlotte-Concord-Gastonia, NC-SC metropolitan area in 2015 was 5.5%, a decrease from 6.1% in 2014, and a decrease from 8.1% in 2013.

The Greenville-Anderson-Mauldin, SC metropolitan area is located in upstate South Carolina, in the foothills of the Blue Ridge Mountains. The MSA had a 2014 total population of 850,965, an increase of 3.1% from 2010, and an increase of 14.6% from 2000. Major employment sectors for the MSA include services, manufacturing, and retail trade. The average unemployment rate in the Greenville-Anderson-Mauldin, SC MSA in 2015 remained unchanged at 5.7% from 2014, and a decrease from 6.2% in 2013.

The Johnson City, TN metropolitan area is an economic hub largely fueled by East Tennessee State University and the medical "Med-Tech" corridor, anchored by the Johnson City Medical Center, Franklin Woods Community Hospital and affiliated facilities. The city’s museums and historical sites include the Hands On! Museum and the Tipton-Haynes State Historic Site, which hosts the annual Bluegrass and Sorghum Making Festival, as well as other seasonal events. The average unemployment rate in the Johnson City, TN metropolitan area in 2015 was 6.2%, a decrease from 7.0% in 2014, and 7.8% in 2013.

The Kingsport-Bristol-Bristol, TN-VA MSA is home to the headquarters of Eastman Chemical Company. The major economic components in Kingsport are healthcare, manufacturing and educational services. The average unemployment rate in the Kingsport-Bristol-Bristol, TN-VA metropolitan statistical area in 2015 was 5.8%, a decrease from 6.6% in 2014, and 7.5% in 2013.

The Knoxville, TN metropolitan area is located where the French Broad and Holston Rivers converge to form the Tennessee River. It is the largest city in East Tennessee and ranks third largest in the state. It is located in a broad valley between the Cumberland Mountains to the northwest and the Great Smoky Mountains to the southeast. The Knoxville area is frequently cited in national surveys as a quality place in which to live. The University of Tennessee calls Knoxville home, with over 27,000 students, making an array of educational and cultural opportunities available to area residents. Affordable housing, health care costs below the national average, a low crime rate, and a pleasant climate and location with nearby lakes and mountains are factors which make Knoxville an attractive place to settle. Major employment sectors in the Knoxville area include government, education, and healthcare. The average unemployment rate in the Knoxville, TN metropolitan area in 2015 was 5.4%, a decrease from 6.3% in 2014 and 6.9% in 2013.

The Morristown, TN metropolitan area includes facilities for numerous Fortune 500 companies including General Electric, International Paper, Alcoa (Howmet), Coca-Cola, Lear Corporation, Pepsi Bottling, NCR Corporation and Colgate-Palmolive. Morristown also includes the facilities of a number of international companies from countries such as Germany, Japan, Sweden, United Kingdom, Italy, Canada and France. Local industries include furniture manufacturing, poultry processing, aircraft parts, healthcare products, and automotive parts. Agriculture including soybeans, corn, livestock and dairy are also significant economic components. Morristown's major job providing segments are healthcare, manufacturing, educational services, furniture and related products, transportation equipment, educational services, and accommodation and food services. The average unemployment rate in the Morristown, TN metropolitan area in 2015 was 6.6%, a decrease from 7.4% in 2014 and 9.5% in 2013.

The Roanoke, VA metropolitan area is located in the Roanoke Valley of western Virginia in the midst of the Blue Ridge and Alleghany Mountains. This 1,874-square mile region is bordered on the west by West Virginia and along the east by the Blue Ridge Mountains. The area is strategically accessible to both the East Coast and Mid-West markets with Interstate 81 passing through the region, Interstate 64 directly north, and Interstate 77 nearby to the south. The Roanoke MSA is the transportation hub of the area with an integrated interstate highway, rail, and air transportation network. Roanoke has the most diverse economy in Virginia and is the cultural and business hub for western Virginia. The Roanoke MSA is home to several large regional banking offices, headquarters of the Fortune 500 retailer Advance Auto, and to several large advanced manufacturing operations, such as those owned by General Electric, ITT Exelis, Dynax America, and Optical Cable Corporation, among others. The Roanoke, VA MSA’s major employment sectors include government, health care and social assistance, retail trade, and manufacturing. The average unemployment rate in the Roanoke, VA metropolitan area in 2015 was 4.9%, a decrease from 5.3% in 2014, and 5.8% in 2013.

The Raleigh, NC metropolitan area is located in the northeast central region of North Carolina. Raleigh is the capital of North Carolina, home to North Carolina State University and central to one of the fastest growing areas in the country - the Research Triangle Park. With its proximity to the Research Triangle Park and several major universities, including the University of North Carolina at Chapel Hill and Duke University, Raleigh has become known for its strengths in technology and innovation. The average unemployment rate in the Raleigh MSA in 2015 was 4.7%, a decrease from 4.9% in 2014 and 6.2% in 2013.

Overall, the job market is improving as shown by the national unemployment rate decreasing to 5.3% in June 2015 compared to 6.1% in 2014. In addition, the state unemployment rates at June 2015 for North Carolina, South Carolina, Tennessee, and Virginia were 5.9%, 6.4%, 5.7%, and 4.8%, respectively. As of June 2014, the state unemployment rates for North Carolina, South Carolina, Tennessee, and Virginia were 6.5%, 5.7%, 7.4%, and 5.4%, respectively.

The Bank has built a strong foundation in the communities we serve and take pride in the role we play. The directors and presidents of each region work with their management team and employees to support local nonprofit and community organizations. Each location helps provide critical services to meet the financial needs of its customers and improve the quality of life for individuals and businesses in its community. Initiatives supporting the core business include affordable housing, education and financial education and building healthy communities. We support these initiatives through both financial and people resources in all of our communities. Collectively, bank employees volunteer thousands of hours annually in their local communities; from helping to build homes to teaching grade school youth how to start healthy savings habits, bank employees are making a positive difference in the lives of others every day.

Competition

We face strong competition in originating real estate and other loans and in attracting deposits. Competition in originating real estate loans comes primarily from other savings institutions, commercial banks, credit unions, life insurance companies, and mortgage bankers. Other savings institutions, commercial banks, credit unions, and finance companies provide vigorous competition in consumer lending. Commercial and industrial loan competition is primarily from local commercial banks. We believe that we compete effectively because we consistently deliver high-quality, personal service to our customers that results in a high level of customer satisfaction. Adding to our competitive advantage is commitment to technological resources, which has expanded our customer service capabilities and increased efficiencies in our lending process.

We attract our deposits through our branch office system. Competition for deposits is principally from other savings institutions, commercial banks, and credit unions located in the same communities, as well as mutual funds and other alternative investments. We believe that we compete for deposits by offering superior service and a variety of deposit accounts at competitive rates. We also have a highly competitive suite of cash management services, online/mobile banking, and internal support expertise specific to the needs of small to mid-sized commercial business customers. Based on the most recent branch deposit data, HomeTrust Bank's deposit market share was:

Location	Rank[(1)]	Deposit Market Share[(1)]
North Carolina	18th	0.94%
Asheville MSA	3rd	7.5%
Charlotte/Gastonia	24th	0.04%
South Carolina	73rd	0.09%
Greenville	19th	0.69%
Tennessee	53rd	0.31%
Morristown	1st	22.67%
Johnson City	4th	6.72%
Kingsport-Bristol	9th	2.45%
Knoxville	23rd	0.33%

(1) Source: FDIC data as of June 30, 2014

Overall, we believe that we distinguish ourselves from larger, national banks operating in our market areas by offering quicker decision-making in the delivery of our products and services and competitive customer-driven products with excellent service and responsiveness, and by providing customer access to our senior managers. In addition, our larger capital base and product mix enable us to compete effectively against smaller banks. Our lending staff is experienced and knowledgeable about local lending in our markets, enabling us to build on the relationship-style banking that is our hallmark.

In addition, the way we create differentiation from our competition to fuel organic growth is by focusing on “HOW” we deliver our products and services. When we promise our customers that "It’s Just Better Here", more than anything, it refers to the care and responsiveness our employees provide to each and every customer. Teamwork is key to our success. Many of our employees have been a part of HomeTrust Bank for decades, while a significant number of employees have more recently brought their industry knowledge and expertise to us through internal growth and acquisition, reflecting their desire to be a part of a high performing team that works well together to make a difference for customers. Our culture includes relationship training and coaching with respect to banking and adding value to our customers. This “culture model” includes four key principles:

- making a difference for customers every day is fun and rewarding;
- success is built on relationships;
- we must continually add value to relationships with our customers and with each other; and
- we need to grow ourselves and our ability to make a difference and add value to relationships.

In implementing these principles, the directors, management team, and employees work to support local nonprofit and community organizations and strive to provide critical services to meet the financial needs of its customers and improve the quality of life for individuals and businesses in our communities. We support affordable housing and education initiatives to help build healthy communities where our partner banks do business through both financial assistance and employees volunteering thousands of hours annually in their local communities. We believe the opportunity to stay close to our customers gives us a unique position in the banking industry as compared to our larger competitors and we are committed to continuing to build strong relationships with our employees, customers and communities for generations to come.

Lending Activities

The following table presents information concerning the composition of our loan portfolio in dollar amounts and in percentages (before deductions for deferred fees and allowances for losses) at the dates indicated.

	At June 30, 2015 Amount	Percent	2014 Amount	Percent	2013 Amount	Percent	2012 Amount	Percent	2011 Amount	Perc
	(Dollars in thousands)									
Retail consumer loans:										
One-to-four family	$650,750	38.61 %	$660,630	44.09 %	$602,980	51.69 %	$620,486	50.36 %	$610,528	45.8
Home equity - originated	161,204	9.56	148,379	9.90	125,676	10.77	143,052	11.61	156,720	11.7
Home equity - purchased	72,010	4.27	—	—	—	—	—	—	—	
Construction and land/lots	45,931	2.73	59,249	3.95	51,546	4.42	53,572	4.35	68,199	5.12
Indirect auto finance	52,494	3.11	8,833	0.59	—	—	—	—	—	—
Consumer	3,708	0.22	6,331	0.42	3,349	0.29	3,819	0.31	4,265	0.32
Total retail consumer loans	986,097	58.50 %	883,422	58.95 %	783,551	67.17 %	820,929	66.63 %	839,712	63.1
Commercial loans:										
Commercial real estate	441,620	26.20 %	377,769	25.21 %	231,086	19.81 %	238,644	19.37 %	269,449	20.2
Construction and development	64,573	3.83	56,457	3.78	23,994	2.06	42,362	3.44	79,458	5.97
Commercial and industrial	84,820	5.03	74,435	4.97	11,452	0.98	14,578	1.18	19,250	1.45
Municipal leases	108,574	6.44	106,215	7.09	116,377	9.98	115,516	9.38	122,921	9.23
Total commercial loans	699,587	41.50 %	614,876	41.05 %	382,909	32.83 %	411,100	33.37 %	491,078	36.9
Total loans	1,685,684	100.00 %	1,498,298	100.00 %	1,166,460	100.00 %	1,232,029	100.00 %	1,330,790	100.
Less:										
Deferred fees	23		(1,340)		(2,277)		(2,984)		(4,273)	
Allowance for losses	(22,374)		(23,429)		(32,073)		(35,100)		(50,140)	
Total loans receivable, net	$1,663,333		$1,473,529		$1,132,110		$1,193,945		$1,276,377	

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The following table shows the composition of our loan portfolio in dollar amounts and in percentages (before deductions for deferred fees and allowances for loan losses) at the dates indicated.

	At June 30,								
	2015			2014			2013		
	Amount	Percent		Amount	Percent		Amount	Percent	
Fixed-rate loans:	(Dollars in thousands)								
Retail consumer loans:									
One-to-four family	$351,904	20.9	%	$351,155	23.4	%	$340,399	29.2	%
Home equity - originated	—	—		—	—		711	0.1	
Construction and land/lots	32,685	1.9		37,484	2.5		30,163	2.6	
Indirect auto finance	52,494	3.1		8,833	0.6		—	—	
Consumer	3,658	0.2		6,078	0.4		3,327	0.3	
Commercial loans:									
Commercial real estate	319,593	19.0		258,272	17.2		167,168	14.3	
Construction and development	36,962	2.2		36,070	2.4		15,933	1.4	
Commercial and industrial	46,126	2.7		40,606	2.7		8,732	0.7	
Municipal leases	108,574	6.5		106,215	7.1		116,377	10.0	
Total fixed-rate loans	951,996	56.5	%	844,713	56.3	%	682,810	58.6	%
Adjustable-rate loans:									
Retail consumer loans:									
One-to-four family	298,846	17.7	%	309,475	20.7	%	262,581	22.5	%
Home equity - originated	161,204	9.6		148,379	9.9		124,965	10.7	
Home equity - purchased	72,010	4.3		—	—		—	—	
Construction and land/lots	13,246	0.8		21,765	1.4		21,383	1.8	
Consumer	50	—		253	—		22	—	
Commercial loans:									
Commercial real estate	122,027	7.2		119,497	8.0		63,918	5.5	
Construction and development	27,611	1.6		20,387	1.4		8,061	0.7	
Commercial and industrial	38,694	2.3		33,829	2.3		2,720	0.2	
Total adjustable-rate loans	733,688	43.5	%	653,585	43.7	%	483,650	41.4	%
Total loans	1,685,684	100.0	%	1,498,298	100.0	%	1,166,460	100.0	%
Less:									
Deferred fees, net	23			(1,340	)		(2,277	)	
Allowance for losses	(22,374	)		(23,429	)		(32,073	)	
Total loans receivable, net	$1,663,333			$1,473,529			$1,132,110		

The increase in loans since 2013 was primarily due to acquisitions and the purchase of home equity loans beginning in November 2014. For further discussion, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of this report.

Loan Maturity. The following table sets forth certain information at June 30, 2015 regarding the dollar amount of loans maturing in our portfolio based on their contractual terms to maturity, but does not include scheduled payments or potential prepayments. Loan balances do not include undisbursed loan proceeds, unearned discounts, unearned income and allowance for loan losses.

	Retail Consumer Due During Years Ending June 30,							
	2016	2017	2018	2019 and 2020	2021 to 2024	2025 to 2029	2030 and following	Total
	(Dollars in thousands)							
One-to-four family								
Amount	$18,110	9,374	13,389	29,321	84,733	111,504	384,319	$650,750
Weighted Average Rate	5.12 %	5.48 %	5.04 %	4.88 %	4.14 %	3.92 %	4.39 %	4.35 %
Home equity - originated								
Amount	$2,234	3,450	10,043	17,389	61,484	38,609	27,995	$161,204
Weighted Average Rate	4.03 %	3.85 %	3.97 %	4.57 %	4.09 %	4.03 %	2.97 %	3.92 %
Home equity - purchased								
Amount	$—	—	—	—	—	—	72,010	$72,010
Weighted Average Rate	— %	— %	— %	— %	— %	— %	3.00 %	3.00 %
Construction and land/lots								
Amount	$1,239	530	449	1,258	4,445	11,260	26,750	$45,931
Weighted Average Rate	5.59 %	6.76 %	6.75 %	6.30 %	5.93 %	5.92 %	4.07 %	4.86 %
Indirect auto finance								
Amount	$1	79	715	10,298	41,401	—	—	$52,494
Weighted Average Rate	3.99 %	3.24 %	3.43 %	3.43 %	3.02 %	— %	— %	3.11 %
Consumer								
Amount	$355	593	819	704	161	249	827	$3,708
Weighted Average Rate	5.21 %	5.48 %	5.13 %	4.20 %	4.19 %	4.47 %	17.43 %	6.68 %

	Commercial Loans Due During Years Ending June 30,							
	2016	2017	2018	2019 and 2020	2021 to 2024	2025 to 2029	2030 and following	Total
	(Dollars in thousands)							
Commercial real estate								
Amount	38,668	38,263	62,890	177,369	70,905	33,116	20,409	$441,620
Weighted Average Rate	5.38 %	4.68 %	4.36 %	4.14 %	4.37 %	4.25 %	4.42 %	4.39 %
Construction and development								
Amount	29,432	7,437	9,138	13,563	3,326	1,677	—	$64,573
Weighted Average Rate	4.47 %	4.17 %	4.47 %	3.94 %	4.39 %	4.09 %	— %	4.31 %
Commercial and industrial								
Amount	27,976	8,157	10,510	19,626	8,697	2,131	7,723	$84,820
Weighted Average Rate	4.32 %	4.61 %	4.43 %	4.05 %	3.94 %	2.70 %	4.57 %	4.23 %
Municipal leases[1]								
Amount	732	894	2,074	9,272	16,613	43,435	35,554	$108,574
Weighted Average Rate	7.50 %	7.23 %	7.42 %	5.35 %	6.31 %	6.84 %	6.84 %	6.65 %

	Total Amount	Weighted Average Rate	
	(Dollars in thousands)		
Due During Years Ending June 30,			
2016	$118,747	4.85	%
2017	68,777	4.74	
2018	110,027	4.49	
2019 and 2020	278,800	4.29	
2021 to 2024	291,765	4.31	
2025 to 2029	241,981	4.58	
2030 and following	575,587	4.30	
Total	$1,685,684	4.41	%

(1) The weighted average rate of municipal loans is adjusted for a 34% federal income tax rate since the interest income from these leases is tax exempt.

The total amount of loans due after June 30, 2016, which have predetermined interest rates is $895.9 million, while the total amount of loans due after such dates which have adjustable interest rates is $671.0 million.

Lending Authority. Residential real estate loans up to $750,000 may be approved at varying levels by certain officers of the Bank. Our Chief Credit Officer may approve loans up to $5.0 million. Loan relationships in excess of $5.0 million in total credit exposure must be approved by our Senior Loan Committee. Loans outside our general underwriting guidelines generally must be approved by the Chief Credit Officer, Chief Banking Officer, a Senior Credit Officer, or Mortgage Fulfillment Manager for residential loans. Certain other bank officers may approve loans outside of our general underwriting guidelines on a limited basis and generally at a lower amount. Lending authority is also granted to certain other bank officers at lower amounts, generally up to $500,000 in total credit exposure for real estate secured loan relationships, provided the loan does not have a Criticized or Classified risk grade.

Beginning in fiscal 2008, we implemented more stringent underwriting policies and procedures related to residential lending which we have maintained and continuously update to ensure originations meet both our investment and asset quality objectives. The additional emphasis on a borrower’s ongoing ability to repay a loan by requiring lower debt to income ratios, higher credit scores, and lower loan to value ratios has increased our overall asset quality. By adhering to these stringent policies and procedures the percentage of one-to-four family residential loans and home equity lines of credit made to borrowers with a credit score greater than 675 has increased to 95.1% in fiscal 2015 from 78.6% during fiscal 2007.

At June 30, 2015, the maximum amount under federal regulation that we could lend to any one borrower and the borrower’s related entities was approximately $44.2 million. Our five largest lending relationships are with commercial borrowers and totaled approximately $50.9 million in the aggregate, or 3.0% of our $1.69 billion net loan portfolio at June 30, 2015. The largest lending relationship at June 30, 2015 consisted of 19 loans totaling approximately $14.5 million. The largest loan in this relationship had an outstanding balance of $2.8 million as of June 30, 2015 and was secured by a non-owner-occupied retail property located in Buncombe County, NC. The remaining relationship exposure primarily consisted of various non-owner-occupied commercial real estate properties located throughout Buncombe County, and owner-occupied residential property located in Buncombe County, NC. At June 30, 2015 these loans were performing in accordance with their original repayment terms.

The second largest lending relationship at June 30, 2015 was approximately $12.1 million consisting of nine loans. The largest loan in this relationship at June 30, 2015 was $4.2 million and was secured by multifamily property located in Sullivan County, TN. The remaining relationship exposure primarily consisted of multi-family property located in eastern Tennessee. At June 30, 2015 these loans were performing in accordance with their original repayment terms.

The third largest lending relationship at June 30, 2015 was approximately $11.4 million to a local borrower in East Tennessee consisting of three loans, the largest of which is a $4.4 million loan secured by a multi-tenant medical and retail property located in Marion County, TN. The remaining loans are secured by a nursing home and medical facility located in California. At June 30, 2015, all loans in the relationship were performing in accordance with their original repayment terms.

The fourth largest lending relationship at June 30, 2015 was approximately $6.6 million consisting of six loans, the largest of which was a $2.3 million loan secured by three non-owner-occupied commercial properties located in Mecklenburg County, NC. At June 30, 2015, all loans in the relationship were performing in accordance with their original repayment terms.

The fifth largest lending relationship at June 30, 2015 was approximately $6.3 million consisting of two leases, the largest of which was a $3.3 million lease secured by two fire substations, two fire trucks and affiliated machinery and equipment, land, and two squad trucks. The remaining lease is secured by three fire station buildings, a heavy rescue vehicle, two fire trucks, and affiliated machinery and equipment. All collateral is located in Chatham County, NC. As of June 30, 2015 these leases were performing in accordance with their original repayment terms.

Retail Consumer Loans
One-to-Four Family Real Estate Lending. We originate loans secured by first mortgages on one-to-four family residences typically for the purchase or refinance of owner-occupied primary or secondary residences located primarily in our market areas. We originate one-to-four family residential mortgage loans primarily through referrals from real estate agents, builders, and from existing customers. Walk-in customers are also important sources of loan originations. At June 30, 2015, $650.8 million, or 38.6%, of our loan portfolio consisted of loans secured by one-to-four family residences.
We originate both fixed-rate loans and adjustable-rate loans. We generally originate mortgage loans in amounts up to 80% of the lesser of the appraised value or purchase price of a mortgaged property, but will also permit loan-to-value ratios of up to 95%. For loans exceeding an 80% loan-to-value ratio we generally require the borrower to obtain private mortgage insurance covering us for any loss on the amount of the loan in excess of 80% in the event of foreclosure.
The majority of our one-to-four family residential loans are originated with fixed rates and have terms of ten to 30 years. At June 30, 2015 our one-to-four family residential loan portfolio included $351.9 million in fixed rate loans, of which $64.7 million were ten year fixed rate loans. We generally originate fixed rate mortgage loans with terms greater than fifteen years for sale to various secondary market investors on a servicing released basis. We also originate adjustable-rate mortgage, or ARM, loans which have interest rates that adjust annually to the yield on U.S. Treasury securities adjusted to a constant one-year maturity plus a margin. Most of our ARM loans are hybrid loans, which after an initial fixed rate period of one, five, or seven years will convert to an annual adjustable interest rate for the remaining term of the loan. Our ARM loans have terms up to 30 years. Our pricing strategy for mortgage loans includes setting interest rates that are competitive with other local financial institutions and consistent with our asset/liability management objectives. Our ARM loans generally have a floor interest rate set at the initial interest rate, and a cap of two percentage points on rate adjustments during any one year and six percentage points over the life of the loan. As a consequence of using caps, the interest rates on these loans may not be as rate sensitive as is our cost of funds.
We generally retain ARM loans that we originate in our loan portfolio rather than selling them in the secondary market. The retention of ARM loans in our loan portfolio helps us reduce our exposure to changes in interest rates. There are, however, unquantifiable credit risks resulting from the potential of increased interest to be paid by the customer as a result of increases in interest rates. It is possible that during periods of rising interest rates the risk of default on ARM loans may increase as a result of repricing and the increased costs to the borrower. We attempt to reduce the potential for delinquencies and defaults on ARM loans by qualifying the borrower based on the borrower's ability to repay the ARM loan assuming that the maximum interest rate that could be charged at the first adjustment period remains constant during the loan term. Another consideration is that although ARM loans allow us to increase the sensitivity of our asset base due to changes in the interest rates, the extent of this interest sensitivity is limited by the periodic and lifetime interest rate adjustment limits. Because of these considerations, we have no assurance that yield increases on ARM loans will be sufficient to offset increases in our cost of funds.
Most of our loans are written using generally accepted underwriting guidelines, and are readily saleable to Freddie Mac, Fannie Mae, or other private investors. Our real estate loans generally contain a "due on sale" clause allowing us to declare the unpaid principal balance due and payable upon the sale of the security property. The average size of our one-to-four family residential loans was $105,500 at June 30, 2015.
A portion of our loans are "non-conforming" because they do not satisfy credit or other requirements due to personal and financial reasons (i.e. divorce, bankruptcy, length of time employed, etc.), and other requirements, imposed by secondary market purchasers. Many of these borrowers have higher debt-to-income ratios, or the loans are secured by unique properties in rural markets for which there are no sales of comparable properties to support the value according to secondary market requirements. We may require additional collateral or lower loan-to-value ratios to reduce the risk of these loans. We believe that these loans satisfy a need in our local market areas. As a result, subject to market conditions, we intend to continue to originate these types of loans.
Property appraisals on real estate securing our one-to-four family loans in excess of $250,000 that are not originated for sale are made by a state-licensed or state-certified independent appraiser approved by the board of directors.

Appraisals are performed in accordance with applicable regulations and policies. For loans that are less than $250,000, we may use the tax assessed value, broker price opinions, and/or a property inspection in lieu of an appraisal. We generally require title insurance policies on all first mortgage real estate loans originated. Homeowners, liability, fire and, if required, flood insurance policies are also required for one-to-four family loans. We do not originate permanent one-to-four family mortgage loans with a negatively amortizing payment schedule, and currently do not offer interest-only mortgage loans. We have not typically originated stated income or low or no documentation one-to-four family loans. At June 30, 2015, $10.7 million of our one-to-four family loans were interest-only.

At June 30, 2015, $98.0 million of our one-to-four family loan portfolio consisted of loans secured by non-owner occupied residential properties. Loans secured by residential rental properties represent a unique credit risk to us and, as a result, we adhere to specific underwriting guidelines for such loans. Additionally, we have established specific loan portfolio concentration limits for loans secured by residential rental property to prevent excessive credit risk that could result from an elevated concentration of these loans. A primary risk factor in non-owner occupied residential real estate lending is the consistency of rental income of the property. Payments on loans secured by rental properties often depend on the successful operation and management of the properties, as well as, the ability of tenants to pay rent. As a result, repayment of such loans may be subject to adverse economic conditions and unemployment trends, and may be sensitive to changes in the supply and demand for such properties. We consider and review a rental income cash flow analysis of the borrower and consider the net operating income of the property, the borrower’s expertise, credit history and profitability, and the value of the underlying property. We generally require collateral on these loans to be a first mortgage along with an assignment of rents and leases. We periodically monitor the performance and cash flow sufficiency of certain residential rental property borrowers based on a number of factors such as loan performance, loan size, total borrower credit exposure, and risk grade.

Home Equity Lines of Credit. Our originated home equity lines of credit ("HELOCs"), consisting of adjustable-rate lines of credit, have been the second largest component of our retail loan portfolio over the past several years. At June 30, 2015, HELOCs-originated totaled $161.2 million or 9.6% of our loan portfolio of which $76.8 million was secured by a first lien on owner-occupied residential property. The lines of credit may be originated in amounts, together with the amount of the existing first mortgage, typically up to 85% of the value of the property securing the loan (less any prior mortgage loans) with an adjustable-rate of interest based on The Wall Street Journal prime rate plus a margin. Currently, our home equity line of credit floor interest rate is dependent on the overall loan to value, and has a cap of 18% above the floor rate over the life of the loan. Originated HELOCs generally have up to a 15-year draw period and amounts may be reborrowed after payment at any time during the draw period. Once the draw period has lapsed, the payment is amortized over a 15-year period based on the loan balance at that time. At June 30, 2015, unfunded commitments on these lines of credit totaled $174.9 million.

Our underwriting standards for originated HELOCs are similar to our one-to-four family loan underwriting standards and include a determination of the applicant’s credit history and an assessment of the applicant’s ability to meet existing obligations and payments on the proposed loan. The stability of the applicant’s monthly income may be determined by verification of gross monthly income from primary employment, and additionally from any verifiable secondary income.

In December 2014, the Company began purchasing HELOCs originated by other financial institutions. At June 30, 2015, HELOCs-purchased totaled $72.0 million or 4.3% of our loan portfolio. Unfunded commitments on these lines of credit were $5.8 million at June 30, 2015. The credit risk characteristics are different for these loans since they were not originated by the Company and the collateral is located outside the Company’s market area, primarily in several western states. All of these loans were originated in 2012 or later and had an average FICO score of 772 and loan to values of less than 90% at origination. The Company has established an allowance for loan losses based on the historical losses in the states where these loans were originated. The Company will monitor the performance of these loans and adjust the allowance for loan losses as necessary.

HELOCs generally entail greater risk than do one-to-four family residential mortgage loans where we are in the first lien position. For those home equity lines secured by a second mortgage, it is unlikely that we will be successful in recovering all or a portion of our loan proceeds in the event of default unless we are prepared to repay the first mortgage loan and such repayment and the costs associated with a foreclosure are justified by the value of the property.

Construction and Land/Lots. We have been an active originator of construction to permanent loans to homeowners building a residence. In addition, we originate land/lot loans predominately for the purchase or refinance of an improved lot for the construction of a residence to be occupied by the borrower. All of our construction and land/lot loans were made on properties located within our market area.

At June 30, 2015, our construction and land/lot loan portfolio was $45.9 million compared to $59.2 million at June 30, 2014. At June 30, 2015, unfunded loan commitments totaled $27.0 million, compared to $25.2 million at June 30, 2014. Construction-to-permanent loans are made for the construction of a one-to-four family property which is intended to be occupied by the borrower as either a primary or secondary residence. Construction-to-permanent loans are originated to the homeowner rather than the homebuilder and are structured to be converted to a first lien fixed- or adjustable-rate permanent loan at the completion of the construction phase. We do not originate construction phase only or junior lien construction-to-permanent loans. The permanent loan is generally underwritten to the same standards as our one-to-four family residential loans and may be held by us for portfolio investment or sold in the secondary market. At June 30, 2015 our construction-to-permanent loans totaled $22.1 million and the average loan size was $131,000. During the construction phase, which typically lasts for six to 12 months, we make periodic inspections of the construction site and loan proceeds are disbursed directly to the contractors or borrowers as construction progresses. Typically, disbursements are made in monthly draws during the construction period. Loan proceeds are disbursed based on a percentage of completion. Construction-to-permanent loans require payment of interest only during the construction phase. Prior to making a commitment to fund a construction loan, we require an appraisal of the property by an independent appraiser. Construction loans may be originated up to 95% of the cost or of the appraised value upon completion, whichever is less; however, we generally do not originate construction loans which exceed the lower of 80% loan to cost or appraised value without securing adequate private mortgage insurance or other form of credit enhancement such as the Federal Housing Administration or other governmental guarantee. We also require general liability, builder's risk hazard insurance, title insurance, and flood insurance (as applicable, for properties located or to be built in a designated flood hazard area) on all construction loans. Subject to market conditions, we expect this type of lending to continue and grow as the economy improves. At June 30, 2015, the largest construction to permanent loan had an outstanding balance of $559,000 and was performing according to the original repayment terms.

Included in our construction and land/lot loan portfolio are land/lot loans, which are typically loans secured by developed lots in residential subdivisions located in our market areas. We originate these loans to individuals intending to construct their primary or secondary residence on the lot within one year from the date of origination. This portfolio may also include loans for the purchase or refinance of unimproved land that is generally less than or equal to five acres, and for which the purpose is to commence the improvement of the land and construction of an owner-occupied primary or secondary residence within one year from the date of loan origination.

Land/lot loans are typically originated in an amount up to 70% of the lower of the purchase price or appraisal, are secured by a first lien on the property, for up to a 20-year term, require payments of interest only and are structured with an adjustable rate of interest on terms similar to our one-to-four family residential mortgage loans. At June 30, 2015, our land/lot loans totaled $23.8 million and the average land/lot loan size was $60,000. At June 30, 2015, the largest land/lot loan had an outstanding balance of $736,000 and was performing according to the original repayment terms.

Construction and land/lot lending affords us the opportunity to achieve higher interest rates and fees with shorter terms to maturity than the rates and fees generated by our one-to-four family permanent mortgage lending. Construction/permanent loans, however, generally involve a higher degree of risk than our one-to-four family permanent mortgage lending. If our appraisal of the value of the completed residence proves to be overstated, we may have inadequate security for the repayment of the loan upon completion of construction and may incur a loss. Land/lot loans also pose additional risk because of the lack of income being produced by the property and the potential illiquid nature of the collateral. These risks can also be significantly impacted by supply and demand conditions.

Indirect Auto Finance. During the middle of fiscal year 2014, we added an indirect auto finance line of business. As June 30, 2015, our indirect auto finance installment contracts totaled \$52.5 million, or 3.1% of our total loan portfolio. As an indirect lender, we market to automobile dealerships, both manufacturer franchised dealerships and independent dealerships, and provide automotive financing through installment contracts on new and used vehicles from 54 auto dealerships located in western North Carolina and upstate South Carolina. Working with strong dealerships within our market area provides us with the opportunity to actively deepen customer relationships through cross-selling opportunities, as 90.8% of our indirect auto finance loans are originated to noncustomers.

The dealers are compensated via an industry standard commission, known as dealer reserve, on marked-up interest rates or from flat rate commission amounts. Our auto finance sales team uses purchased industry data to provide quantitative analysis of dealer sales history to target strong dealerships as the starting point of building long lasting, successful relationships. Local, quick decisions, broad hour coverage, personalized customer service, and prompt contract funding are keys to our success in this competitive line of business. Additionally, our process has been designed to integrate with existing dealership practices, utilize an industry leading decision engine, which provides our internal underwriters with the tools needed to respond quickly to loans meeting our credit policy criteria. Our underwriting procedures for indirect auto loans include an evaluation of an applicant's credit profile along with certain applicant specific characteristics to arrive at an estimate of the associated credit risk. Additionally, internal underwriters may also verify an applicant's employment income and/or residency or where appropriate, verify an applicant's payment history directly with the applicant's creditors. We will also generally verify receipt of the automobile and other information directly with the borrower.

Indirect auto finance customers receive a fixed rate loan in an amount and at an interest rate that is commensurate to their FICO credit score, consumer payment credit history, loan term, and based on our underwriting procedures. The amount financed by us will generally be up to the full sales price of the vehicle plus sales tax, dealer preparation fees, license fees and title fees, plus the cost of service and warranty contracts and "GAP" insurance coverage obtained in connection with the vehicle or the financing (such amounts in addition to the sales price, collectively the "Additional Vehicle Costs"), Accordingly, the amount financed by us generally may exceed, depending on the credit score and applicant’s profile, in the case of new vehicles, the manufacturer's suggested retail price of the financed vehicle and the Additional Vehicle Costs. In the case of used vehicles, if the applicant meets our creditworthiness criteria, the amount financed may exceed the vehicle's value as assigned by one of the two standard reference sources of used cars and the Additional Vehicle Costs.

Our indirect auto portfolio at June 30, 2015, consisted of 2,242 installment loan contracts with weighted-average contract rates of 4.11%, an average FICO credit score of 740, and an average loan to value ratio of 113.47% based on wholesale dealer invoice on new cars and the "Black Book” for used cars. Approximately 93% were originated through manufacturer franchised dealerships and approximately 7% were originated through independent dealerships; 56% were contracts on new vehicles and 44% were contracts on used vehicles. The loan term is averaging 71 months which is comparable to national auto industry data.

Because our primary focus for indirect auto loans is on the credit quality of the customer rather than the value of the collateral, the collectability of an indirect auto loan is more likely than a single-family first mortgage loan to be affected by adverse personal circumstances. We rely on the borrower's continuing financial stability, rather than on the value of the vehicle, for the repayment of an indirect auto loan. Because automobiles usually rapidly depreciate in value, it is unlikely that a repossessed vehicle will cover repayment of the outstanding loan balance.

Consumer Lending. Our consumer loans consist of loans secured by deposits accounts or personal property such as automobiles, boats, and motorcycles, as well as unsecured consumer debt. At June 30, 2015, our consumer loans totaled $3.7 million, or 0.2% of our loan portfolio. We originate our consumer loans primarily in our market areas. Consumer loans generally have shorter terms to maturity, which reduces our exposure to changes in interest rates. In addition, management believes that offering consumer loan products helps to expand and create stronger ties to our existing customer base by increasing the number of customer relationships and providing cross-marketing opportunities.

Our underwriting standards for consumer loans include a determination of the applicant’s credit history and an assessment of the applicant’s ability to meet existing obligations and payments on the proposed loan. The stability of the applicant’s monthly income may be determined by verification of gross monthly income from primary employment, and additionally from any verifiable secondary income.

Consumer loans generally entail greater risk than do one-to-four family residential mortgage loans, particularly in the case of consumer loans that are unsecured or secured by rapidly depreciable assets, such as automobiles. In these cases, any repossessed collateral for a defaulted loan may not provide an adequate source of repayment of the outstanding loan balance. As a result, consumer loan collections are dependent on the borrower’s continuing financial stability and thus are more likely to be adversely affected by job loss, divorce, illness or personal bankruptcy.

Commercial Loans

Commercial Real Estate Lending. We originate commercial real estate loans, including loans secured by hotels, office space, office/warehouse, retail strip centers, vehicle dealerships, mini-storage facilities, medical and professional buildings, retail sites, and churches located in our market areas. As of June 30, 2015, $441.6 million or 26.2% of our total loan portfolio was secured by commercial real estate property, including multifamily loans totaling $43.1 million, or 2.6% of our total loan portfolio. Of that amount, $182.6 million was identified as owner occupied commercial real estate, and the remainder of $259.0 million was secured by income producing, or non-owner-occupied commercial real estate. Commercial real estate loans generally are priced at a higher rate of interest than one-to-four family residential loans. Typically, these loans have higher loan balances, are more difficult to evaluate and monitor, and involve a greater degree of risk than one-to-four family residential loans. Often payments on loans secured by commercial or multi-family properties are dependent on the successful operation and management of the property; therefore, repayment of these loans may be affected by adverse conditions in the real estate market or the economy. We generally require and obtain loan guarantees from financially capable parties based upon the review of personal financial statements. If the borrower is a corporation, we generally require and obtain personal guarantees from the corporate principals based upon a review of their personal financial statements and individual credit reports. The average outstanding loan size in our commercial real estate portfolio was $357,000 as of June 30, 2015. Given the Bank’s recent expansions into new mid-sized metropolitan areas, the Bank’s commercial focus is on developing and fostering strong banking relationships with small to mid-size clients within our market area. At June 30, 2015, the largest commercial real estate loan in our portfolio was to a local borrower in East Tennessee for $4.1 million, secured by a renovated nursing home located in Sacramento, California. Our largest multi-family loan as of June 30, 2015 was a brick townhouse complex on approximately 11 acres in Morristown, Tennessee with an outstanding balance of $4.3 million. Both of these loans were performing according to their original repayment terms as of June 30, 2015.

We offer both fixed- and adjustable-rate commercial real estate loans. Our commercial real estate mortgage loans generally include a balloon maturity of five years or less. Amortization terms are generally limited to 20 years. Adjustable rate based loans typically include a floor and ceiling interest rate and are indexed to The Wall Street Journal prime rate, plus or minus an interest rate margin and rates generally adjust daily. The maximum loan to value ratio for commercial real estate loans is generally up to 80% on purchases and refinances. We require appraisals of all non-owner occupied commercial real estate securing loans in excess of $250,000, and all owner-occupied commercial real estate securing loans in excess of $500,000, performed by independent appraisers. For loans less than these amounts, we may use the tax assessed value, broker price opinions, and/or a property inspection in lieu of an appraisal.

If we foreclose on a commercial real estate loan, our holding period for the collateral typically is longer than for one-to-four family residential mortgage loans because there are fewer potential purchasers of the collateral. Further, our commercial real estate loans generally have relatively large balances to single borrowers or related groups of borrowers. Accordingly, if we make any errors in judgment in the collectability of our commercial real estate loans, any resulting charge-offs may be larger on a per loan basis than those incurred with our retail loan portfolios.

Construction and Development Lending. For many years, we had been an active originator of commercial real estate construction loans in our market areas to builders; however, as housing markets weakened in recent years we significantly reduced our origination of new construction and development loans. Our construction and development loans are predominately for the purchase or refinance of unimproved land held for future residential development, improved residential lots held for speculative investment purposes and for the future construction of speculative one-to-four family or commercial real estate. We also originate construction loans for the development of business properties and multi-family dwellings.

Over the past five years, we have worked diligently to manage and reduce our exposure to construction and development loans. At June 30, 2015, our construction and development loans totaled $64.6 million, or 3.8% of our total loan portfolio. Most of the construction and development portfolio is from acquisitions over the past two years and these loans are reviewed quarterly. For more information, see "Summary of Significant Accounting Policies - Acquired Loans" in Note 1 of the Notes to Consolidated Financial Statements included in Item 8 of this Form 10-K. At June 30, 2015, $24.4 million or 37.8% of our construction and development loans required interest-only payments.

A minimal amount of these construction loans provide for interest payments to be paid out of an interest reserve, which is established in connection with the origination of the loan pursuant to which we will fund the borrower's monthly interest payments and add the payments to the outstanding principal balance of the loan. Unfunded commitments at June 30, 2015 totaled $17.0 million compared to $1.9 million at June 30, 2014 and $2.3 million at June 30, 2013. We have reduced the origination of new speculative construction and development loans related to residential properties to select borrowers with whom we have long-standing lending relationships. Currently, only the board of directors and certain senior officers are authorized to approve speculative one-to-four family construction loans or loans for the development of land into residential lots.

Since fiscal 2009 we have not originated a significant amount of builder construction loans to fund the speculative construction of one-to-four family residential properties. These homes typically have an average price ranging from $200,000 to $500,000. Speculative construction loans are made to home builders and are termed “speculative” because the home builder does not have, at the time of loan origination, a signed contract with a home buyer who has a commitment for permanent financing with either us or another lender for the finished home. The home buyer may be identified either during or after the construction period, with the risk that the builder will have to fund the debt service on the speculative construction loan and finance real estate taxes and other carrying costs of the completed home for a significant period of time after the completion of construction, until a home buyer is identified. Loans to finance the construction of speculative single-family homes and subdivisions were generally offered to experienced builders in our primary market areas. All builders are qualified using the same standards as other commercial loan credits, requiring minimum debt service coverage ratios and established cash reserves to carry projects through construction completion and sale of the project. These loans require payment of interest-only during the construction phase. At June 30, 2015, loans for the speculative construction of single family properties totaled $8.7 million compared to $5.1 million at June 30, 2014. At June 30, 2015, we had one borrower with an aggregate outstanding loan balance of $1.4 million and secured by properties located in our market areas. At June 30, 2015, no speculative construction loans were on non-accrual status.

Land acquisition and development loans are included in the construction and development loan portfolio, and represent loans made to developers for the purpose of acquiring raw land and/or for the subsequent development and sale of residential lots. Such loans typically finance land purchase and infrastructure development of properties (i.e. roads, utilities, etc.) with the aim of making improved lots ready for subsequent sale to consumers or builders for ultimate construction of residential units. The primary source of repayment is generally the cash flow from developer sale of lots or improved parcels of land, secondary sources and personal guarantees, which may provide an additional measure of security for such loans. Strong demand for housing led to loan growth in this category in recent years. However, the recent downturn in real estate has slowed lot and home sales within our market areas. This has impacted certain developers by lengthening the marketing period of their projects and negatively affecting borrower’s liquidity and collateral values.

Land acquisition and development loans are generally secured by property in our primary market areas. In addition, these loans are secured by a first lien on the property, are generally limited up to 65% of the lower of the acquisition price or the appraised value of the land and generally have a maximum amortization term of ten years with a balloon maturity of up to three years. We require title insurance and, if applicable, a hazardous waste survey reporting that the land is free of hazardous or toxic waste. At June 30, 2015, our land acquisition and development loans in our commercial construction and development portfolio totaled $34.5 million. The largest land acquisition and development loan had an outstanding balance at June 30, 2015 of $2.0 million and was performing according to its repayment terms. The subject loan is secured by property located in Woolwine, VA. At June 30, 2015, 15 land acquisition and development loans totaling $3.5 million were on non-accrual status.

We have made construction loans for commercial development projects. These projects include multi-family, apartment, retail, office/warehouse and office buildings. We generally do not originate commercial real estate construction loans without a satisfactory permanent financing (“take-out”) commitment or non-contingent arm’s length purchase contract from a reputable lender or qualified purchaser. Commercial construction and construction to permanent loans are offered on an adjustable interest rate or fixed interest rate basis. Adjustable interest rate based loans typically include a floor and ceiling interest rate and are indexed to The Wall Street Journal prime rate, plus or minus an interest rate margin. The initial construction period is generally limited to 12 months from the date of origination, and amortization terms are generally limited to 20 years; however, amortization terms of up to 25 years may be available for certain property types based on elevated underwriting and qualification criteria. Construction to permanent loans generally include a balloon maturity of five years or less; however, balloon maturities of greater than five years are allowed on a limited basis depending on factors such as property type, amortization term, lease terms, pricing, or the availability of credit enhancements. Construction loan proceeds are disbursed commensurate with the percentage of completion of work in place, as documented by periodic internal or third party inspections. The maximum loan-to-value limit applicable to these loans is generally 80% of the appraised post-construction value. Disbursement of funds is at our sole discretion and is based on the progress of construction. At June 30, 2015 we had $23.8 million of non-residential construction loans included in our commercial construction and development loan portfolio.

We require all real estate securing construction and development loans to be appraised by an independent Bank-approved state-licensed or state-certified real estate appraiser. General liability, builder’s risk hazard insurance, title insurance, and flood insurance (as applicable, for properties located or to be built in a designated flood hazard area) are also required on all construction and development loans.

Construction and development lending affords us the opportunity to achieve higher interest rates and fees with shorter terms to maturity than the rates and fees generated by its single-family permanent mortgage lending. Construction lending, however, generally involves a higher degree of risk than single-family permanent mortgage lending because of the inherent difficulty in estimating both a property’s value at completion of the project and the estimated cost of the project, as well as the time needed to sell the property at completion. The nature of these loans is such that they are generally more difficult to evaluate and monitor. Because of the uncertainties inherent in estimating construction costs, as well as, the market value of the completed project and the effects of governmental regulation of real property, it is relatively difficult to evaluate accurately the total funds required to complete a project and the related loan-to-value ratio. This type of lending also typically involves higher loan principal amounts and is often concentrated with a small number of builders. Land acquisition and development loans also pose additional risk because of the lack of income being produced by the property and the potential illiquid nature of the collateral. These risks can be significantly impacted by the supply and demand conditions. As a result, construction loans often involve the disbursement of substantial funds with repayment dependent, in part, on the success of the ultimate project and the ability of the borrower to sell or lease the property or refinance the indebtedness, rather than the ability of the borrower or guarantor to repay principal and interest. If our appraisal of the value of the completed project proves to be overstated, we may have inadequate security for the repayment of the loan upon completion of construction of the project and may incur a loss.

Commercial and Industrial Loans. We typically offer commercial and industrial loans to small businesses located in our primary market areas. These loans are primarily originated as conventional loans to business borrowers, which include lines of credit, term loans, and letters of credit. These loans are typically secured by collateral and are used for general business purposes, including working capital financing, equipment financing, capital investment, and general investments. Loan terms vary from typically one to five years. The interest rates on such loans are either fixed rate or adjustable rate indexed to The Wall Street Journal prime rate plus a margin. Inherent with our extension of business credit is the business deposit relationship which frequently includes multiple accounts and related services from which we realize low cost deposits plus service and ancillary fee income.

Commercial and industrial loans typically have shorter maturity terms and higher interest rates than real estate loans, but generally involve more credit risk because of the type and nature of the collateral. We are focusing our efforts on small- to medium-sized, privately-held companies with local or regional businesses that operate in our market areas. At June 30, 2015, commercial and industrial loans totaled $84.8 million, which represented 5.0% of our total loan portfolio. Our commercial business lending policy includes credit file documentation and analysis of the borrower’s background, capacity to repay the loan, the adequacy of the borrower’s capital and collateral, as well as an evaluation of other conditions affecting the borrower. Analysis of the borrower's past, present and future cash flows is also an important aspect of our credit analysis. We generally obtain personal guarantees on our commercial business loans.

Repayment of our commercial and industrial loans is often dependent on the cash flows of the borrower, which may be unpredictable, and the collateral securing these loans may fluctuate in value. Our commercial business loans are originated primarily based on the identified cash flow of the borrower and secondarily on the underlying collateral provided by the borrower. Most often, this collateral consists of equipment, inventory or accounts receivable. Credit support provided by the borrower for most of these loans and the probability of repayment is based on the liquidation of the pledged collateral and enforcement of a personal guarantee, if any. As a result, in the case of loans secured by accounts receivable, the availability of funds for the repayment of these loans may be substantially dependent on the ability of the borrower to collect amounts due from its customers. The collateral securing other loans may depreciate over time, may be difficult to appraise and may fluctuate in value based on the success of the business.

Municipal Leases. We offer ground and equipment lease financing to fire departments located primarily throughout North Carolina and, to a lesser extent, South Carolina. Municipal leases are secured primarily by a ground lease in our name with a sublease to the borrower for a firehouse or an equipment lease for fire trucks and firefighting equipment. We originate these loans primarily through a third party that assigns the lease to us after we fund the loan. All leases are underwritten directly by us prior to funding. These leases are at a fixed rate of interest and may have a term to maturity of up to 20 years.

At June 30, 2015, municipal leases totaled $108.6 million, which represented 6.4% of our total loan portfolio. At that date, $46.1 million, or 42.5% of our municipal leases were secured by fire trucks, $22.5 million, or 20.7%, were secured by firehouses, $38.7 million or 35.6%, were secured by both, with the remaining $1.3 million or 1.2% secured by miscellaneous firefighting equipment. At June 30, 2015, the average outstanding municipal lease size was $339,000. These loans are our highest yielding loans since the interest earned is tax-exempt, and this portfolio has the lowest delinquency rate of any of our loan types.

Repayment of our municipal leases is often dependent on the tax revenues collected by the county/municipality on behalf of the fire department. Although a municipal lease does not constitute a general obligation of the county/municipality for which the county/municipality's taxing power is pledged, a municipal lease is ordinarily backed by the county/municipality's covenant to budget for, appropriate and pay the tax revenues to the fire department. However, certain municipal leases contain "non-appropriation" clauses which provide that the municipality has no obligation to make lease or installment purchase payments in future years unless money is appropriated for such purpose on a yearly basis. In the case of a "non-appropriation" lease, our ability to recover under the lease in the event of non-appropriation or default will be limited solely to the repossession of the leased property, without recourse to the general credit of the lessee, and disposition or releasing of the property might prove difficult. At June 30, 2015, $3.0 million of our municipal leases contained a non-appropriation clause.

Loan Originations, Purchases, Sales, Repayments and Servicing

We originate both fixed-rate and adjustable-rate loans. Our ability to originate loans, however, is dependent upon customer demand for loans in our market area. Demand is affected by competition and the interest rate environment. During the past few years, we, like many other financial institutions, have experienced significant prepayments on loans due to the low interest rate environment prevailing in the United States. In periods of economic uncertainty, the ability of financial institutions, including us, to originate large dollar volumes of real estate loans may be substantially reduced or restricted, with a resultant decrease in interest income. We do not generally purchase loans or loan participations except for municipal leases and HELOCs. We actively sell the majority of our long-term fixed-rate residential first mortgage loans to the secondary market at the time of origination and retain our adjustable-rate residential mortgages and fixed-rate mortgages with terms to maturity less than 15 years and other consumer and commercial loans. During the years ended June 30, 2015 and 2014 we sold $74.4 million and $73.5 million, respectively, in whole loans to the secondary market. We release the servicing on the loans we sell into the secondary market. Loans are generally sold on a non-recourse basis.

In addition to interest earned on loans and loan origination fees, we receive fees for loan commitments, late payments and other miscellaneous services. The fees vary from time to time, generally depending on the supply of funds and other competitive conditions in the market.

The following table shows our loan origination, purchase, sale and repayment activities for the periods indicated.

	Years Ended June 30,		
	2015	2014	2013
Originations:[1]			
Retail consumer:	(In thousands)		
One-to-four family	$163,652	$141,743	$347,925
Home equity - originated	46,728	30,030	13,716
Construction and land/lots	49,689	49,455	35,907
Indirect auto finance	53,010	9,598	—
Consumer	3,113	3,294	2,123
Commercial loans:			
Commercial real estate	112,349	35,773	28,649
Construction and development	47,955	13,389	3,971
Commercial and industrial	34,583	18,960	4,013
Total loans originated	$511,079	$302,242	$436,304
Purchases:			
Retail consumer:			
Home equity - purchased	$79,039	$—	$—
Commercial loans:			
Commercial real estate	648	330	205
Municipal leases	15,282	15,814	23,540
Loans acquired through business combination	87,529	377,093	—
Total loans purchased or acquired	$182,498	$393,237	$23,745
Sales and repayments:			
Retail consumer:			
One-to-four family sales	$73,474	$85,829	$227,117
Home equity - originated	—	117	141
Construction and land/lots	—	219	—
Consumer	—	27	—
Commercial loans:			
Commercial real estate	6,386	427	827
Construction and development	805	213	500
Commercial and industrial	594	—	—
Total sales	81,259	86,832	228,585
Principal repayments	420,232	284,535	297,033
Total reductions	$501,491	$371,367	$525,618
Net increase (decrease)	$192,086	$324,112	$(65,569)

(1) Originations include loans originated for sale of $74.4 million, $73.5 million, and $227.1 million for years ended June 30, 2015, 2014, and 2013, respectively.

Asset Quality

Loan Delinquencies and Collection Procedure. When a borrower fails to make a required payment on a residential real estate loan, we attempt to cure the delinquency by contacting the borrower. A late notice is sent 15 days after the due date, and the borrower may also be contacted by phone at this time. If the delinquency continues, subsequent efforts are made to contact the delinquent borrower and additional collection notices and letters are sent. When a loan is 90 days delinquent, we may commence repossession or a foreclosure action. Reasonable attempts are made to collect from borrowers prior to referral to an attorney for collection. In certain instances, we may modify the loan or grant a limited moratorium on loan payments to enable the borrower to reorganize their financial affairs, and we attempt to work with the borrower to establish a repayment schedule to cure the delinquency.

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Delinquent consumer loans are handled in a similar manner, except that late notices are sent within 30 days after the due date. Our procedures for repossession and sale of consumer collateral are subject to various requirements under the applicable consumer protection laws, as well as, other applicable laws and the determination by us that it would be beneficial from a cost basis.

Delinquent commercial loans are initially handled by the loan officer in charge of the loan, who is responsible for contacting the borrower. The collections department also works with the commercial loan officers to see that the necessary steps are taken to collect delinquent loans, while ensuring that standard delinquency notices and letters are mailed to the borrower. No later than 90 days past the due date, a collection officer takes over the loan for further collection activities. In addition, we have a management loan committee that meets as needed and reviews past due and classified commercial real estate loans, as well as, other loans that management believes may present possible collection problems. If an acceptable workout of a delinquent commercial loan cannot be reached, we generally initiate foreclosure or repossession proceedings on any collateral securing the loan.

The following table sets forth our loan delinquencies by type, by amount and by percentage of type at June 30, 2015.

	Loans Delinquent For:											
	30-89 Days				90 Days and Over				Total Loans Delinquent 30 Days or More			
	Number	Amount	Percent of Loan Category		Number	Amount	Percent of Loan Category		Number	Amount	Percent of Loan Category	
	(Dollars in thousands)											
Retail consumer loans:												
One-to-four family	71	$5,548	0.85	%	68	$8,261	1.27	%	139	$13,809	2.12	%
Home equity - originated	14	695	0.43		19	808	0.50		33	1,503	0.93	
Home equity - purchased	—	—	—		—	—	—		—	—	—	
Construction and land/lots	2	102	0.22		7	307	0.67		9	409	0.89	
Indirect auto finance	—	—	—		1	—	—		1	—	—	
Consumer	4	23	0.62		20	2	0.05		24	25	0.67	
Commercial loans:												
Commercial real estate	15	2,758	0.62		16	4,636	1.05		31	7,394	1.67	
Construction and development	4	166	0.26		12	2,992	4.63		16	3,158	4.89	
Commercial and industrial	8	439	0.52		37	2,898	3.42		45	3,337	3.93	
Municipal leases	1	202	0.19		—	—	—		1	202	0.19	
Total	119	$9,933	0.59	%	180	$19,904	1.18	%	299	$29,837	1.77	%

Nonperforming Assets. Nonperforming assets were $31.9 million, or 1.15%, of total assets at June 30, 2015, compared to $52.6 million, or 2.53%, at June 30, 2014.

Over the past several years we have significantly improved our risk profile by aggressively managing and reducing our problem assets, and our total construction and development loans outstanding have declined substantially. We continue to believe our level of nonperforming assets is manageable, and we believe that we have sufficient capital and human resources to manage the collection of our one-to-four family residential construction and related land and land development loans and other nonperforming assets in an orderly fashion. However, our operating results could be adversely impacted if we are unable to significantly manage our nonperforming assets.

Loans are placed on nonaccrual status when the collection of principal and/or interest becomes doubtful or other factors involving the loan warrant placing the loan on nonaccrual status. Troubled debt restructurings are loans which have renegotiated loan terms to assist borrowers who are unable to meet the original terms of their loans. Such modifications to loan terms may include a lower interest rate, a reduction in principal, or a longer term to maturity. During the fiscal year ended June 30, 2015, 46 loans for $6.3 million were modified from their original terms and were identified in our asset quality reports as a troubled debt restructuring. This compares to 37 loans for $3.3 million that were modified in the fiscal year ended June 30, 2014. As of June 30, 2015, the outstanding balance of troubled debt restructured loans was $31.0 million, comprised of 289 loans as compared to $37.8 million comprised of 296 loans at June 30, 2014.

Once a nonaccruing troubled debt restructuring has performed according to its modified terms for six months and the collection of principal and interest under the revised terms is deemed probable, the troubled debt restructuring is removed from nonaccrual status. At June 30, 2015, $7.6 million of troubled debt restructurings were classified as nonaccrual, including $2.4 million of construction and development loans. As of June 30, 2015, $21.9 million or 57.9% of the restructured loans have a current payment status as compared to $22.2 million or 58.7% at June 30, 2014. Performing troubled debt restructurings decreased $288,000 or 1.3%, from June 30, 2014 to June 30, 2015. The table below sets forth the amounts and categories of nonperforming assets.

	At June 30, 2015	2014	2013	2012	2011
Nonaccruing loans:[1]	(In thousands)				
Retail consumer loans:					
One-to-four family	$10,523	$14,917	$29,811	$27,659	$17,821
Home equity - originated	1,856	2,749	3,793	4,781	2,536
Home equity - purchased	—	—	—	—	—
Construction and land/lots	465	443	2,172	3,437	2,766
Indirect auto finance	—	—	—	—	—
Consumer	49	27	42	76	23
Commercial loans:					
Commercial real estate	5,103	12,953	21,149	15,008	8,197
Construction and development	3,461	5,697	10,172	12,583	16,620
Commercial and industrial	3,081	1,134	1,422	637	40
Municipal leases	316	—	—	—	474
Total nonaccruing loans	24,854	37,920	68,561	64,181	48,477
Real Estate Owned assets:					
Retail consumer loans:					
One-to-four family	1,613	3,876	4,276	7,297	4,299
Home equity - originated	20	627	642	—	32
Home equity - purchased	—	—	—	—	—
Construction and land/lots	1,096	1,613	1,861	1,616	1,326
Indirect auto finance	—	—	—	—	—
Consumer	—	—	—	—	—
Commercial loans:					
Commercial real estate	978	3,820	2,016	2,449	2,023
Construction and development	3,317	4,725	2,943	4,768	6,177
Commercial and industrial	—	—	—	—	—
Municipal leases	—	—	—	—	—
Total foreclosed assets	7,024	14,661	11,738	16,130	13,857
Total nonperforming assets	$31,878	$52,581	$80,299	$80,311	$62,334
Total nonperforming assets as a percentage of total assets	1.15 %	2.53 %	5.07 %	4.67 %	3.81 %
Performing Troubled Debt Restructurings	$21,891	$22,179	$14,012	$20,588	$49,379

(1) Purchased credit impaired ("PCI") loans totaling $8,158 at June 30, 2015 and $9,091 at June 30, 2014 are excluded from nonaccruing loans due to the accretion of discounts established in accordance with the acquisition method of accounting for business combinations. There were no PCI loans prior to 2014.

For the years ended June 30, 2015 and 2014, gross interest income which would have been recorded had the nonaccruing loans been current in accordance with their original terms amounted to $2.0 million and $3.2 million, respectively. The amount that was included in interest income on such loans was $2.7 million and $3.0 million, respectively. At June 30, 2015, $48.4 million in nonaccruing loans were individually evaluated for impairment; $1.9 million of the allowance for loan losses was allocated to these individually impaired loans at period-end. A loan is impaired when it is probable, based on current information and events, that we will be unable to collect all contractual principal and interest payments due in accordance with the terms of the loan agreements. Troubled debt restructurings are also considered impaired. Impaired loans are measured on an individual basis for individually significant loans based on the present value of expected future cash flows discounted at the loan's effective interest rate or, as a practical expedient, at the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. The amount of impairment, if any, and any subsequent changes are included in the allowance for loan losses.

We record real estate owned ("REO") (property acquired through a lending relationship) at fair value less cost to sell on a non-recurring basis. All REO properties are recorded at amounts which are equal to the lower of the related loan balance or the fair value of the properties based on independent appraisals (reduced by estimated selling costs) upon transfer of the loans to REO. From time to time, non-recurring fair value adjustments to REO are recorded to reflect partial write-downs based on an observable market price or current appraised value of property. The individual carrying values of these assets are reviewed for impairment at least annually and any additional impairment charges are expensed to operations. For the years ended June 30, 2015 and 2014, we recognized $406,000 and $581,000, respectively, of REO impairment charges.

Within our nonaccruing loans, as of June 30, 2015 we had a total of four nonaccrual lending relationships, each with aggregate loan exposures in excess of $1.0 million that collectively comprised $7.1 million, or 28.4% of our total nonaccruing loans. The single largest relationship was $2.2 million at that date. Our nonaccruing loan exposures in excess of $1.0 million are included in the following table (dollars in thousands):

Amount	Percent of Total Nonaccruing Loans		Collateral Securing the Indebtedness	Geographic Location
$2,178	8.76	%	1st Lien on business equipment	Sullivan County, TN
2,039	8.20		1st Lien on improved commercial land	Buncombe County, NC
1,357	5.46		1st Lien on non-owner occupied medical office commercial real estate	Cleveland County, NC
1,486	5.98		1st Lien on non-owner occupied commercial real estate and 1-4 family residential real estate	Transylvania and Buncombe County, NC
$7,060	28.40	%		

At June 30, 2015, we had $7.0 million of REO, the largest of which is $877,000 related to a commercial/residential construction and development project located in Duncan, SC. The second and third largest REO properties are undeveloped land in Anderson County, TN and Lake Toxaway, NC with book values of $756,000 and $357,000, respectively. At June 30, 2015 all other REO properties have individual book values of less than $350,000.

REO decreased $7.6 million, to $7.0 million at June 30, 2015 primarily due to the sale of $9.7 million in REO, partially offset by $2.3 million in transfers from loans and $210,000 from a recent acquisition. The total balance of REO included $4.3 million in land, construction and development projects (both residential and commercial), $1.1 million in commercial real estate and $1.6 million in single-family homes at June 30, 2015.

In fiscal 2015, we liquidated $16.9 million in REO based on contractual loan values at the time of foreclosure, realizing $9.7 million in net proceeds, or 57.4%, of the foreclosed contractual loan balances. As of June 30, 2015, the book value of our REO, expressed as a percentage of the related contractual loan balances at the time the properties were transferred to REO was 36.7%.

Other Loans of Concern. In addition to the nonperforming assets set forth in the table above, as of June 30, 2015, there were 664 accruing loans totaling $85.6 million with respect to which known information about the possible credit problems of the borrowers have caused management to have concerns as to the ability of the borrowers to comply with present loan repayment terms and which may result in the future inclusion of such items in the nonperforming asset categories. These loans have been considered in management's determination of our allowance for loan losses.

Classified Assets. Loans and other assets, such as debt and equity securities considered to be of lesser quality, are classified as “substandard,” “doubtful” or “loss.” An asset is considered “substandard” if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. “Substandard” assets include those characterized by the “distinct possibility” that the insured institution will sustain “some loss” if the deficiencies are not corrected. Assets classified as “doubtful” have all of the weaknesses in those classified “substandard,” with the added characteristic that the weaknesses present make “collection or liquidation in full,” on the basis of currently existing facts, conditions and values, “highly questionable and improbable.” Assets classified as “loss” are those considered “uncollectible” and of such little value that their continuance as assets without the establishment of a specific loss reserve is not warranted.

When we classify a problem asset as either substandard or doubtful, we may establish a specific allowance for loan losses in an amount deemed prudent by management. When we classify problem assets as “loss,” we either establish a specific allowance for losses equal to 100% of that portion of the asset so classified or charge off such amount. Our determination as to the classification of our assets and the amount of our valuation allowances is subject to review by our bank regulators, which may order the establishment of additional general or specific loss allowances. Assets which do not currently expose us to sufficient risk to warrant classification in one of the aforementioned categories but possess weakness are designated by us as “special mention.”

We regularly review the problem assets in our portfolio to determine whether any assets require classification in accordance with applicable regulations. On the basis of management's review of our assets, at June 30, 2015, our classified assets (consisting of $74.1 million of loans and $7.0 million of REO) totaled $81.1 million, or 2.92%, of our assets, of which $24.9 million was included in nonaccruing loans. The aggregate amounts of our classified assets and special mention loans at the dates indicated (as determined by management), were as follows:

	At June 30,	
	2015	2014
Classified Assets:	(In thousands)	
Loss	$56	$18
Doubtful	2,539	5,967
Substandard – performing	48,271	31,374
– nonaccruing	23,243	41,531
Total classified loans	74,109	78,890
REO	7,024	14,661
Total classified assets	81,133	93,551
Special mention loans	36,972	45,927
Total classified assets and special mention loans	$118,105	$139,478

Allowance for Loan Losses. The allowance for loan losses is a valuation account that reflects our estimation of the losses in our loan portfolio to the extent they are reasonable to estimate. The allowance is maintained through provisions for loan losses that are charged to earnings in the period they are established. We charge losses on loans against the allowance for loan losses when we believe the collection of loan principal is unlikely. Recoveries on loans previously charged off are added back to the allowance.

In recent years, home and lot sales activity and real estate values have modestly improved along with general economic conditions in our market areas resulting in materially lower loan charge-offs and nonaccruing loans than in prior fiscal years. Proactively managing our loan portfolio and aggressively resolving troubled assets has been and will continue to be a primary focus for us. As a result, our nonperforming assets declined substantially over the last two years. At June 30, 2015, our nonaccruing loans decreased to $24.9 million as compared to $37.9 million at June 30, 2014, and $68.6 million at June 30, 2013. At June 30, 2015, $8.5 million, or 34.3%, of our total nonaccruing loans were current on their loan payments as compared to $23.9 million, or 50.9%, of total nonaccruing loans at June 30, 2014. During fiscal 2015 classified assets decreased $12.4 million, or 13.3%, to $81.1 million and delinquent loans (loans delinquent 30 days or more) increased $1.9 million, or 6.9%, to $29.8 million at June 30, 2015. There were $1.2 million and $2.3 million in net loan charge-offs during the fiscal years ended June 30, 2015 and 2014, respectively. Our provision for loan losses was $150,000 during fiscal 2015 as compared to a $6.3 million recovery during fiscal 2014. Our loan loss provision in fiscal 2015 reflects our loan growth partially offset by our improved risk profile as indicated by the improvement in our key credit quality metrics. Although we continue to actively engage our borrowers in resolving remaining problem assets, future additions to our allowance for loan losses will be meaningfully influenced by the course of recovery from the recent economic recession.

At June 30, 2015, our allowance for loan losses was $22.4 million, or 1.33%, of our total loan portfolio, and 90.0% of total nonaccruing loans. Excluding the loans acquired from Bank of Commerce, Jefferson, and BankGreenville, which have been recorded at fair value with an appropriate credit discount, the allowance for loan losses was 1.58% of total loans at June 30, 2015. Management’s estimation of an appropriate allowance for loan losses is inherently subjective as it requires estimates and assumptions that are susceptible to significant revisions as more information becomes available or as future events change. The level of allowance is based on estimates and the ultimate losses may vary from these estimates. Large groups of smaller balance homogeneous loans, such as residential real estate, small commercial real estate, home equity and consumer loans, are evaluated in the aggregate using historical loss factors adjusted for current economic conditions. Assessing the allowance for loan losses is inherently subjective as it requires making material estimates, including the amount and timing of future cash flows expected to be received. In the opinion of management, the allowance, when taken as a whole, reflects estimated loan losses in our loan portfolio.

A loan is considered impaired when, based on current information and events, it is probable that we will be unable to collect the scheduled payments of principal or interest when due. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

Future additions to the allowance for loan losses may be necessary if economic and other conditions in the future differ substantially from the current operating environment. In addition, the OCC as an integral part of its examination process periodically reviews our loan and foreclosed real estate portfolios and the related allowance for loan losses and valuation allowance for foreclosed real estate. The OCC may require the allowance for loan losses or the valuation allowance for foreclosed real estate to be increased based on its review of information available at the time of the examination, which would negatively affect our earnings.

The following table summarizes the distribution of the allowance for loan losses by loan category at the dates indicated.

	At June 30, 2015		2014		2013		2012		2011	
	Amount	Percent of loans in each category to total loans	Amount	Percent of loans in each category to total loans	Amount	Percent of loans in each category to total loans	Amount	Percent of loans in each category to total loans	Amount	Percent of loans in each category to total loans
	(Dollars in thousands)									
Allocated at end of period to:										
Retail consumer loans:										
One-to-four family	$7,990	38.61 %	$10,527	44.09 %	$15,098	51.69 %	$14,557	50.36 %	$14,108	45.88 %
Home equity - originated	1,777	9.56	2,487	9.90 %	3,827	10.77	3,531	11.61	3,710	11.78
Home equity - purchased	432	4.27	—	— %	—	—	—	—	—	—
Construction and land/lots	1,822	2.73	2,420	3.95 %	2,890	4.42	2,955	4.35	5,507	5.12
Indirect auto finance	464	3.11	113	0.59 %	—	—	—	—	—	—
Consumer	128	0.22	184	0.42 %	138	0.29	129	0.31	213	0.32
Commercial loans:										
Commercial real estate	6,339	26.20	5,439	25.21 %	6,583	19.81	6,454	19.37	9,427	20.25 %
Construction and development	1,581	3.83	1,241	3.78 %	2,399	2.06	6,253	3.44	15,599	5.97 %
Commercial and industrial	1,104	5.03	249	4.97 %	156	0.98	315	1.18	453	1.45 %
Municipal leases	737	6.44	769	7.09 %	982	9.98	906	9.38	1,123	9.23 %
Total loans	$22,374	100.00 %	$23,429	100.00 %	$32,073	100.00 %	$35,100	100.00 %	$50,140	100.00 %

The following table sets forth an analysis of our allowance for loan losses at the dates and for the periods indicated.

	Years Ended June 30,				
	2015	2014	2013	2012	2011
	(Dollars in thousands)				
Balance at beginning of period:	$23,429	$32,073	$35,100	$50,140	$41,713
Provision for (recovery of) loan losses	150	(6,300)	1,100	15,600	42,800
Charge-offs:					
Retail consumer loans:					
One-to-four family	1,878	3,269	1,855	9,355	3,572
Home equity - originated	551	330	1,023	3,573	743
Construction and land/lots	483	804	770	3,690	2,510
Indirect auto finance	107	—	—	—	—
Consumer	274	33	67	131	10
Total retail consumer loans	3,293	4,436	3,715	16,749	6,835
Commercial loans:					
Commercial real estate	704	413	1,624	3,083	6,736
Construction and development	368	377	1,568	12,770	21,629
Commercial and industrial	495	110	84	210	130
Municipal leases	—	—	—	—	—
Total commercial loans	1,567	900	3,276	16,063	28,495
Total charge-offs	4,860	5,336	6,991	32,812	35,330
Recoveries:					
Retail consumer loans:					
One-to-four family	758	875	617	120	189
Home equity - originated	231	153	95	59	31
Construction and land/lots	95	624	137	183	1
Indirect auto finance	34	—	—	—	—
Consumer	91	10	5	—	—
Total retail consumer loans	1,209	1,662	854	362	221
Commercial loans:					
Commercial real estate	479	120	252	1,202	581
Construction and development	1,311	1,052	1,656	516	48
Commercial and industrial	656	159	102	92	107
Municipal leases	—	—	—	—	—
Total commercial loans	2,446	1,331	2,010	1,810	736
Total recoveries	3,655	2,993	2,864	2,172	957
Net charge-offs	1,205	2,343	4,127	30,640	34,373
Balance at end of period	$22,374	$23,429	$32,073	$35,100	$50,140
Net charge-offs during the period to average loans outstanding during the period [1]	0.07 %	0.19 %	0.34 %	2.34 %	2.59 %
Net charge-offs during the period to average non-performing assets [1]	2.89 %	3.40 %	4.99 %	38.73 %	54.59 %
Allowance as a percentage of nonperforming assets	70.19 %	44.56 %	39.94 %	43.71 %	80.44 %
Allowance as a percentage of total loans(end of period)[2]	1.33 %	1.56 %	2.75 %	2.85 %	3.77 %

(1) In accordance with regulatory guidance, we charged-off $16.7 million related to impaired loans for which we previously had recorded valuation allowances for the year ended June 30, 2012.

(2) Excluding the loans acquired from recent acquisitions, which have been recorded at fair value with an appropriate credit discount, the allowance for loan losses was 1.58% and 2.05% of total loans at June 30, 2015 and 2014, respectively.

Investment Activities

The Bank invests in various securities based on investment policies that have been approved by our board of directors and adhere to federal bank regulations. These securities include: United States Treasury obligations, securities of various federal agencies, including mortgage-backed securities, callable agency securities, certain certificates of deposit of insured banks and savings institutions, certain bankers' acceptances, repurchase agreements, investment grade corporate bonds and commercial paper, federal funds, and limited types of equity securities. See "How We Are Regulated - HomeTrust Bank" for a discussion of additional restrictions on our investment activities.

Our chief executive officer and chief financial officer have the basic responsibility for the management of our investment portfolio, subject to the direction and guidance of the board of directors. These officers consider various factors when making decisions, including the marketability, maturity, and tax consequences of the proposed investment. The maturity structure of investments will be affected by various market conditions, including the current and anticipated slope of the yield curve, the level of interest rates, the trend of new deposit inflows, and the anticipated demand for funds via deposit withdrawals and loan originations and purchases.

The general objectives of our investment portfolio are to provide liquidity when loan demand is high, to assist in maintaining earnings when loan demand is low and to optimize earnings while satisfactorily managing risk, including credit risk, reinvestment risk, liquidity risk and interest rate risk. At June 30, 2015, our investment portfolio consisted primarily of U.S. government agency securities and mortgage-backed securities all held as available for sale. We currently do not have any investments held to maturity or for trading.

These securities are of high quality, possess minimal credit risk, and have an aggregate market value in excess of total amortized cost as of June 30, 2015. For more information, please see Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations - Asset/Liability Management" and Note 3 of the Notes to Consolidated Financial Statements contained in Item 8 in this report.

The Company began purchasing commercial paper during 2015 in conjunction with its short-term leverage strategy, to take advantage of higher returns with relatively low risk, yet remain highly liquid. The commercial paper balance at June 30, 2015 was $256.2 million. The overall increases were primarily a result of the Branch Acquisition and additional funds from FHLB borrowings. For more information, please see Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations - Comparison of Financial Condition at June 30, 2015 and June 30, 2014" and Note 1 of the Notes to Consolidated Financial Statements contained in Item 8 in this report.

We do not currently participate in hedging programs, stand-alone contracts for interest rate caps, floors or swaps, or other activities involving the use of off-balance sheet derivative financial instruments and have no present intention to do so. Further, we do not invest in securities which are not rated investment grade.

As a member of the FHLB of Atlanta, we had $22.5 million in stock of the FHLB of Atlanta at June 30, 2015. For the years ended June 30, 2015 and 2014, we received $562,000 and $79,000, respectively, in dividends from the FHLB of Atlanta. Upon converting to a bank holding company, the Company is now required to maintain stock in the Federal Reserve Bank of Richmond ("FRB"). At June 30, 2015 we had $6.2 million in FRB stock. For the year ended June 30, 2015, we received $313,000 in dividends from the FRB.

The following table sets forth the composition of our securities portfolio and other investments at the dates indicated. All securities at the dates indicated have been classified as available for sale. At June 30, 2015, our securities portfolio did not contain securities of any issuer with an aggregate book value in excess of 10% of our equity capital, excluding those issued by the United States government or its agencies or United States government sponsored entities.

	At June 30,					
	2015		2014		2013	
	Book Value	Fair Value	Book Value	Fair Value	Book Value	Fair Value
	(In thousands)					
Securities available for sale:						
U.S. government and federal agency	$115,683	$116,071	$38,085	$38,093	$6,000	$6,002
Mortgage-backed securities	120,294	120,809	111,455	111,436	18,794	18,748

Municipal bonds	16,359	16,678	15,951	16,220	—	—
Corporate bonds	3,889	3,985	2,912	3,025	—	—
Equity securities	63	63	—	—	—	—
Total securities available for sale	256,288	257,606	168,403	168,774	24,794	24,750
FHLB stock	22,541	22,541	3,697	3,697	1,854	1,854
FRB stock	6,170	6,170	—	—	—	—
Total securities	$284,999	$286,317	$172,100	$172,471	$26,648	$26,604

The composition and contractual maturities of our investment securities portfolio as of June 30, 2015, excluding equity securities and FHLB and FRB stock, are indicated in the following table. Maturities are based on the final contractual payment dates, and do not reflect the impact of prepayments or early redemptions that may occur.

	June 30, 2015				
	1 year or less	Over 1 year to 5 years	Over 5 to 10 years	Over 10 years	Total
Securities available for sale:	(Dollars in thousands)				
U.S. government and federal agency:					
Amortized cost	$—	$78,666	$37,017	$—	$115,683
Fair value	—	78,829	37,242	—	116,071
Weighted average yield	— %	1.06 %	1.92 %	— %	1.32 %
Mortgage-backed securities					
Amortized cost	6	1,502	23,537	95,249	120,294
Fair value	6	1,533	23,598	95,672	120,809
Weighted average yield	— %	2.10 %	1.42 %	2.00 %	1.88 %
Municipal bonds					
Amortized cost	317	3,185	9,089	3,768	16,359
Fair value	317	3,203	9,298	3,860	16,678
Weighted average yield	0.35 %	1.84 %	3.53 %	3.41 %	3.15 %
Corporate bonds					
Amortized cost	—	1,417	2,472	—	3,889
Fair value	—	1,423	2,562	—	3,985
Weighted average yield	— %	3.83 %	3.37 %	— %	3.60 %
Total securities					
Amortized cost	$323	$84,770	$72,115	$99,017	$256,225
Fair value	$323	$84,988	$72,700	$99,532	$257,543
Weighted average yield	0.34 %	1.15 %	2.01 %	2.05 %	1.74 %

Sources of Funds

General. Our sources of funds are primarily deposits, borrowings, payments of principal and interest on loans, and funds provided from operations.

Deposits. We offer a variety of deposit accounts with a wide range of interest rates and terms to both consumers and businesses. Our deposits consist of savings, money market and demand accounts, and certificates of deposit ("CDs"). We solicit deposits primarily in our market areas. At June 30, 2015, 2014 and 2013, we had $14.5 million, $14.9 million, and $16.6 million in brokered deposits, respectively, which included certificates of deposit made under our participation in the Certificate of Deposit Account Registry Service® (“CDARS”). Through CDARS, we can provide a depositor the ability to place up to $50.0 million on deposit with us while receiving FDIC insurance on the entire deposit by placing customer funds in excess of the FDIC deposit limits with other financial institutions in the CDARS network. In return, these financial institutions place customer funds with us on a reciprocal basis. As of June 30, 2015, core deposits, which we define as our non-certificate or non-time deposit accounts, represented approximately 69.2% of total deposits.

We primarily rely on competitive pricing policies, marketing, and customer service to attract and retain deposits. The flow of deposits is influenced significantly by general economic conditions, changes in money market and prevailing interest rates and competition. The variety of deposit accounts we offer has allowed us to be competitive in obtaining funds and to respond with flexibility to changes in consumer demand. We have become more susceptible to short-term fluctuations in deposit flows as customers have become more interest rate conscious. We try to manage the pricing of our deposits in keeping with our asset/liability management, liquidity and profitability objectives, subject to competitive factors. Based on our experience, we believe that our deposits are relatively stable sources of funds. Despite this stability, our ability to attract and maintain these deposits and the rates paid on them has been and will continue to be significantly affected by market conditions.

A large percentage of our deposits are in CDs. Our liquidity could be reduced if a significant amount of CDs, maturing within a short period of time, were not renewed. Historically, a significant portion of the CDs remain with us after they mature and we believe that this will continue. However, the need to retain these time deposits could result in an increase in our cost of funds.

The following table sets forth our deposit flows during the periods indicated.

(Dollars in thousands)	Years Ended June 30, 2015	2014	2013
Beginning balance	$1,583,047	$1,154,750	$1,466,175
Deposits acquired from business combination	422,596	466,463	—
Net deposits withdrawals	(138,409)	(43,430)	(318,392)
Interest credited	4,892	5,264	6,967
Ending balance	$1,872,126	$1,583,047	$1,154,750
Net increase (decrease)	$289,079	$428,297	$(311,425)
Percent increase (decrease)	18.26%	37.09%	(21.24)%

The following table sets forth the dollar amount of savings deposits in the various types of deposit programs offered by us at the dates indicated.

	2015 Amount	2015 Percent of Total	2014 Amount	2014 Percent of Total	2013 Amount	2013 Percent of Total
	(Dollars in thousands)					
Transaction and Savings Deposits:						
Interest-bearing checking	$387,379	20.69%	$295,386	18.66%	$195,659	16.94%
Noninterest-bearing checking	204,050	10.90	123,285	7.79	60,828	5.27
Savings	221,674	11.84	175,974	11.12	82,158	7.11
Money market	481,948	25.74	354,247	22.38	275,718	23.88
Total non-certificates	$1,295,051	69.18%	$948,892	59.94%	$614,363	53.20%
Certificates:						
0.00-0.99%	$473,539	25.29%	$480,437	30.35%	$351,093	30.40%
1.00-1.99%	64,126	3.43	107,730	6.81	126,914	10.99
2.00-2.99%	24,915	1.33	33,660	2.13	44,245	3.83
3.00-3.99%	10,065	0.54	7,900	0.50	10,815	0.94
4.00-4.99%	4,426	0.24	4,428	0.28	6,498	0.56
5.00% and over	4	—	—	—	822	0.07
Total certificates	$577,075	30.82%	$634,155	40.06%	$540,387	46.80%
Total deposits	$1,872,126	100.00%	$1,583,047	100.00%	$1,154,750	100.00%

The following table shows rate and maturity information for our CDs at June 30, 2015.

	0.00-0.99%	1.00-1.99%	2.00-2.99%	3.00-3.99%	4.00-4.99%	5.00% or greater	Total	Percent of Total
	(In thousands)							
Quarter ending:								
September 30, 2015	$182,957	$6,880	$5,791	$601	$—	$—	$196,229	34.0 %
December 31, 2015	81,732	5,409	9,793	—	—	—	96,934	16.8
March 31, 2016	56,381	6,924	3,336	—	—	—	66,641	11.5
June 30, 2016	50,926	1,739	3,172	—	—	—	55,837	9.7
September 30, 2016	19,043	7,273	694	3,999	—	—	31,009	5.4
December 31, 2016	15,540	6,985	1	2	—	2	22,530	3.9
March 31, 2017	14,443	4,581	—	—	—	—	19,024	3.3
June 30, 2017	13,002	4,389	—	—	—	—	17,391	3.0
September 30, 2017	5,907	4,943	—	3	—	—	10,853	1.9
December 31, 2017	4,768	3,651	—	—	—	—	8,419	1.5
March 31, 2018	3,897	4,031	—	96	—	—	8,024	1.4
June 30, 2018	3,447	1,582	—	115	11	—	5,155	0.9
Thereafter	21,496	5,739	2,128	5,249	4,415	2	39,029	6.8
Total	$473,539	$64,126	$24,915	$10,065	$4,426	$4	$577,075	100.0 %
Percent of total	82.1 %	11.1 %	4.3 %	1.7 %	0.8 %	— %	100.0 %	

The following table indicates the amount of our CDs by time remaining until maturity as of June 30, 2015.

	Maturity				
	3 Months or Less	Over 3 to 6 Months	Over 6 to 12 Months	Over 12 Months	Total
	(In thousands)				
CDs less than $100,000	$113,344	$51,842	$62,930	$88,994	$317,110
CDs of $100,000 or more	79,080	40,689	43,532	72,214	235,515
Public funds[(1)]	3,805	4,403	16,016	226	24,450
Total certificates of deposit	$196,229	$96,934	$122,478	$161,434	$577,075

(1) Deposits from government and other public entities.

Borrowings. Although deposits are our primary source of funds, we may utilize borrowings to manage interest rate risk or as a cost-effective source of funds when they can be invested at a positive interest rate spread for additional capacity to fund loan demand according to our asset/liability management goals. Our borrowings consist primarily of advances from the FHLB of Atlanta and retail repurchase agreements. In November 2014, management made a strategic decision to increase our borrowings of low-cost FHLB funds to generate additional net interest income with the proceeds, as well as dividend income from the required purchase of additional FHLB stock.

We may obtain advances from the FHLB of Atlanta upon the security of certain of our mortgage loans and mortgage-backed and other securities. These advances may be made pursuant to several different credit programs, each of which has its own interest rate, range of maturities and call features, and all long-term advances are required to provide funds for residential home financing. As of June 30, 2015, we had $475.0 million in FHLB advances outstanding and the ability to borrow an additional $16.5 million. In addition to FHLB advances, at June 30, 2015 we had a $170.6 million line of credit with the FRB, subject to qualifying collateral, and $35.0 million available through lines of credit with two unaffiliated banks. See Note 9 of the Notes to Consolidated Financial Statements included in Item 8 of this Form 10-K for more information about FHLB advances, and other borrowings.

The following tables set forth information regarding our borrowings at the end of and during the periods indicated. The tables include both long- and short-term borrowings.

	Years ended June 30,		
	2015	2014	2013
	(Dollars in thousands)		
Maximum balance:			
Federal Home Loan Bank advances	$475,000	$55,939	$15,080
Securities sold under agreements to repurchase	—	—	8,475
Average balances:			
Federal Home Loan Bank advances	$245,464	$6,109	$5,378
Securities sold under agreements to repurchase	—	—	5,015
Weighted average interest rate:			
Federal Home Loan Bank advances	0.20 %	0.20 %	4.93 %
Securities sold under agreements to repurchase	—	—	0.24

	At June 30,		
	2015	2014	2013
	(Dollars in thousands)		
Balance outstanding at end of period:			
Federal Home Loan Bank advances	$475,000	$50,000	$—
Securities sold under agreements to repurchase	—	—	—
Weighted average interest rate of:			
Federal Home Loan Bank advances	0.20 %	0.20 %	— %
Securities sold under agreements to repurchase	—	—	—

Subsidiary and Other Activities

HomeTrust Bank has one operating subsidiary, Western North Carolina Service Corporation (“WNCSC”), whose primary purpose is to own several office buildings in Asheville, North Carolina which are leased to HomeTrust Bank. Our capital investment in WNCSC as of June 30, 2015 was $1.0 million.

Employees

At June 30, 2015, we had a total of 475 full-time employees and 30 part-time employees. Our employees are not represented by any collective bargaining group. Management considers its employee relations to be good. Management also considers our employees to be a great team of highly engaged, competent and caring people who effectively deliver our brand promise to customers every day that "It's Just Better Here." Their performance creates word-of-mouth referrals that result in the growth of new customers and expanded customer relationships.

Internet Website

We maintain a website with the address www.hometrustbancshares.com. The information contained on our website is not included as a part of, or incorporated by reference into, this Annual Report on Form 10-K. Other than an investor’s own Internet access charges, we make available free of charge through our website our Annual Report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and amendments to these reports, as soon as reasonably practicable after we have electronically filed such material with, or furnished such material to, the SEC.

HOW WE ARE REGULATED

General. HomeTrust Bancshares, Inc. is subject to examination and supervision by, and is required to file certain reports with, the Federal Reserve. HomeTrust Bancshares, Inc. is also subject to the rules and regulations of the SEC under the federal securities laws.

The Bank is subject to examination and regulation primarily by the OCC and, to a lesser extent, by the FDIC. This system of regulation and supervision establishes a comprehensive framework of activities in which the Bank may engage and is intended primarily for the protection of depositors and the FDIC deposit insurance fund. The Bank is periodically examined by the OCC to ensure that it satisfies applicable standards with respect to its capital adequacy, assets, management, earnings, liquidity and sensitivity to market interest rates. The OCC also regulates the branching authority of the Bank, which generally permits nationwide branching de novo and branching by acquisition where allowed by applicable state law. The Bank's relationship with its depositors and borrowers is regulated by federal consumer protection laws. The Consumer Financial

Protection Bureau ("CFPB") issues regulations under those laws that the Bank must comply with. The Bank is also regulated to a lesser extent by the Federal Reserve, which governs the reserves to be maintained against deposits and other matters. The Bank's relationship with its depositors and borrowers is also regulated by state laws with respect to certain matters, including the enforceability of loan documents.

On August 25, 2014, the Bank converted from a federal savings bank to a national bank with the title "HomeTrust Bank, National Association." In connection with the conversion of the Bank, HomeTrust Bancshares, Inc. changed from a savings and loan holding company to a bank holding company, regulated under the Bank Holding Company Act.

The following is a brief description of certain laws and regulations applicable to HomeTrust Bancshares, Inc. and the Bank. Descriptions of laws and regulations here and elsewhere in this report do not purport to be complete and are qualified in their entirety by reference to the actual laws and regulations. Legislation is introduced from time to time in the United States Congress that may affect the operations of HomeTrust Bancshares and the Bank. In addition, the regulations that govern us may be amended from time to time. Any such legislation or regulatory changes in the future could adversely affect our operations and financial condition.

Financial Regulatory Reform. The Dodd-Frank Act, which was enacted in July 2010, imposed new restrictions and an expanded framework of regulatory oversight for financial entities, including depository institutions and their holding companies.

The following summarizes significant aspects of the Dodd-Frank Act that may materially affect the operations and condition of HomeTrust Bank and HomeTrust Bancshares:

- Dodd-Frank Act established the CFPB and empowered it to exercise broad regulatory, supervisory and enforcement authority with respect to both new and existing consumer financial protection laws. HomeTrust Bank is subject to consumer protection regulations issued by the CFPB, but as a smaller financial institution, HomeTrust Bank is generally subject to OCC supervision and enforcement with respect to its compliance with federal consumer financial protection laws and CFPB regulations.
- Bank holding companies and savings and loan holding companies are required to serve as a source of strength for their banking subsidiaries.
- The federal banking agencies must promulgate new rules on regulatory capital, for both depository institutions, and their holding companies. These are described below.
- The prohibition on payment of interest on demand deposits was repealed.
- State consumer financial protection laws are preempted only if they would have a discriminatory effect on a federal savings association or are specifically preempted by any federal law. The OCC must make a preemption determination with respect to a state consumer financial protection law on a case-by-case basis with respect to a particular state law or other state law with substantively equivalent terms.
- Deposit insurance was permanently increased to $250,000.
- The deposit insurance assessment base for FDIC insurance became the depository institution's total average assets minus the sum of its average tangible equity during the assessment period, rather than being based on the level of deposits.
- The minimum reserve ratio of the FDIC deposit insurance fund increased to 1.35% of estimated annual insured deposits or assessment base; however, the FDIC is directed to "offset the effect" of the increased reserve ratio for insured depository institutions with total consolidated assets of less than $10.0 billion.

Regulation of HomeTrust Bank

The Bank is subject to regulation and oversight by the OCC extending to all aspects of its operations. The Bank is required to maintain minimum levels of regulatory capital and is subject to some limitations on the payment of dividends to HomeTrust Bancshares. See "- Current Capital Requirements for HomeTrust Bank," "-Limitations on Dividends and Other Capital Distributions" and "-New Capital Rules." The Bank also is subject to some regulation and examination by the FDIC, which insures the deposits of the Bank to the maximum extent permitted by law.

Office of the Comptroller of the Currency. The investment and lending authority of the Bank is prescribed by federal laws and OCC regulations, and the Bank is prohibited from engaging in any activities not permitted by such laws and regulations. As a federal savings bank, the Bank was subject to a 35% of total assets limit on consumer loans, commercial paper and corporate debt securities, a 20% limit on commercial loans, a 10% limit on certain leases, and a 400% of total capital limit on non-residential real property loans. As a national bank, the Bank is not subject to these limits.

As a federal savings association, the Bank was required to meet a qualified thrift lender ("QTL") test. This test required the Bank to have at least 65% of its portfolio assets, as defined by regulation, in qualified thrift investments on a monthly average for nine out of every 12 months on a rolling basis. As a national bank, the Bank is not subject to the QTL test.

The Bank is subject to a statutory lending limit on aggregate loans to one person or a group of persons combined because of certain relationships and common interests. That limit is generally equal to 15% of unimpaired capital and surplus, which was $44.2 million as of June 30, 2015. The limit is increased to 25% for loans fully secured by readily marketable collateral. The Bank has no lending relationships in excess of its lending limit.

The Bank is subject to periodic examinations by the OCC. During these examinations, the examiners may require the Bank to provide for higher general or specific loan loss reserves, which can impact our capital and earnings. The Bank is subject to a semi-annual assessment based upon its total assets and regulatory risk to fund the operations of the OCC.

The OCC has adopted guidelines establishing safety and soundness standards on such matters as loan underwriting and documentation, asset quality, earnings standards, internal controls and audit systems, interest rate risk exposure and employee compensation and benefits. Any institution that fails to comply with these standards must submit a compliance plan.

The OCC has primary enforcement responsibility over the Bank and has authority to bring actions against the Bank and certain institution-affiliated parties, including officers, directors, and employees, for violations of laws or regulations and for engaging in unsafe and unsound practices. Formal enforcement actions include the issuance of a capital directive or cease and desist order, civil money penalties, removal of officers and/or directors, and receivership or conservatorship of the institution. Civil penalties cover a wide range of violations and can amount to $25,000 per day, or even $1 million per day in especially egregious cases. The FDIC has the authority to recommend to the OCC that enforcement action be taken with respect to a particular institution. If action is not taken by the OCC, the FDIC has authority to take such action under certain circumstances. Federal law also establishes criminal penalties for certain violations or improper conduct.

Pursuant to the Dodd-Frank Act, federal banking and securities regulators issued final rules to implement Section 619 of the Dodd-Frank Act (the “Volcker Rule”). These rules became effective April 15, 2014, with a conformance period for certain features lasting until July 21, 2015. Generally, subject to a transition period and certain exceptions, the Volcker Rule restricts insured depository institutions and their affiliates from engaging in short-term proprietary trading of certain securities, investing in funds not registered with the SEC with collateral not entirely comprised of loans, and from engaging in hedging activities that do not hedge a specific identified risk.

Insurance of Accounts and Regulation by the FDIC. The deposit insurance fund of the FDIC insures deposit accounts in HomeTrust Bank up to $250,000 per separately insured deposit ownership right or category. The FDIC may initiate an action for termination of deposit insurance, if it is deemed warranted based on violations or other unsafe and unsound conduct at the institution.

The Dodd-Frank Act requires that FDIC deposit insurance assessments be based on assets instead of deposits. The FDIC has issued rules for this purpose, under which the assessment base for an institution is average total assets minus average tangible equity. The FDIC assesses deposit insurance premiums on each FDIC-insured institution quarterly based on annualized rates for one of four risk categories applied to its deposits, subject to certain adjustments. Each institution is assigned to one of four risk categories based on its capital, supervisory ratings and other factors. Well capitalized institutions that are financially sound with only a few minor weaknesses are assigned to Risk Category I. Risk Categories II, III, and IV involve progressively greater risks to the deposit insurance fund, due to weaknesses at the insured institution. For an institution with assets of less than $10 billion, assessments are as follows. For Risk Category I, initial base assessment rates are 5 to 9 basis points, and after adjustments for unsecured debt issued by an institution, total base assessment rates are 2.5 to 9 basis points, subject to increases for institutions that hold unsecured debt of other FDIC-insured institutions. For Risk Categories II to IV, initial base assessment rates are 14 to 35 basis points, subject to adjustments for unsecured debt issued by an institution and brokered deposits, such that total base assessment rates are 9 to 45 basis points, subject to increases for institutions that hold unsecured debt of other FDIC-insured institutions. The FDIC may change assessment rates or revise its risk-based assessment system if deemed necessary to maintain an adequate reserve ratio for the fund.

Transactions with Related Parties. Transactions between the Bank and its affiliates are required to be on terms as favorable to the Bank as transactions with non-affiliates. Certain of these transactions, such as loans to an affiliate, are restricted to a percentage of the Bank's capital, and loans to affiliates require eligible collateral in specified amounts. HomeTrust Bancshares, Inc is an affiliate of the Bank.

Federal law generally prohibits loans by HomeTrust Bancshares to its executive officers and directors, but there is a specific exception for loans made by HomeTrust Bank to its executive officers and directors in compliance with federal banking laws. However, HomeTrust Bank's authority to extend credit to its executive officers, directors and 10% shareholders ("insiders"), as well as entities those insiders control, is limited. The individual and aggregate amounts of loans that HomeTrust Bank may make to insiders are based, in part, on HomeTrust Bank's capital level and require that certain board approval procedures be followed. Such loans are required to be made on terms substantially the same as those offered to unaffiliated individuals and not involve more than the normal risk of repayment. There is an exception for loans made pursuant to a benefit or compensation program that is widely available to all employees of the institution and does not give preference to insiders over other employees. Loans to executive officers are subject to additional limitations based on the type of loan involved.

Current Capital Requirements for HomeTrust Bank. The Bank is required to maintain specified levels of regulatory capital under regulations of the OCC. The capital adequacy requirements are quantitative measures established by regulation that require the Bank to maintain minimum amounts and ratios of capital. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by bank regulators that, if undertaken, could have a direct material effect on the Company's financial statements.

Institutions that are not well capitalized are subject to certain restrictions on brokered deposits and interest rates on deposits. The OCC is authorized and, under certain circumstances, required to take certain actions against banks that fail to meet the minimum ratios for an "adequately capitalized institution." Any such institution must submit a capital restoration plan and, until such plan is approved by the OCC, may not increase its assets, acquire another depository institution, establish a branch or engage in any new activities, or make capital distributions. The OCC is authorized to impose the additional restrictions on banks that are less than adequately capitalized.

Beginning on January 1, 2015 (with some changes transitioned into full effectiveness over two to four years), the Bank became subject to new capital requirements adopted by the OCC, which create a new required ratio for common equity Tier 1 (“CET1”) capital, increase the leverage and Tier 1 capital ratios, change the risk-weightings of certain assets for purposes of the risk-based capital ratios, create an additional capital conservation buffer over the required capital ratios and changes what qualifies as capital for purposes of meeting these various capital requirements. The Bank is also required to maintain additional levels of Tier 1 common equity (the capital conservation buffer) over the minimum risk-based capital levels before it may pay dividends, repurchase shares, or pay discretionary bonuses.

The new minimum requirements are a ratio of common equity Tier 1 capital (CET1 capital) to total risk-weighted assets the (“CET1 risk-based ratio”) of 4.5%, a Tier 1 capital ratio of 6.0%, a total capital ratio of 8.0%, and a leverage ratio of 4.0%.

The term "CET1" means generally common stock and retained earnings.
The term "leverage ratio" means the ratio of Tier 1 capital to adjusted total assets. The term "Tier 1 capital ratio" means the ratio of Tier 1 capital to risk-weighted assets. The term "total capital ratio" means the ratio of total capital to risk-weighted assets.
The term "Tier 1 capital" generally consists of CET1 and certain noncumulative perpetual preferred stock and related earnings, and excludes most intangible assets.
"Total capital" consists of the sum of an institution's Tier 1 capital and the amount of its Tier 2 capital up to the amount of its Tier 1 capital. Tier 2 capital consists generally of certain cumulative and other perpetual preferred stock, certain subordinated debt and other maturing capital instruments, the amount of the institution's allowance for loan and lease losses up to 1.25% of risk-weighted assets and certain unrealized gains on equity securities.
In addition to the capital requirements, there are a number of changes in what constitutes regulatory capital, subject to a certain transition period. These changes include the phasing-out of certain instruments as qualifying capital. The Bank does not have any of these instruments. Mortgage servicing and deferred tax assets over designated percentages of CET1 are deducted from capital, subject to a transition period ending December 31, 2017. Because of our asset size, we are not considered an advanced approaches banking organization and have elected to permanently opt-out of the inclusion of unrealized gains and losses on available for sale debt and equity securities in our capital calculations.

The new requirements also include changes in the risk-weighting of assets to better reflect credit risk and other risk exposure. These include a 150% risk weight (up from 100%) for certain high volatility commercial real estate acquisition, development and construction loans and for non-residential mortgage loans that are 90 days past due or otherwise in nonaccrual status; a 20% (up from 0%) credit conversion factor for the unused portion of a commitment with an original maturity of one year or less that is not unconditionally cancellable; and a 250% risk weight (up from 100%) for mortgage servicing and deferred tax assets that are not deducted from capital.

In addition to the minimum CET1, Tier 1 and total capital ratios, the Bank will have to maintain a capital conservation buffer consisting of additional CET1 capital equal to 2.5% of risk-weighted assets above the required minimum levels in order to avoid limitations on paying dividends, engaging in share repurchases, and paying discretionary bonuses based on percentages of eligible retained income that could be utilized for such actions. This new capital conservation buffer requirement is to be phased in beginning in January 2016 at 0.625% of risk-weighted assets and increasing each year until fully implemented in January 2019.

Under the OCC's prompt corrective action regulations, a bank is deemed to be "well-capitalized" when its CET1, Tier 1, total risk, and leverage ratios are at least 6.5% (new), 8% (increased from 6%), 10% (unchanged), and 5% (unchanged), respectively. A bank is deemed to be “adequately capitalized” or better if its capital ratios meet or exceed the minimum federal regulatory capital requirements, and “undercapitalized” if it fails to meet these minimal capital requirements. A bank is “significantly undercapitalized” if its CET1, Tier 1, total risk and leverage ratios fall below 3%, 4%, 6%, and 3%, respectively and “critically undercapitalized” if the institution has a ratio of tangible equity to total

assets that is equal to or less than 2%. See Footnote 18 "Capital" in Part II, Item 8 of this report for additional details.
At June 30, 2015, the Bank was considered a "well-capitalized" institution under OCC regulations.
Community Reinvestment and Consumer Protection Laws. In connection with its deposit-taking, lending and other activities, the Bank is subject to a number of federal laws designed to protect consumers and promote lending to various sectors of the economy and population. The CFPB issues regulations and standards under these federal consumer protection laws, which include the Equal Credit Opportunity Act, the Truth-in-Lending Act, the Home Mortgage Disclosure Act, Real Estate Settlement Procedures Act and others. The CFPB has promulgated a number of proposed and final regulations under these laws that will affect our consumer businesses. Among these regulatory initiatives, are final regulations setting “ability to repay” and “qualified mortgage” standards for residential mortgage loans and establishing new mortgage loan servicing and loan originator compensation standards. The Bank is evaluating these recent CFPB regulations and proposals and devotes substantial compliance, legal and operational business resources to ensure compliance with these consumer protection standards. In addition, customer privacy regulations limit the ability of the Bank to disclose nonpublic consumer information to non-affiliated third parties. These regulations require disclosure of privacy policies and allow consumers to prevent certain personal information from being shared with non-affiliated parties.
The Community Reinvestment Act ("CRA") requires that the OCC assess the Bank's record in meeting the credit needs of the communities it serves, especially low and moderate income neighborhoods. Under the CRA, institutions are assigned a rating of "outstanding," "satisfactory," "needs to improve," or "substantial non-compliance." The Bank received an "outstanding" rating in its most recent CRA evaluation.

Bank Secrecy Act / Anti-Money Laundering Laws. The Bank is subject to the Bank Secrecy Act and other anti-money laundering laws and regulations, including the USA PATRIOT Act of 2001. These laws and regulations require the Bank to implement policies, procedures, and controls to detect, prevent, and report money laundering and terrorist financing and to verify the identity of their customers. Violations of these requirements can result in substantial civil and criminal sanctions. In addition, provisions of the USA PATRIOT Act require the federal financial institution regulatory agencies to consider the effectiveness of a financial institution's anti-money laundering activities when reviewing mergers and acquisitions.

Limitations on Dividends. OCC regulations impose various restrictions on the ability of the Bank to pay dividends. The Bank generally may pay dividends during any calendar year in an amount up to 100% of net income for the year-to-date plus retained net income for the two preceding years, so long as it is well-capitalized after the distribution. If the Bank proposes to pay a dividend when it does not meet its capital requirements or that will exceed these limitations, it must obtain the OCC’s prior approval. The OCC may object to a proposed dividend based on safety and soundness concerns. No insured depository institution may pay a dividend if, after paying the dividend, the institution would be undercapitalized. In addition, as noted above, beginning in 2016, if the Bank does not have the required capital conservation buffer, its ability to pay dividends to HomeTrust Bancshares, Inc. will be limited.

Holding Company Regulation

HomeTrust Bancshares, Inc. was a savings and loan holding company until August 25, 2014, and is now a bank holding company, subject to regulation, supervision, and examination by the Federal Reserve. The Federal Reserve has enforcement authority with respect to HomeTrust Bancshares, Inc. similar to that of the OCC over the Bank. Applicable federal law and regulations limit the activities of HomeTrust Bancshares, Inc. and require the approval of the Federal Reserve for any acquisition of a subsidiary, including another financial institution or holding company thereof, or a merger or acquisition of HomeTrust Bancshares, Inc. HomeTrust Bancshares, Inc. must serve as a source of strength for the Bank, maintaining the ability to provide financial assistance if the Bank suffers financial distress. These and other Federal Reserve policies may restrict the ability of HomeTrust Bancshares, Inc. to pay dividends. In addition, dividends from HomeTrust Bancshares, Inc. may depend, in part, upon its receipt of dividends from the Bank. As noted below, beginning in 2016, if HomeTrust Bancshares, Inc. does not have the required capital conservation buffer or otherwise meet its new capital requirements, its ability to pay dividends to its stockholders will be limited.

A bank holding company is required to give the Federal Reserve prior written notice of any purchase or redemption of its outstanding equity securities if the gross consideration for the purchase or redemption, when combined with the net consideration paid for all such purchases or redemption during the preceding 12 months, is equal to 10% or more of the company’s consolidated net worth. The Federal Reserve may disapprove such a purchase or redemption if it determines that the proposal would constitute an unsafe or unsound practice or would violate any law, regulation, Federal Reserve order, or any condition imposed by, or written agreement with, the Federal Reserve. This notification requirement does not apply to any company that meets the well-capitalized standard for bank holding companies, is well-managed, and is not subject to any unresolved supervisory issues.

Permissible Activities. The business activities of HomeTrust Bancshares, Inc. are generally limited to those activities permissible for bank holding companies under Section 4(c)(8) of the Bank Holding Company Act and certain additional activities authorized by regulation. The Bank Holding Company Act generally prohibits a bank holding company from acquiring direct or indirect ownership or control of more than 5% of the voting shares of any company which is not a bank or bank holding company. A bank holding company must obtain Federal Reserve Board approval before acquiring directly or indirectly, ownership or control of any voting shares of another bank or bank holding company if, after such acquisition, it would own or control more than 5% of such shares (unless it already owns or controls the majority of such shares).

Capital Requirements for HomeTrust Bancshares. As a bank holding company, HomeTrust Bancshares, Inc. is subject to the minimum regulatory capital requirements established by the Federal Reserve regulation, which parallels the OCC requirements as discussed above under "Current Capital Requirements for HomeTrust Bank." See Footnote 18 "Capital" in Part II, Item 8 of this report for additional details.

At June 30, 2015, the HomeTrust Bancshares, Inc. was considered a "well-capitalized" institution under Federal Reserve regulations.

Federal Securities Law. The stock of HomeTrust Bancshares, Inc is registered with the SEC under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). HomeTrust Bancshares, Inc. is subject to the information, proxy solicitation, insider trading restrictions, and other requirements of the SEC under the Exchange Act.

The SEC has adopted regulations and policies applicable to a registered company under the Exchange Act that seek to increase corporate responsibility, provide for enhanced penalties for accounting and auditing improprieties and protect investors by improving the accuracy and reliability of corporate disclosures in SEC filings. These regulations and policies include very specific additional disclosure requirements and mandate new corporate governance practices.

On April 5, 2012, the JOBS Act was signed into law, which contains provisions that, among other things, reduce certain reporting requirements for qualifying public companies. We are an “emerging growth company,” as defined in Section 2(a) of the Securities Act of 1933, (the “Securities Act”), as modified by the JOBS Act. We are eligible to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including, but not limited to, an exemption from the requirement of holding a non-binding advisory vote on executive compensation. In addition, we will not be subject to certain requirements of Section 404 of the Sarbanes-Oxley Act of 2002 (the “Sarbanes Oxley Act”), including the additional level of review of our internal control over financial reporting as may occur when outside auditors attest as to our internal control over financial reporting. As a result, our stockholders may not have access to certain information they may deem important. Further, we are eligible to delay adoption of new or revised accounting standards applicable to public companies and we may take advantage of the benefits of this extended transition period, although to date we have not done so. Accordingly, our financial statements may not be comparable to companies that comply with such new or revised accounting standards. These exemptions will apply for a period of five years following the completion of our initial public offering or until we are no longer an “emerging growth company,” whichever is earlier.

Federal Taxation

General. HomeTrust Bancshares Inc. and the Bank are subject to federal income taxation in the same general manner as other corporations, with some exceptions discussed below. The following discussion of federal taxation is intended only to summarize material federal income tax matters and is not a comprehensive description of the tax rules applicable to HomeTrust Bancshares and HomeTrust.

Method of Accounting. For federal income tax purposes, the Company currently reports its income and expenses on the accrual method of accounting and uses a fiscal year ending on June 30th for filing its federal income tax return. The Small Business Protection Act of 1996 eliminated the use of the reserve method of accounting for bad debt reserves by savings institutions, effective for taxable years beginning after 1995.

Minimum Tax. The Internal Revenue Code ("IRC") imposes an alternative minimum tax at a rate of 20% on a base of regular taxable income plus certain tax preferences, called alternative minimum taxable income. The alternative minimum tax is payable to the extent such alternative minimum taxable income is in excess of the regular tax. Net operating losses can offset no more than 90% of alternative minimum taxable income. Certain payments of alternative minimum tax may be used as credits against regular tax liabilities in future years. At June 30, 2015, we had alternative minimum tax credit carryforwards of approximately $3.9 million.

Net Operating Loss Carryovers. A financial institution may carryback net operating losses to the preceding two taxable years and forward to the succeeding 20 taxable years. This provision applies to losses incurred in taxable years beginning after August 6, 1997. In 2009, IRC 172 (b) (1) was amended to allow businesses to carry back losses incurred in 2008 and 2009 for up to five years to offset 50% of the available income from the fifth year and 100% of the available income for the other four years. At June 30, 2015, we had $71.5 million of net operating loss carryforwards for federal income tax purposes.

Corporate Dividends-Received Deduction. HomeTrust Bancshares, Inc will elect to file a consolidated return with the Bank. As a result, any dividends HomeTrust Bancshares, Inc. receives from the Bank will not be included as income to HomeTrust Bancshares, Inc.. The corporate dividends-received deduction is 100%, or 80% in the case of dividends received from corporations with which a corporate recipient does not file a consolidated tax return, depending on the level of stock ownership of the payer of the dividend.

State Taxation

North Carolina. On July 24, 2013, The Tax Simplification and Reduction Act of 2013 was signed into law. With this act, corporate income tax rates in North Carolina were reduced. For tax years beginning on or after January 1, 2014, the tax rate decreased from 6.9% to 6%. For tax years beginning on or after January 1, 2015, the tax rate decreased to 5%. The statutory tax rate will continue to decrease in 1% increments to 4% in 2016 and 3% in 2017, if declared net General Fund tax collection revenue goals are met based on projected economic growth. The revenue goal was met and announced in August 2015. The decrease in the North Carolina corporate tax rate will continue to decrease the deferred tax assets currently recorded on our balance sheet with a corresponding increase to our income tax provision, as temporary tax differences are reversed at lower state tax rates.

If a corporation in North Carolina does business in North Carolina and in one or more other states, North Carolina taxes a fraction of the corporation’s income based on the amount of sales, payroll, and property it maintains within North Carolina. North Carolina franchise tax is levied on business corporations at the rate of $1.50 per $1,000 of the largest of the following three alternate bases: (i) the amount of the corporation’s capital stock, surplus, and undivided profits apportionable to the state; (ii) 55% of the appraised value of the corporation’s property in the state subject to local taxation; or (iii) the book value of the corporation’s real and tangible personal property in the state less any outstanding debt that was created to acquire or improve real property in the state.

Any cash dividends, in excess of a certain exempt amount, that would be paid with respect to HomeTrust Bancshares common stock to a shareholder (including a partnership and certain other entities) who is a resident of North Carolina will be subject to the North Carolina income tax. Any distribution by a corporation from earnings according to percentage ownership is considered a dividend, and the definition of a dividend for North Carolina income tax purposes may not be the same as the definition of a dividend for federal income tax purposes. A corporate distribution may be treated as a dividend for North Carolina income tax purposes if it is paid from funds that exceed the corporation's earned surplus and profits under certain circumstances.

South Carolina. The state of South Carolina requires banks to file a bank tax return. As a multi-state bank, we pay taxes on the portion of revenue generated within the state. In the 2015 and 2014 the tax rate was 4.5%.

Tennessee. The state of Tennessee requires banks to file a franchise and excise tax form for financial institutions. The franchise tax is based on the portion of revenue generated in the state, the net worth of the Bank, and the applicable franchise tax, which was $0.25 per $100 in 2015 and 2014. The excise tax is based on the taxable income (as defined by the state), the portion of revenue generated in the state, and the applicable excise tax, which was 6.5% in 2015 and 2014.

Virginia. The state of Virginia requires banks to file a bank franchise tax. The tax is based on the portion of capital deployed within the state and county level (as defined by the state) and taxed at $1 per $100 of taxable value. New banks are prorated based on the number of quarters in operation in the state during the year.

EXECUTIVE OFFICERS

The following individuals are executive officers of HomeTrust Bancshares and HomeTrust Bank and hold the offices set forth below opposite their names.

Name	Age[1]	Position
Dana L. Stonestreet	61	Chairman, President and Chief Executive Officer
Tony J. VunCannon	50	Executive Vice President, Chief Financial Officer and Treasurer
Howard L. Sellinger	62	Executive Vice President and Chief Information Officer
C. Hunter Westbrook	52	Executive Vice President and Chief Banking Officer
Teresa White	58	Executive Vice President, Chief Administration Officer and Corporate Secretary
Keith Houghton	53	Executive Vice President and Chief Credit Officer
Parrish Little	47	Executive Vice President and Chief Risk Officer

(1) As of June 30, 2015.

Biographical Information. Set forth below is certain information regarding the executive officers of HomeTrust Bancshares and HomeTrust Bank. There are no family relationships among or between the executive officers.

Dana L. Stonestreet, Chairman and Chief Executive Officer. As part of the CEO succession plan for HomeTrust Bancshares, Inc. and the Bank, Mr. Stonestreet, who had been serving as President and Chief Operating Officer and as a director of HomeTrust Bank since 2008 and as President and Chief Operating Officer of HomeTrust Bancshares, Inc. since HomeTrust Bank's mutual-to-stock conversion, became co-Chief Executive Officer of HomeTrust Bancshares, Inc. and the Bank in 2013. Mr. Stonestreet became President, Chairman and Chief Executive Officer of HomeTrust Bancshares, Inc. and the Bank effective at the annual meeting in November 2013. Mr. Stonestreet joined HomeTrust Bank in 1989 as its Chief Financial Officer and was promoted to Chief Operating Officer in 2003. Mr. Stonestreet began his career with Hurdman & Cranston (an accounting firm that was later merged into KPMG) as a certified public accountant. Mr. Stonestreet serves as a director of the HUB Community Economic Development Alliance Board. In addition, Mr. Stonestreet has served as Chairman of the Asheville Chamber of Commerce and as a director for RiverLink, the YMCA, United Way, the North Carolina Bankers Association and other community organizations. Mr. Stonestreet's 26 years of service with HomeTrust Bank gives him in-depth knowledge of nearly all aspects of its operations. Mr. Stonestreet's accounting background and prior service as HomeTrust Bank's Chief Financial Officer also provide him with a strong understanding of the various financial matters brought before the Board.

Tony J. VunCannon, Executive Vice President, Chief Financial Officer, and Treasurer. Mr. VunCannon has served as HomeTrust Bank's Chief Financial Officer since July 2006. Mr. VunCannon joined the Bank in April 1992 as Controller; later becoming the Treasurer in March 1997 until July 2006 where he was named Chief Financial Officer. Prior to joining the Bank, Mr. VunCannon worked as an auditor in KPMG's Charlotte office where his focus was in the community banking sector. Mr. VunCannon is a graduate of the University of North Carolina at Chapel Hill with a Bachelor of Science Degree in Business Administration/Accounting. He is also a Certified Public Accountant.

Howard L. Sellinger, Executive Vice President and Chief Information Officer. Mr. Sellinger has served as Chief Information Officer of HomeTrust Bank since July 1997. Mr. Sellinger joined HomeTrust Bank in 1975 as a management trainee. Mr. Sellinger became the Office Manager of the Skyland office from 1976 until 1978. His experience also includes being the Head of Mortgage Loan Operations with loan approval authority, the Head of Loan Servicing with workout approval authority, and was responsible for regulatory compliance in Lending and Deposit Operations for many years. In 1988, he was named Operations Manager and was promoted to Vice President and Chief Information Officer in 1997.

C. Hunter Westbrook, Executive Vice President and Chief Banking Officer. Mr. Westbrook joined HomeTrust Bank in June 2012 as our Chief Banking Officer. Mr. Westbrook also holds these positions with HomeTrust Bancshares, Inc. He began his career in banking with TCF Bank in Minneapolis and later joined TCF National Bank Illinois as Senior Vice President of Finance. In 2004 he was promoted to Executive Vice President of Retail Banking for Illinois, Wisconsin and Indiana markets that included 250 branches and $4 billion in deposits. He also served as President and

Chief Executive Officer of First Community Bancshares in Texas, from 2006 to 2008, where he was responsible for repositioning the bank's retail operating model and implemented the bank's retail and corporate lending product offerings. In his most recent role, Mr. Westbrook served as President and Chief Executive Officer of Second Federal Savings and Loan Association of Chicago, from 2010 to 2012, where he significantly grew core operating revenue, net checking account balances, and repositioned the bank's entire product line.

Teresa White, Executive Vice President and Chief Administration Officer. Ms. White joined HomeTrust Bank in May 2011 as our Chief Administration Officer. Ms. White was also appointed as Corporate Secretary of HomeTrust Bank in December 2011. Prior to joining HomeTrust Bank, since 2006, Ms. White served as Senior Vice President, Chief of Human Resources and Training Officer for Capital Bank, Raleigh, North Carolina, a publicly held community bank with approximately $1.7 billion in assets. From 2005 to 2006, Ms. White served as Director, Corporate Human Resources, for Nash Finch Company, Edina, Minnesota, a leading food retail and distribution company. From 2002 to 2005, Ms. White served as Director of Human Resources for ConAgra Foods Snack Foods Group, Edina, Minnesota, a division of ConAgra Foods.

Keith Houghton, Executive Vice President and Chief Credit Officer. Mr. Houghton joined HomeTrust Bank in March of 2014 as our Chief Credit Officer. Mr. Houghton has more than 25 years of experience in the banking industry. For nearly 17 years, he held a variety of senior positions in the credit and lending areas with StellarOne Corporation, a Charlottesville, VA-based bank holding company with approximately $3 billion in assets, and its predecessors, until the sale of StellarOne to another bank in January 2014. The most recent of those positions was Chief Credit Risk Officer, which Mr. Houghton held since 2007.

Parrish Little, Executive Vice President and Chief Risk Officer. Mr. Little joined HomeTrust Bank in March 2015 as our Chief Risk Officer. Prior to joining HomeTrust Bank, Mr. Little served as Senior Vice President, Director of Risk Management from 2008 to 2013 and Chief Audit Executive in 2014 for First Citizens Bank and Trust, Columbia, South Carolina. From 1997 to 2007, he served in several leadership roles with Bank of America in the areas of internal audit and risk management.

Item 1A. Risk Factors

An investment in our common stock is subject to risks inherent in our business. Before making an investment decision, you should carefully consider the risks and uncertainties described below together with all of the other information included in this report. In addition to the risks and uncertainties described below, other risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition and results of operations. The value or market price of our common stock could decline due to any of these identified or other risks, and you could lose all or part of your investment.

Risks Related to Our Business

Changes in economic conditions, particularly a further economic slowdown in our primary market areas, could hurt our business.

Our primary market areas are concentrated in North Carolina (including the Asheville metropolitan area, the “Piedmont” region, Charlotte, Raleigh), South Carolina (Greenville), East Tennessee (including Kingsport/Johnson City, Knoxville, and Morristown) and the Roanoke Valley area of Virginia. Adverse economic conditions in our market areas can reduce our rate of growth, affect our customers’ ability to repay loans and adversely impact our financial condition and earnings. General economic conditions, including inflation, unemployment and money supply fluctuations, also may affect our profitability adversely. Weak economic conditions and ongoing strains in the financial and housing markets have resulted in higher levels of loan and lease delinquencies, problem assets and foreclosures and a decline in the values of the collateral securing our loans.

Although the U.S. economy and housing market, including in our market areas, appears to be improving, further deterioration in economic conditions, particularly within our primary market areas could result in the following consequences, among others, any of which could materially hurt our business:

- loan delinquencies may increase;
- problem assets and foreclosures may increase;
- demand for our products and services may decline;
- collateral for our loans may decline in value, in turn reducing a customer’s borrowing power and reducing the value of collateral securing our loans; and
- the net worth and liquidity of loan guarantors may decline, impairing their ability to honor commitments to us.

A continued weak economic recovery or a return to recessionary conditions could increase our level of nonperforming assets, lower real estate values in our market and reduce demand for loans, which would result in increased loan losses and lower earnings.

Economic conditions have improved since the end of the economic recession that officially ended in June, 2009; however, economic growth has been slow and uneven, unemployment remains relatively high and concerns still exist over the federal deficit, government spending, global geopolitical risks which have all contributed to diminished expectations for the economy. A return of recessionary conditions and/or negative developments in the domestic and international credit markets may significantly affect the markets in which we do business, the value of our loans and investments, and our ongoing operations, costs and profitability. Declines in real estate values and sales volumes and high unemployment levels may result in higher than expected loan delinquencies and a decline in demand for our products and services. These negative events may cause us to incur losses and may adversely affect our capital, liquidity, and financial condition.

Furthermore, the Board of Governors of the Federal Reserve System, in an attempt to help the economy, has, among other things, kept interest rates low through its targeted federal funds rate and the purchase of U.S. Treasury and mortgage-backed securities. If the Federal Reserve Board increases the federal funds rate market interest rates would likely rise, which may negatively affect the housing markets and the U.S. economic recovery. In addition, deflationary pressures, while possibly lowering our operating costs, could have a significant negative effect on our borrowers, especially our business borrowers, and the values of underlying collateral securing loans, which could negatively affect our financial performance.

Declines in property values have increased loan-to-value ratios on a significant portion of our one-to-four family loans and home equity lines of credit, which exposes us to greater risk of loss.

Many of our one-to-four family loans and home equity lines of credit are secured by liens on mortgage properties in which the borrowers have little or no equity because of these declines in home values in our market areas. Residential loans with high combined loan-to-value ratios will be more sensitive to declining property values than those with lower combined loan-to-value ratios and therefore may experience a higher incidence of default and severity of losses. In addition, if the borrowers sell their homes, they may be unable to repay their loans in full from the sale. Further, the majority of our home equity lines of credit consist of second mortgage loans. For those home equity lines secured by a second mortgage, it is unlikely that we will be successful in recovering all or a portion of our loan proceeds in the event of default unless we are prepared to repay the first mortgage loan and such repayment and the costs associated with a foreclosure are justified by the value of the property. For these reasons, we may experience higher rates of delinquencies, defaults and losses.

Our non-owner-occupied real estate loans may expose us to increased credit risk.

At June 30, 2015, $98.0 million, or 15.1%, of our one-to-four family loans and 5.8% of our total loan portfolio, consisted of loans secured by non-owner-occupied residential properties. Loans secured by non-owner-occupied properties generally expose a lender to greater risk of non-payment and loss than loans secured by owner-occupied properties because repayment of such loans depend primarily on the tenant's continuing ability to pay rent to the property owner, who is our borrower, or, if the property owner is unable to find a tenant, the property owner's ability to repay the loan without the benefit of a rental income stream. In addition, the physical condition of non-owner-occupied properties is often below that of owner-occupied properties due to lax property maintenance standards, which has a negative impact on the value of the collateral properties. Furthermore, some of our non-owner-occupied residential loan borrowers have more than one loan outstanding with HomeTrust Bank which may expose us to a greater risk of loss compared to an adverse development with respect to an owner-occupied residential mortgage loan.

Our construction and development loans and construction and land/lot loans have a higher risk of loss than residential or commercial real estate loans.

At June 30, 2015, construction and land/lot loans in our retail consumer loan portfolio was $45.9 million, or 2.7%, of our total loan portfolio. At that date, construction and development loans in our commercial loan portfolio totaled $64.6 million, or 3.8%, of our total loan portfolio. Construction and development lending includes the inherent difficulty in estimating both a property's value at completion of the project and the estimated cost (including interest) of the project. If the estimate of construction cost proves to be inaccurate, we may advance funds beyond the amount originally committed to permit completion of the project. If the estimate of value upon completion proves to be inaccurate, we may be confronted at, or prior to, the maturity of the loan with a project the value of which is insufficient to assure full repayment. In addition, speculative construction loans to a builder are for homes that are not pre-sold, and thus pose a greater potential risk to us than construction loans to individuals on their personal residences. Loans on land under development or held for future construction as well as lot loans made to individuals for the future construction of a residence also pose additional risk because of the lack of income being produced by the property and the potential illiquid nature of the collateral. These risks can be significantly impacted by supply and demand conditions. As a result, this type of lending often involves the disbursement of substantial funds with repayment dependent on the success of the ultimate project and the ability of the borrower to sell the property, rather than the ability of the borrower or guarantor to independently repay principal and interest. While our origination of construction and development loans has decreased significantly over the last four years, we continue to have significant levels of construction and development loan balances as a result of recent merger activity. Most of our construction loans are for the construction of single family residences. Reflecting the current slowdown in the residential market, the secondary market for construction and development loans is depressed, so we have less opportunity to mitigate our credit risk by selling part or all of our interest in these loans. If we foreclose on a construction and development loan, our holding period for the collateral typically may be longer than we have historically experienced because there are fewer potential purchasers of the collateral. The decline in the number of potential purchasers has contributed to the decline in the value of these loans. Accordingly, charge-offs on construction and development loans have recently been and may continue to be larger than those incurred by other segments of our loan portfolio. At June 30, 2015, $8.7 million of our construction and development loans were for speculative construction loans. Also at June 30, 2015, $465,000 or 1.0%, of our total construction and land/lot loans and $3.5 million or 5.4%, of our construction and development loans were nonaccruing.

Our commercial real estate loans involve higher principal amounts than other loans and repayment of these loans may be dependent on factors outside our control or the control of our borrowers.

At June 30, 2015, commercial real estate loans were $441.6 million, or 26.2% of our total loan portfolio. These loans typically involve higher principal amounts than other types of loans and some of our commercial borrowers have more than one loan outstanding with us. Consequently, an adverse development with respect to one loan or one credit relationship can expose us to a significantly greater risk of loss compared to an adverse development with respect to a one-to-four family residential mortgage loan. Repayment of these loans is dependent upon income being generated from the property securing the loan in amounts sufficient to cover operating expenses and debt service, which may be adversely affected by changes in the economy or local market conditions. In addition, many of our commercial real estate loans are not fully amortizing and contain large balloon payments upon maturity. Such balloon payments may require the borrower to either sell or refinance the underlying property in order to make the payment, which may increase the risk of default or non-payment. At June 30, 2015, commercial real estate loans that were nonperforming were $5.1 million, or 20.5% of our total nonperforming loans.

Repayment of our municipal leases is dependent on the fire department receiving tax revenues from the county/municipality.

At June 30, 2015, municipal leases were $108.6 million, or 6.4%, of our total loan portfolio. We offer ground and equipment lease financing to fire departments located throughout North Carolina and, to a lesser extent, South Carolina. Repayment of our municipal leases is often dependent on the tax revenues collected by the county/municipality on behalf of the fire department. Although a municipal lease does not constitute a general obligation of the county/municipality for which the county/municipality's taxing power is pledged, a municipal lease is ordinarily backed by the county/municipality's covenant to budget for, appropriate and pay the tax revenues to the fire department. However, certain municipal leases contain "non-appropriation" clauses which provide that the municipality has no obligation to make lease or installment purchase payments in future years unless money is appropriated for that purpose on a yearly basis. In the case of a "non-appropriation" lease, our ability to recover under the lease in the event of non-appropriation or default will be limited solely to the repossession of the leased property, without recourse to the general credit of the lessee, and disposition or releasing of the property might prove difficult. At June 30, 2015, $3.0 million of our municipal leases contained a non-appropriation clause.

Our allowance for loan losses may prove to be insufficient to absorb losses in our loan portfolio.

Lending money is a substantial part of our business and each loan carries a certain risk that it will not be repaid in accordance with its terms, or that any underlying collateral will not be sufficient to assure repayment. This risk is affected by, among other things:

- cash flow of the borrower and/or the project being financed;
- the changes and uncertainties as to the future value of the collateral, in the case of a collateralized loan;
- the duration of the loan;
- the character and creditworthiness of a particular borrower; and
- changes in economic and industry conditions.

We maintain an allowance for loan losses, which we believe is an appropriate reserve to provide for probable losses in our loan portfolio. The allowance is funded by provisions for loan losses charged to expense. The amount of this allowance is determined by our management through periodic reviews and consideration of several factors, including, but not limited to:

- our general reserve, based on our historical default and loss experience, certain macroeconomic factors, and management’s expectations of future events;
- our specific reserve, based on our evaluation of nonaccruing loans and their underlying collateral; and
- an unallocated reserve to provide for other credit losses inherent in our portfolio that may not have been contemplated in the other loss factors.

The determination of the appropriate level of the allowance for loan losses inherently involves a high degree of subjectivity and requires us to make significant estimates of current credit risks and future trends, all of which may undergo material changes. Continuing deterioration in economic conditions affecting borrowers, new information regarding existing loans, identification of additional problem loans and other factors, both within and outside of our control, may require an increase in the allowance for loan losses. In addition, bank regulatory agencies periodically review our allowance for loan losses and may require an increase in the provision for possible loan losses or the recognition of further loan charge-offs, based on judgments different than those of management. In addition, if charge-offs in future periods exceed the allowance for loan losses we will need additional provisions to replenish the allowance for loan losses. Any additional provisions will result in a decrease in net income and possibly capital, and may have a material adverse effect on our financial condition and results of operations.

If our nonperforming assets increase, our earnings will be adversely affected.

Our nonperforming assets (which consist of nonaccruing loans and REO) were $31.9 million, or 1.15%, of total assets at June 30, 2015, compared to $52.6 million, or 2.53% and 5.1% of total assets, at June 30, 2014 and 2013, respectively. Our nonperforming assets adversely affect our net income in various ways:

- we record interest income only on a cash basis for nonaccrual loans and any nonperforming investment securities; and do not record interest income for REO;
- we must provide for probable loan losses through a current period charge to the provision for loan losses;
- noninterest expense increases when we write down the value of properties in our REO portfolio to reflect changing market values or recognize other-than-temporary impairment (“OTTI”) on nonperforming investment securities;
- there are legal fees associated with the resolution of problem assets, as well as, carrying costs, such as taxes, insurance, and maintenance fees related to our REO; and
- the resolution of nonperforming assets requires the active involvement of management, which can distract them from more profitable activity.

If additional borrowers become delinquent and do not pay their loans and we are unable to successfully manage our nonperforming assets, our losses and troubled assets could increase significantly, which could have a material adverse effect on our financial condition and results of operations. We have also classified $21.9 million in loans as performing troubled debt restructurings at June 30, 2015.

If our REO is not properly valued or sufficiently reserved to cover actual losses, or if we are required to increase our valuation reserves, our earnings could be reduced.

We obtain updated valuations in the form of appraisals and broker price opinions when a loan has been foreclosed and the property taken in as REO and at certain other times during the asset’s holding period. Our net book value (“NBV”) in the loan at the time of foreclosure and thereafter is compared to the updated market value of the foreclosed property less estimated selling costs (fair value). A charge-off is recorded for any excess in the asset’s NBV over its fair value. If our valuation process is incorrect, or if property values decline, the fair value of our REO may not be sufficient to recover our carrying value in such assets, resulting in the need for additional charge-offs.

Significant charge-offs to our REO could have a material adverse effect on our financial condition and results of operations.

In addition, bank regulators periodically review our REO and may require us to recognize further charge-offs. Any increase in our charge-offs may have a material adverse effect on our financial condition and results of operations.

Our securities portfolio may be negatively impacted by fluctuations in market value and interest rates.

Our securities portfolio may be impacted by fluctuations in market value, potentially reducing accumulated other comprehensive income and/or earnings. Fluctuations in market value may be caused by changes in market interest rates, lower market prices for securities and limited investor demand. Our securities portfolio is evaluated for OTTI. If this evaluation shows impairment to the actual or projected cash flows associated with one or more securities, a potential loss to earnings may occur. Changes in interest rates can also have an adverse effect on our financial condition, as our available-for-sale securities are reported at their estimated fair value, and therefore are impacted by fluctuations in interest rates. We increase or decrease our shareholders' equity by the amount of change in the estimated fair value of the available-for-sale securities, net of taxes. There can be no assurance that the declines in market value will not result in other-than-temporary impairments of these assets, which would lead to accounting charges that could have a material adverse effect on our net income and capital levels.

An increase in interest rates, change in the programs offered by secondary market purchasers or our ability to qualify for their programs may reduce our mortgage banking revenues, which would negatively impact our noninterest income.

Our mortgage banking operations provide a significant portion of our noninterest income. We generate mortgage revenues primarily from gains on the sale of single-family mortgage loans pursuant to programs currently offered by Fannie Mae, Freddie Mac, Ginnie Mae and non-GSE investors. These entities account for a substantial portion of the secondary market in residential mortgage loans. Any future changes in these programs, our eligibility to participate in such programs, the criteria for loans to be accepted or laws that significantly affect the activity of such entities could, in turn, materially adversely affect our results of operations. Mortgage banking is generally considered a volatile source of income because it depends largely on the level of loan volume which, in turn, depends largely on prevailing market interest rates. In a rising or higher interest rate environment, our originations of mortgage loans may decrease, resulting in fewer loans that are available to be sold to investors. This would result in a decrease in mortgage banking revenues and a corresponding decrease in noninterest income. In addition, our results of operations are affected by the amount of noninterest expense associated with mortgage banking activities, such as salaries and employee benefits, occupancy, equipment and data processing expense and other operating costs. During periods of reduced loan demand, our results of operations may be adversely affected to the extent that we are unable to reduce expenses commensurate with the decline in loan originations. In addition, although we sell loans into the secondary market without recourse, we are required to give customary representations and warranties about the loans to the buyers. If we breach those representations and warranties, the buyers may require us to repurchase the loans and we may incur a loss on the repurchase.

Fluctuating interest rates can adversely affect our profitability.

Our earnings and cash flows are largely dependent upon our net interest income. Interest rates are highly sensitive to many factors that are beyond our control, including general economic conditions and policies of various governmental and regulatory agencies and, in particular, the Federal Reserve Board. Changes in monetary policy, including changes in interest rates, could influence not only the interest we receive on loans and investments and the amount of interest we pay on deposits and borrowings, but these changes could also affect (i) our ability to originate loans and obtain deposits, (ii) the fair value of our financial assets and liabilities, which could negatively impact shareholders' equity, and our ability to realize gains from the sale of such assets; (iii) our ability to obtain and retain deposits in competition with other available investment alternatives; (iv) the ability of our borrowers to repay adjustable or variable rate loans; and (v) the average duration of our mortgage-backed securities portfolio and other interest-earning assets. If the interest rates paid on deposits and other borrowings increase at a faster rate than the interest rates received on loans and other investments, our net interest income, and therefore earnings, could be adversely affected. As a result of the relatively low interest rate environment, an increasing percentage of our deposits have been comprised of short-term time deposits and other deposits yielding no or a relatively low rate of interest. At June 30, 2015, we had $415.6 million in certificates of deposit that mature within one year and $1.3 billion in checking, savings, and money market accounts. We would incur a higher cost of funds to retain these deposits in a rising interest rate environment. Earnings could also be adversely affected if the interest rates received on loans and other investments fall more quickly than the interest rates paid on deposits and other borrowings.

In addition, a substantial amount of our loans have adjustable interest rates. As a result, these loans may experience a higher rate of default in a rising interest rate environment. Further, a significant portion of our adjustable rate loans have interest rate floors below which the loan’s contractual interest rate may not adjust. As of June 30, 2015, our loans with interest rate floors totaled approximately $578.7 million or 34.3% of our total loan portfolio and had a weighted average floor rate of 4.29% of which $271.9 million, or 47.0%, had yields that would begin floating again once prime rates increase at least 200 basis points. The inability of our loans to adjust downward can contribute to increased income in periods of declining interest rates, although this result is subject to the risks that borrowers may refinance these loans during periods of declining interest rates. Also, when loans are at their floors, there is a further risk that our interest income may not increase as rapidly as our cost of funds during periods of increasing interest rates which could have a material adverse effect on our results of operations.

Although management believes it has implemented effective asset and liability management strategies to reduce the potential effects of changes in interest rates on our results of operations, any substantial, unexpected or prolonged change in market interest rates could have a material adverse effect on our financial condition and results of operations. Further, a prolonged period of exceptionally low market interest rates, such as we are currently experiencing, limits our ability to lower our interest expense, while the average yield on our interest-earning assets may decrease as our loans reprice or are originated at these low market rates. Accordingly, our net interest income may decrease, which may have an adverse effect on our profitability. Also, our interest rate risk modeling techniques and assumptions likely may not fully predict or capture the impact of actual interest rate changes on our balance sheet.

Liquidity risk could impair our ability to fund operations and jeopardize our financial condition.

Liquidity is essential to our business. An inability to raise funds through deposits, borrowings, the sale of loans or other sources could have a substantial negative effect on our liquidity. Our access to funding sources in amounts adequate to finance our activities or the terms of which are acceptable to us could be impaired by factors that affect us specifically or the financial services industry or economy in general. Factors that could detrimentally impact our access to liquidity sources include a decrease in the level of our business activity as a result of a downturn in the North Carolina, South Carolina, and/or Tennessee markets in which our loans are concentrated or adverse regulatory action against us. Our ability to borrow could also be impaired by factors that are not specific to us, such as a disruption in the financial markets or negative views and expectations about the prospects for the financial services industry.

Deposit flows, calls of investment securities and wholesale borrowings, and the prepayment of loans and mortgage-related securities are also strongly influenced by such external factors as the direction of interest rates, whether actual or perceived, and competition for deposits and loans in the markets we serve. Furthermore, changes to the FHLB’s underwriting guidelines for wholesale borrowings or lending policies may limit or restrict our ability to borrow, and could therefore have a significant adverse impact on our liquidity. In addition, the need to replace funds in the event of large-scale withdrawals of brokered deposits could require us to pay significantly higher interest rates on retail deposits or other wholesale funding sources, which would have an adverse impact on our net interest income and net income. A decline in available funding could adversely impact our ability to originate loans, invest in securities, meet our expenses, or to fulfill such obligations as repaying our borrowings or meeting deposit withdrawal demands.

Our strategy of pursuing acquisitions exposes us to financial, execution and operational risks that could adversely affect us.

We are implementing a strategy of supplementing organic growth by acquiring other financial institutions or their businesses that we believe will help us fulfill our strategic objectives and enhance our earnings. There are risks associated with this strategy, however, including the following:

- We may be exposed to potential asset quality issues or unknown or contingent liabilities of the banks, businesses, assets and liabilities we acquire. If these issues or liabilities exceed our estimates, our results of operations and financial condition may be materially negatively affected;
- Prices at which future acquisitions can be made may not be acceptable to us;
- Our growth initiatives may require us to recruit experienced personnel to assist in such initiatives. The failure to identify and retain such personnel would place significant limitations on our ability to execute our growth strategy;

- Our strategic efforts may divert resources or management's attention from ongoing business operations and may subject us to additional regulatory scrutiny;
- The acquisition of other entities generally requires integration of systems, procedures and personnel of the acquired entity into our company to make the transaction economically successful. This integration process is complicated and time consuming and can also be disruptive to the customers of the acquired business. If the integration process is not conducted successfully and with minimal effect on the acquired business and its customers, we may not realize the anticipated economic benefits of particular acquisitions within the expected time frame, and we may lose customers or employees of the acquired business. We may also experience greater than anticipated customer losses even if the integration process is successful;
- To finance a future acquisition, we may borrow funds, thereby increasing our leverage and diminishing our liquidity, or raise additional capital, which could dilute the interests of our existing shareholders;
- We have completed four mergers during the past two fiscal years that enhanced our rate of growth. We may not be able to continue to sustain our past rate of growth or to grow at all in the future; and
- We expect our net income will increase following our acquisitions, however, we also expect our general and administrative expenses and consequently our efficiency rates will also increase. Ultimately, we would expect our efficiency ratio to improve; however, if we are not successful in our integration process, this may not occur, and our acquisitions or branching activities may not be accretive to earnings in the short or long-term.

The required accounting treatment of troubled loans we acquire through acquisitions could result in higher net interest margins and interest income in current periods and lower net interest margins and interest income in future periods.

Under U.S. Generally Accepted Accounting Principles ("GAAP"), we are required to record troubled loans acquired through acquisitions at fair value, which may underestimate the actual performance of such loans. As a result, if these loans outperform our original fair value estimates, the difference between our original estimate and the actual performance of the loan (the "discount") is accreted into net interest income. Thus, our net interest margins may initially appear higher. We expect the yields on our loans to decline as our acquired loan portfolio pays down or matures, and we expect downward pressure on our interest income to the extent that the runoff on our acquired loan portfolio is not replaced with comparable high-yielding loans. This could result in higher net interest margins and interest income in current periods and lower net interest rate margins and lower interest income in future periods.

We operate in a highly competitive industry and market areas.

We face substantial competition in all phases of our operations from a variety of different competitors. Our future growth and success will depend on our ability to compete effectively in this highly competitive environment. To date, we have been competitive by focusing on our business lines in our market areas and emphasizing the high level of service and responsiveness desired by our customers. We compete for loans, deposits and other financial services with other commercial banks, thrifts, credit unions, brokerage houses, mutual funds, insurance companies and specialized finance companies. Many of our competitors offer products and services which we do not offer, and many have substantially greater resources and lending limits, name recognition and market presence that benefit them in attracting business. In addition, larger competitors may be able to price loans and deposits more aggressively than we do, and newer competitors may also be more aggressive in terms of pricing loan and deposit products than we are in order to obtain a share of the market. Some of the financial institutions and financial services organizations with which we compete are not subject to the same degree of regulation as is imposed on bank holding companies, federally insured state-chartered banks and national banks and federal savings banks. As a result, these nonbank competitors have certain advantages over us in accessing funding and in providing various services.

Our ability to compete successfully depends on a number of factors including the following:

- the ability to develop, maintain and build upon long-term customer relationships based on top-quality service, high ethical standards and safe, sound assets;
- the ability to expand our market position;
- the scope, relevance and pricing of products and services offered to meet customer needs and demands;
- the rate at which we introduce new products and services relative to our competitors;
- customer satisfaction with our level of service; and
- industry and general economic trends.

Failure to perform in any of these areas could significantly weaken our competitive position, which could adversely affect our growth and profitability, which, in turn, could have a material adverse effect on our financial condition and results of operations.

We operate in a highly regulated environment and may be adversely affected by changes in federal and state laws and regulations that are expected to increase our costs of operations.

The financial services industry is extensively regulated. HomeTrust Bank is currently subject to extensive examination, supervision and comprehensive regulation by the OCC, our primary federal regulator, and the FDIC, as insurer of our deposits. As a bank holding company, HomeTrust Bancshares is subject to examination, supervision and regulation by the Federal Reserve. Such regulation and supervision governs the activities in which an institution and its holding company may engage, and are intended primarily for the protection of the deposit insurance fund and consumers and not to benefit our shareholders. These regulatory authorities have extensive discretion in connection with their supervisory and enforcement activities, including the ability to impose restrictions on our operations, the classification of our assets, and the determination of the level of our allowance for loan losses and level of deposit insurance premiums assessed. Additionally, actions by regulatory agencies or significant litigation against us could require us to devote significant time and resources to defending our business and may lead to penalties that materially affect us. These regulations, along with the currently existing tax, accounting, securities, insurance, and monetary laws, regulations, rules, standards, policies, and interpretations control the methods by which financial institutions conduct business, implement strategic initiatives and tax compliance, and govern financial reporting and disclosures. Any change in such regulation and oversight, whether in the form of regulatory policy, regulations, legislation or supervisory action, may have a material impact on our operations.

As discussed under “Business-How We are Regulated-Financial Regulatory Reform” in Item I of this Form 10-K, the Dodd-Frank Act has significantly changed the bank regulatory structure and will affect the lending, deposit, investment, trading and operating activities of financial institutions and their holding companies. The Dodd-Frank Act requires various federal agencies to adopt a broad range of new implementing rules and regulations, and to prepare numerous studies and reports for Congress. The federal agencies are given significant discretion in drafting and implementing rules and regulations, and consequently, many of the details and much of the impact of the Dodd-Frank Act may not be known for many months or years. It is difficult at this time to predict when or how any new standards will ultimately be applied to us or what specific impact the Dodd-Frank Act and the yet to be written implementing rules and regulations will have on community banks. However, it is expected that at a minimum they will increase our operating and compliance costs and could increase our interest expense.

Non-compliance with the USA PATRIOT Act, Bank Secrecy Act, or other laws and regulations could result in fines or sanctions and limit our ability to get regulatory approval of acquisitions.

The USA PATRIOT and Bank Secrecy Acts require financial institutions to develop programs to prevent financial institutions from being used for money laundering and terrorist activities. If such activities are detected, financial institutions are obligated to file suspicious activity reports with the U.S. Treasury’s Office of Financial Crimes Enforcement Network. These rules require financial institutions to establish procedures for identifying and verifying the identity of customers seeking to open new financial accounts. Failure to comply with these regulations could result in fines or sanctions and limit our ability to get regulatory approval of acquisitions. Recently several banking institutions have received large fines for non-compliance with these laws and regulations. While we have developed policies and procedures designed to assist in compliance with these laws and regulations, no assurance can be given that these policies and procedures will be effective in preventing violations of these laws and regulations.

We are subject to potentially significant litigation and our legal related costs might increase.

We are currently involved in several litigation matters in the ordinary course of business. One matter, originally filed in March 2012, involves claims of $12.5 million in compensatory damages and a request for additional punitive treble damages resulting from the purported failure of the Company and a third party brokerage firm to discover a Ponzi scheme conducted by a customer holding accounts at each entity. The Company received a favorable summary judgment ruling on February 20, 2015, however the plaintiffs filed an appeal. The Company continues to believe that the lawsuit is without merit and intends to defend itself vigorously. Management, after review with its legal counsel, is of the opinion that this litigation should not have a material effect on the Company's financial position or results of operations, although new developments could result in management modifying its assessment. There can be no assurance that the Company will successfully defend or resolve this litigation matter.

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

We are subject to certain risks in connection with our use of technology.

Our security measures may not be sufficient to mitigate the risk of a cyber attack. Communications and information systems are essential to the conduct of our business, as we use such systems to manage our customer relationships, our general ledger and virtually all other aspects of our business. Our operations rely on the secure processing, storage, and transmission of confidential and other information in our computer systems and networks. Although we take protective measures and endeavor to modify them as circumstances warrant, the security of our computer systems, software, and networks may be vulnerable to breaches, unauthorized access, misuse, computer viruses, or other malicious code and cyber attacks that could have a security impact. If one or more of these events occur, this could jeopardize our or our customers' confidential and other information processed and stored in, and transmitted through, our computer systems and networks, or otherwise cause interruptions or malfunctions in our operations or the operations of our customers or counterparties. We may be required to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures, and we may be subject to litigation and financial losses that are either not insured against or not fully covered through any insurance maintained by us. We could also suffer significant reputational damage.

Security breaches in our internet banking activities could further expose us to possible liability and damage our reputation. Any compromise of our security also could deter customers from using our internet banking services that involve the transmission of confidential information. We rely on standard internet security systems to provide the security and authentication necessary to effect secure transmission of data. These precautions may not protect our systems from compromises or breaches of our security measures, and could result in significant legal liability and significant damage to our reputation and our business.

Our security measures may not protect us from system failures or interruptions. While we have established policies and procedures to prevent or limit the impact of systems failures and interruptions, there can be no assurance that such events will not occur or that they will be adequately addressed if they do. In addition, we outsource certain aspects of our data processing and other operational functions to certain third-party providers. If our third-party providers encounter difficulties, or if we have difficulty in communicating with them, our ability to adequately process and account for transactions could be affected, and our business operations could be adversely impacted. Threats to information security also exist in the processing of customer information through various other vendors and their personnel.

The occurrence of any failures or interruptions may require us to identify alternative sources of such services, and we cannot assure you that we could negotiate terms that are as favorable to us, or could obtain services with similar functionality as found in our existing systems without the need to expend substantial resources, if at all. Further, the occurrence of any systems failure or interruption could damage our reputation and result in a loss of customers and business, could subject us to additional regulatory scrutiny, or could expose us to legal liability. Any of these occurrences could have a material adverse effect on our financial condition and results of operations.

Managing reputational risk is important to attracting and maintaining customers, investors and employees.

Threats to our reputation can come from many sources, including adverse sentiment about financial institutions generally, unethical practices, employee misconduct, failure to deliver minimum standards of service or quality, compliance deficiencies, and questionable or fraudulent activities of our customers. We have policies and procedures in place to protect our reputation and promote ethical conduct, but these policies and procedures may not be fully effective. Negative publicity regarding our business, employees, or customers, with or without merit, may result in the loss of customers, investors and employees, costly litigation, a decline in revenues and increased governmental regulation.

We may experience future goodwill impairment.

In accordance with GAAP, we record assets acquired and liabilities assumed at their fair value, and, as such, acquisitions typically result in recording goodwill. We perform a goodwill evaluation at least annually to test for goodwill impairment. As part of its testing, the Company first assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If the Company determines the fair value of a reporting unit is less than its carrying amount using these qualitative factors, the Company then compares the fair value of goodwill with its carrying amount, and then measures impairment loss by comparing the

implied fair value of goodwill with the carrying amount of that goodwill. Adverse conditions in our business climate, including a significant decline in future operating cash flows, a significant change in our stock price or market capitalization, or a deviation from our expected growth rate and performance may significantly affect the fair value of our goodwill and may trigger additional impairment losses, which could be materially adverse to our operating results and financial position.
We cannot provide assurance that we will not be required to take an impairment charge in the future. Any impairment charge has an adverse effect on our results of shareholders' equity and financial results and could cause a decline in our stock price.
Our assets as of June 30, 2015 include a deferred tax asset, the full value of which we may not be able to realize.
We recognize deferred tax assets and liabilities based on differences between the financial statement carrying amounts and the tax bases of assets and liabilities. Deferred tax assets are only recognized to the extent it is more likely than not they will be realized. Should our management determine it is not more likely than not that the deferred tax assets will be realized, a valuation allowance with a charge to earnings would be reflected in the period. At June 30, 2015, our net deferred tax asset was $59.5 million, all of which was disallowed for regulatory capital purposes. The net deferred tax asset results primarily from our provisions for loan losses recorded for financial reporting purposes, which were in the past significantly larger than net loan charge-offs deducted for tax reporting proposes. We regularly review our deferred tax assets for recoverability based on our history of earnings, expectations for future earnings and expected timing of reversals of temporary differences. Realization of deferred tax assets ultimately depends on the existence of sufficient taxable income, including taxable income in prior carryback years, as well

as future taxable income. We believe the recorded net deferred tax asset at June 30, 2015 is fully realizable based on our expected future earnings and no additional valuation allowance was required at June 30, 2015. If we are required in the future to take an additional valuation allowance with respect to our deferred tax asset, our financial condition and results of operations would be negatively affected.

Our net operating loss carryforwards could be substantially limited if we experience an ownership change as defined in the Internal Revenue Code.

As of June 30, 2015 we had approximately $71.5 million of federal net operating losses ("NOLs"). Our ability to use our NOLs and other pre-ownership change losses (collectively, "Pre-Change Losses") to offset future taxable income will be limited if we experience an "ownership change" as defined in Section 382 of the Internal Revenue Code of 1986, as amended from time to time (the "Code"). In general, an ownership change occurs if, among other things, the shareholders (or specified groups of shareholders) who own or have owned, directly or indirectly, 5% or more of a corporation's common stock or are otherwise treated as 5% shareholders under Section 382 and U.S. Treasury regulations promulgated thereunder increase their aggregate percentage ownership of that corporation's stock by more than 50 percentage points over the lowest percentage of the stock owned by these shareholders over a rolling three-year period. If we experience an ownership change our Pre-Change Losses will be subject to an annual limitation on their use, which is generally equal to the fair market value of our outstanding stock immediately before the ownership change multiplied by the long-term tax-exempt rate, which was 2.50% for ownership changes occurring in June 2015. Depending on the size of the annual limitation (which is in part a function of our market capitalization at the time of the ownership change) and the remaining carryforward period for our Pre-Change Losses (U.S. federal net operating losses generally may be carried forward for a period of 20 years), we could realize a permanent loss of some or all of our Pre-Change Losses, which could have a material adverse effect on our results of operations and financial condition.

In September 2012, we adopted a shareholder rights plan (the "Rights Plan"), which provides an economic disincentive for any person or group to become an owner, for relevant tax purposes, of 4.99% or more of our stock. While adoption of the Rights Plan should reduce the likelihood that future transactions in our stock will result in an ownership change under Section 382, there can be no assurance that the Rights Plan will be effective to deter a shareholder from increasing its ownership interests beyond the limits set by the Rights Plan or that an ownership change will not occur in the future.

We are an emerging growth company within the meaning of the Securities Act, and if we decide to take advantage of certain exemptions from various reporting requirements applicable to emerging growth companies, our common stock could be less attractive to investors.

We are an "emerging growth company," as defined in Section 2(a) of the Securities Act, as modified by the JOBS Act. We are eligible to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including, but not limited to, an exemption from the requirement of holding a non-binding advisory vote on executive compensation. In addition, we will not be subject to certain requirements of Section 404 of the Sarbanes-Oxley Act, including the additional level of review of our internal control over financial reporting as may occur when outside auditors attest as to our internal control over financial reporting. As a result, our stockholders may not have access to certain information they may deem important. Further, we are eligible to delay adoption of new or revised accounting standards applicable to public companies and we may take advantage of the benefits of this extended transition period, although to date we have not done so. Accordingly, our financial statements may not be comparable to companies that comply with such new or revised accounting standards. We could remain an "emerging growth company" for up to five years, or until the earliest of (a) the last day of the first fiscal year in which our annual gross revenues exceed $1 billion, (b) the date that we become a "large accelerated filer" as defined in Rule 12b-2 under the Exchange Act, which would occur if the market value of our common stock that is held by non-affiliates exceeds $700 million as of the last business day of our most recently completed second fiscal quarter, or (c) the date on which we have issued more than $1 billion in non-convertible debt during the preceding three-year period. If we take advantage of any of these exemptions, we do not know if some investors will find our common stock less attractive as a result. The result may be a less active trading market for our common stock and our stock price may be more volatile.

Item 1B. Unresolved Staff Comments
None.
Item 2. Properties
We maintain our administrative office, which is owned by us, in Asheville, North Carolina. In total, as of June 30, 2015, we have 45 locations, which include: North Carolina (including the Asheville metropolitan area, the "Piedmont" region, Charlotte, and a loan production office in Raleigh), Upstate South Carolina (Greenville), East Tennessee (including Kingsport/Johnson City, Knoxville, and Morristown) and Southwest Virginia (including the Roanoke Valley).
Of those offices, seven are leased facilities. We also own an operations center located in Asheville, North Carolina. We lease additional space, which is adjacent to the facility we own, for administrative and operations personnel. The lease terms for our branch offices, operations center and other offices are not individually material. Lease expirations range from one to five years. In the opinion of management, all properties are adequately covered by insurance, are in a good state of repair and are appropriately designed for their present and future use. See Footnotes 5 and 10 in the Notes to the Consolidated Financial Statements included in Item 8 of this Form 10-K for additional information.
We maintain depositor and borrower customer files on an online basis, utilizing a telecommunications network, portions of which are leased. Management has a disaster recovery plan in place with respect to the data processing system, as well as our operations as a whole.
Item 3. Legal Proceedings
The "Litigation" section of Note 17 to the Notes to Consolidated Financial Statements included in Item 8 of this Form 10-K is incorporated herein by reference.
Item 4. Mine Safety Disclosures.
Not applicable.
PART II
Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.
The Company's common stock is listed on the Nasdaq Global Market under the symbol "HTBI." The common stock was issued at a price of $10.00 per share in connection with the Conversion. The Conversion was completed on July 10, 2012 and the Company's common stock commenced trading on the Nasdaq Global Market on July 11, 2012. As of the close of business on June 30, 2015, there were 19,488,449 shares of common stock outstanding held by 1,124 holders of record. Certain shares are held in "nominee" or "street" name and accordingly, the number of beneficial owners of such shares is not known or included in the foregoing number. The following table presents quarterly market information for the Company's common stock for the year ended June 30, 2015 and 2014.

Year Ended June 30,	2015		2014	
	High	Low	High	Low
First quarter	$15.87	$14.55	$17.00	$16.00
Second quarter	16.68	14.58	16.55	15.89
Third quarter	16.72	15.37	16.11	15.26
Fourth quarter	16.94	15.35	16.00	14.87

The Company did not declare any dividends on its common stock during the fiscal years ended June 30, 2015 or 2014. The timing and amount of cash dividends paid depends on our earnings, capital requirements, financial condition and other relevant factors. We also have the ability to receive dividends or capital distributions from HomeTrust Bank, our wholly owned subsidiary. There are regulatory restrictions on the ability of HomeTrust Bank to pay dividends. See Item 1, "Business—How We Are Regulated," for more information regarding the restrictions on the Company's and the Bank's abilities to pay dividends.
Unregistered Sales of Equity Securities and Use of Proceeds
The Company has periodically repurchased shares of its common stock as authorized by our Board of Directors. On February 11, 2013, the Company announced that its Board of Directors had authorized the repurchase of up to 846,400 shares of the Company's common stock, representing 4% of the Company's outstanding shares. We completed this stock repurchase program during the fourth fiscal quarter of 2013.

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On August 27, 2013, the Company announced that its Board of Directors had authorized the repurchase of up to 1,041,245 shares of the Company's common stock, representing 5% of the Company's outstanding shares. We completed this stock repurchase program during the second fiscal quarter of 2014.
On January 31, 2014, the Company announced that its Board of Directors had authorized the repurchase of up to 989,183 shares of the Company's common stock, representing 5% of the Company's outstanding shares. We completed this stock repurchase program during the second fiscal quarter of 2015.
On November 19, 2014, the Company announced that its Board of Directors had authorized the repurchase of up to 1,023,266 shares of the Company's common stock, representing 5% of the Company's outstanding shares. As of June 30, 2015, 963,243 shares had been repurchased. We completed this stock repurchase program during the first fiscal quarter of 2016.
The table below sets forth information regarding the Company's common stock repurchases during the year ended June 30, 2015.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
July 1 to July 31, 2014	105,000	$15.71	105,000	79,684
August 1 to August 31, 2014	32,760	15.19	32,760	46,924
September 1 to September 30, 2014	5,000	14.70	5,000	41,924
Total during first quarter of fiscal 2015	142,760	$15.56	142,760	41,924
October 1 to October 31, 2014	5,000	$14.67	5,000	36,924
November 1 to November 30, 2014	36,924	15.50	36,924	—
December 1 to December 31, 2014	13,819	15.48	13,819	1,009,447
Total during second quarter of fiscal 2015	55,743	$15.42	55,743	1,009,447
January 1 to January 31, 2015	53,184	$15.72	53,184	956,263
February 1 to February 28, 2015	30,628	15.87	30,628	925,635
March 1 to March 31, 2015	19,880	15.99	19,880	905,755
Total during third quarter of fiscal 2015	103,692	$15.82	103,692	905,755
April 1 to April 30, 2015	58,826	$15.91	58,826	846,929
May 1 to May 30, 2015	421,078	15.71	421,078	425,851
June 1 to June 30, 2015	365,828	16.07	365,828	60,023
Total during fourth quarter of fiscal 2015	845,732	$15.88	845,732	60,023
Total year-to-date 2015	1,147,927	$15.81	1,147,927	60,023

On July 1, 2015, the Company announced that its Board of Directors had authorized a new stock repurchase plan which was effective upon the completion of the November 2014 Plan in July 2015 to repurchase up to 971,271 shares of the Company's common stock, representing 5% of the Company's outstanding shares.

Equity Compensation Plans

The equity compensation plan information presented under Part III, Item 12 of this report is incorporated herein by reference.

Shareholder Return Performance Graph Presentation

The performance graph below compares the Company's cumulative shareholder return on its common stock since the inception of trading on July 11, 2012 to the cumulative total return of the Nasdaq Composite, and the Nasdaq Bank Index for the periods indicated. The information presented below assumes $100 was invested on July 11, 2012, in the Company's common stock and in each of the indices and assumes the reinvestment of all dividends. Historical stock price performance is not necessarily indicative of future stock price performance. Total return assumes the reinvestment of all dividends and that the value of Common Stock and each index was $100 on July 11, 2012.

	Period Ended												
	2012			2013				2014				2015	
	7/11	9/30	12/31	3/31	6/30	9/30	12/31	3/31	6/30	9/30	12/31	3/31	6/30
HomeTrust Bancshares, Inc.	100.00	113.25	115.47	135.04	144.96	141.03	136.67	134.87	134.79	124.87	142.39	136.50	143.25
NASDAQ Bank Index	100.00	105.49	104.65	116.35	123.55	129.91	145.37	149.07	145.58	138.65	149.50	149.73	161.06
NASDAQ Composite	100.00	107.90	104.55	113.14	117.84	130.59	144.62	145.40	152.64	155.89	163.99	169.70	172.68

Item 6. Selected Financial and Other Data.

The summary information presented below under "Selected Financial Condition Data" and "Selected Operations Data" for the years ended June 30, 2015, 2014 and 2013 are derived in part from the audited consolidated financial statements that appear in this annual report. The following information is only a summary and you should read it in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" under Item 7 of this report and "Financial Statements and Supplementary Data" under Item 8 of this report below.

	At June 30,				
	2015	2014	2013	2012	2011
	(In thousands)				
Selected Financial Condition Data:					
Total assets	$2,783,114	$2,074,454	$1,583,323	$1,720,056	$1,637,643
Loans receivable, net[(1)]	1,663,333	1,473,529	1,132,110	1,193,945	1,276,377
Allowance for loan losses	22,374	23,429	32,073	35,100	50,140
Certificates of deposit in other banks	210,629	163,780	136,617	108,010	118,846
Securities available for sale, at fair value	257,606	168,774	24,750	31,335	59,016
FHLB and FRB stock[(2)]	28,711	3,697	1,854	6,300	9,630
Deposits	1,872,126	1,583,047	1,154,750	1,466,175	1,264,585
Other borrowings	475,000	50,000	—	22,265	145,278
Stockholders' equity	371,050	377,151	367,515	172,485	167,769

	Years Ended June 30,				
	2015	2014	2013	2012	2011
	(In thousands)				
Selected Operations Data:					
Total interest and dividend income	$85,156	$60,281	$60,389	$67,491	$72,087
Total interest expense	5,390	5,432	7,255	11,778	20,529
Net interest income	79,766	54,849	53,134	55,713	51,558
Provision for (recovery of) loan losses	150	(6,300)	1,100	15,600	42,800
Net interest income after provision for (recovery of) loan losses	79,616	61,149	52,034	40,113	8,758
Service charges and fees on deposit accounts	5,930	2,783	2,589	2,679	2,929
Mortgage banking income and fees	2,989	3,218	5,107	3,846	3,211
Gain on sale of securities	61	10	—	—	430
Gain from business combination	—	—	—	—	5,844
Gain on sale of fixed assets	—	—	—	1,503	—
Other noninterest income	3,539	2,727	2,691	2,400	4,382
Total noninterest income	12,519	8,738	10,387	10,428	16,796
Total noninterest expense	81,552	55,032	51,393	46,661	53,554
Income (loss) before provision (benefit) for income taxes	10,583	14,855	11,028	3,880	(28,000)
Income tax expense (benefit)	2,558	4,513	1,975	(647)	(13,263)
Net income (loss)	$8,025	$10,342	$9,053	$4,527	$(14,737)
Per Share Data:					
Net income per common share:					
Basic	$0.42	$0.54	$0.45	n/a	n/a
Diluted	$0.42	$0.54	$0.45	n/a	n/a

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	At or For the Years Ended June 30, 2015		2014		2013		2012		2011	
Selected Financial Ratios and Other Data:										
Performance ratios:										
Return on assets (ratio of net income to average total assets)	0.32	%	0.62	%	0.56	%	0.29	%	(0.88	)%
Return on equity (ratio of net income to average equity)	2.12		2.86		2.48		2.67		(8.15	)
Tax equivalent yield on earning assets(3)	3.88		4.15		4.30		4.82		4.83	
Rate paid on interest-bearing liabilities	0.29		0.46		0.65		0.91		1.48	
Tax equivalent average interest rate spread(3)	3.59		3.69		3.65		3.91		3.35	
Tax equivalent net interest margin(3)(4)	3.64		3.79		3.81		4.02		3.52	
Operating expense to average total assets	3.25		3.29		3.21		2.95		3.21	
Average interest-earning assets to average interest-bearing liabilities	120.61		130.20		132.54		113.61		113.01	
Efficiency ratio(5)	78.02		75.37		67.63		56.77		61.94	
Asset quality ratios:										
Nonperforming assets to total assets(6)	1.15	%	2.53	%	5.07	%	4.67	%	3.81	%
Nonaccruing loans to total loans(6)	1.47		2.53		5.88		5.21		3.64	
Total classified assets to total assets	2.90		4.51		7.43		7.75		9.83	
Allowance for loan losses to nonaccruing loans(6)(7)	90.02		61.79		46.78		54.69		103.43	
Allowance for loan losses to total loans	1.33		1.56		2.75		2.85		3.77	
Net charge-offs to average loans	0.07		0.19		0.34		2.34		2.59	
Capital ratios:										
Equity to total assets at end of period(8)	13.33		18.18	%	23.21	%	10.03	%	10.24	%
Average equity to average assets	15.11		21.62		23.09		10.71		10.82	
Dividend payout to common shareholders	—		—		—		n/a		n/a	

(1) Net of allowances for loan losses, loans in process and deferred loan fees.
(2) FRB stock was first purchased as part of membership requirements in fiscal year 2015.
(3) The weighted average rate for municipal leases is adjusted for a 34% federal income tax rate since the interest from these leases is tax exempt.
(4) Net interest income divided by average interest earning assets.

(5) As presented, this is a non-GAAP measure calculated by dividing total noninterest expense, net of FHLB advance prepayment penalties, REO-related expenses, merger-related expenses, and nonrecurring impairment charges by the sum of net interest income, total noninterest income and the tax equivalent adjustment, net of realized gain/loss on securities. See Part II, Item 7 - "Non-GAAP Financial Measures" for additional details. Non-GAAP efficiency table is set forth below:

	2015		2014		2013		2012		2011	
Noninterest expense	$81,552		$55,032		$51,393		$46,661		$53,554	
Less FHLB advance prepayment expense	—		—		3,069		2,111		3,988	
Less REO-related expenses	1,673		2,089		3,086		4,991		5,306	
Less merger-related expenses	5,417		2,708		—		—		—	
Less nonrecurring impairment charge	375		—		—		—		—	
Noninterest expense – as adjusted	$74,087		$50,235		$45,238		$39,559		$44,260	
Net interest income	79,766		54,849		53,134		55,713		51,558	
Plus noninterest income	12,519		8,738		10,387		10,428		16,796	
Plus tax equivalent adjustment	2,736		3,076		3,371		3,539		3,527	
Less realized gain/loss on securities	61		10		—		—		430	
Net interest income plus noninterest income – as adjusted	$94,960		$66,673		$66,892		$69,680		$71,451	
Efficiency ratio	78.02	%	75.37	%	67.63	%	56.77	%	61.94	%
Efficiency ratio (without adjustments)	88.37	%	86.55	%	80.91	%	70.55	%	78.35	%

(6) Nonperforming assets include nonaccruing loans including certain restructured loans and real estate owned. In the year ended June 30, 2012, $25.7 million of loans were reclassified from impaired loans still accruing interest to nonaccruing loans pursuant to regulatory guidance. At June 30, 2015, there were $7.6 million of restructured loans included in nonaccruing loans and $8.5 million, or 34.3%, of nonaccruing loans were current on their loan payments.

(7) The decline in the allowance for loan losses during the year ended June 30, 2012 occurred primarily as a result of the charge-off of specific reserves, totaling $16.7 million, in accordance with regulatory guidance. The ratio of allowance for loan losses to nonaccruing loans was reduced during this period by the charge-off, as well as by the reclassification of impaired loans discussed in note (6) above.

(8) Does not include proceeds from the Conversion consummated on July 10, 2012 for years ended prior to June 30, 2013.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

This discussion and analysis reviews our consolidated financial statements and other relevant statistical data and is intended to enhance your understanding of our financial condition and results of operations. The information in this section has been derived from the Consolidated Financial Statements and footnotes thereto, which are included in Item 8 of this Form 10-K. You should read the information in this section in conjunction with the business and financial information regarding us as provided in this Form 10-K.

Overview

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

We offer a variety of deposit accounts for individuals, businesses, and nonprofit organizations. Deposits are our primary source of funds for our lending and investing activities. We adopted a plan of conversion, primarily to increase our capital to grow our loan portfolio organically and through acquisitions and to continue to build our franchise.

We are significantly affected by prevailing economic conditions, as well as, government policies and regulations concerning, among other things, monetary and fiscal affairs, housing, and financial institutions. Deposit flows are influenced by a number of factors, including interest rates paid on competing time deposits, other investments, account maturities, and the overall level of personal income and savings. Lending activities are influenced by the demand for funds, the number and quality of lenders, and regional economic cycles. Our primary source of pre-tax income is net interest income. Net interest income is the difference between interest income, which is the income that we earn on our loans and investments, and interest expense, which is the interest that we pay on our deposits and borrowings. Changes in levels of interest rates affect our net interest income. A secondary source of income is noninterest income, which includes revenue we receive from providing products and services, including service charges on deposit accounts, mortgage banking income and gains and losses from sales of securities.

As a result of materially lower loan charge-offs and nonaccruing loans than in prior fiscal years our provision for loan losses was $150,000 during fiscal 2015 and a $6.3 million recovery during fiscal 2014. By contrast, we recorded a $1.1 million provision for loan losses for the fiscal year ended June 30, 2013 and substantially larger provisions in the prior two years. The decrease in loan loss provisioning compared to the earlier years reflects our significant progress in reducing the levels of delinquencies, nonaccruing loans and net charge-offs. As a result of our continued focused efforts, nonaccruing loans decreased by 34.5% to $24.9 million at June 30, 2015, as compared to $37.9 million a year earlier and $68.6 million at June 30, 2013.

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.

Merger, Acquisition, and Consolidation Activity

On July 22, 2015, the Bank announced the consolidation of six branch offices located in North Carolina and Tennessee. The closures are the result of a review of customer banking preferences and the current branch network. The consolidation is expected to be completed by the end of October 2015 after regulatory notice requirements are met. The Company had a nonrecurring impairment charge of $375,000 for the quarter ended June 30, 2015 in relation to the consolidation of these offices. The consolidations are expected to reduce operating expenses by $1.2 million annually. See Note 22 of the Notes to Consolidated Financial Statements included in Item 8 of this Form 10-K for additional details.

On November 14, 2014, we completed the acquisition of ten branch banking locations in Virginia and North Carolina from Bank of America Corporation (the "Branch Acquisition"). Six of the branches are located in Roanoke Valley, two in Danville, one in Martinsville, Virginia, and one in Eden, North Carolina. The acquisition added approximately $1.0 million in loans and $329.2 million in deposits.

On July 31, 2014, HomeTrust Bank completed its acquisition of Bank of Commerce headquartered in Charlotte, North Carolina. The acquisition of one office in midtown Charlotte added approximately $86.5 million in loans and $93.4 million in deposits.

On May 31, 2014, we completed our acquisition of Jefferson Bancshares, Inc., the holding company for Jefferson Federal Bank, (“Jefferson”) headquartered in Morristown, Tennessee. Jefferson had twelve offices located across East Tennessee. The acquisition added approximately $329.9 million in loans and $377.4 million in deposits.

On July 31, 2013, we completed our acquisition of BankGreenville Financial Corporation (“BankGreenville”) with one office located in Greenville, South Carolina. The acquisition added approximately $47.8 million in loans and $89.1 million in deposits.

Business and Operating Strategy and Goals

Our primary objective is to continue to operate and grow HomeTrust Bank as a well-capitalized, profitable, independent, community banking organization. Our mission is to create stockholder value by building relationships with our employees, customers, and communities in our primary markets in North Carolina (including the Asheville metropolitan area, the "Piedmont" region, Charlotte, and a loan production office in Raleigh), Upstate South Carolina (Greenville), East Tennessee (including Kingsport/Johnson City, Knoxville, and Morristown) and Southwest Virginia (including the Roanoke Valley) through exceptional service while delivering on our brand promise that “It’s Just Better Here.” We will also need to continue providing our employees with the tools necessary to effectively deliver our products and services to customers in order to compete effectively with other financial institutions operating in our market areas.

Improving our asset quality. Our goal is to improve upon our level of nonperforming assets by managing credit risk. We have an internal problem loan resolution process that is managed by a group of experienced senior banking officers to focus on early detection and timely solutions. We are focused on actively monitoring and managing all segments of our loan portfolio in order to proactively identify and mitigate risk. We will continue to devote significant efforts and resources to reducing problem assets to levels consistent with our historical experience. In connection with the downturn in real estate markets, we applied more conservative and stringent underwriting practices to new loans,

including, among other things, an increased emphasis on a borrower's ongoing ability to repay a loan by requiring lower debt to income ratios, higher credit scores and lower loan to value ratios than our previous lending policies had required. Our percentage of nonperforming assets to total assets was 1.15%, 2.53%, and 5.07%, at June 30, 2015, 2014 and 2013, respectively.
Continuing to originate residential and owner-occupied commercial mortgage loans and municipal leases. Our primary lending focus has been, and will continue to be, on operating as a residential and commercial mortgage lender. We originate both fixed and adjustable-rate residential and commercial mortgage loans. Most of the long term fixed-rate residential mortgage loans that we originate are sold into the secondary market with servicing released, while most of the residential adjustable rate mortgages and fixed rate mortgages with terms to maturity of 15 years or less, the commercial mortgages and all of the municipal leases that we originate, are retained in our portfolio. Although our loan originations have declined during recent periods as we focused on our asset quality problems and experienced lower demand for residential and commercial mortgage loans reflecting both the weak housing market and overall weak economic conditions, we intend to continue to emphasize these lending activities particularly in the larger attractive markets we have added in the past several years.
Expanding our commercial and industrial lending and indirect auto finance line of business. On March 10, 2014, HomeTrust Bank hired a new Chief Credit Officer, Keith Houghton. Under Mr. Houghton's direction, the Bank has expanded its commercial credit department and added new technology systems to support the growth of the Bank's commercial loan portfolio. With our new LPOs in Roanoke, Virginia and Raleigh, North Carolina, and the acquisitions of BankGreenville, Jefferson, and Bank of Commerce, we have expanded our commercial and industrial

lending. The expansion and acquisitions have provided us personnel with expertise in commercial and industrial lending, as well as intimate knowledge of additional growing markets. Additionally, during fiscal year 2014, HomeTrust Bank added an indirect auto finance line of business. The indirect auto finance group services automobile dealerships, its owners, and consumers buying automobiles through these dealerships mainly in western North Carolina and upstate South Carolina. Our focus on working with strong dealerships will allow us to expand into additional market areas and to actively deepen relationships through cross-selling opportunities, while building a strong reputation.

Disciplined franchise expansion. We believe opportunities currently exist within our market areas to grow our franchise. We anticipate organic growth as the local economy and loan demand strengthens, through our marketing efforts and as a result of the opportunities being created as a result of the consolidation of financial institutions occurring in our market areas. We may also seek to expand our franchise through the selective acquisition of individual branches, loan purchases and, to a lesser degree, whole bank transactions that meet our investment and market objectives. We will continue to be disciplined as it pertains to future expansion focusing primarily on organic growth in our current market areas.

Emphasizing lower cost core deposits to manage the funding costs of our loan growth. We offer personal checking, savings and money-market accounts, which generally are lower-cost sources of funds than certificates of deposit and are less sensitive to withdrawal when interest rates fluctuate. To build our core deposit base, over the past several years, we have sought to reduce our dependence on traditional higher cost deposits in favor of stable lower cost demand deposits. We have utilized additional product offerings, technology and a focus on customer service in working toward this goal. In addition, we intend to increase demand deposits by growing business banking relationships through a recently expanded product line tailored to our target business customers' needs. We are also pursuing a number of strategies that include product offerings such as mobile banking and sales promotions on savings and checking accounts to encourage the growth of lower cost deposits.

Improving profitability through customer growth and balance sheet management. We have focused and are continuing to focus significant efforts on creating brand awareness, offering competitive products and employing a strong and experienced workforce. In order to deepen the relationships with our customers and increase individual customer profitability, we have implemented a new cross-marketing program and further augmented our new account opening process to better identify and discuss the individual customer's product and service needs. In addition, we have targeted our direct mail campaigns to take advantage of competitor mergers and/or branch closures to acquire new customer core deposits. We believe these initiatives have positioned us well to implement a strategy focused on improving revenue growth and noninterest income.

Hiring and retaining experienced employees with a customer service focus. We have been successful in attracting and retaining banking professionals with strong community relationships and significant knowledge of our markets, through both individual hires and business combinations, which is central to our business strategy. Exceptional service, local involvement and timely decision-making are integral parts of our business strategy, and we continue to seek additional highly qualified and motivated individuals. We believe that by focusing on experienced bankers who are established in their communities, we enhance our market position and add profitable growth opportunities. Our compensation and incentive systems are aligned with our strategies to grow core deposits and our loan portfolio as the economy improves, while improving asset quality. We have a strong corporate culture based on personal accountability, high ethical standards and significant training opportunities, which is supported by our commitment to career development and promotion from within the organization.

Critical Accounting Policies

Certain of our accounting policies are important to the portrayal of our financial condition, since they require management to make difficult, complex or subjective judgments, some of which may relate to matters that are inherently uncertain. Estimates associated with these policies are susceptible to material changes as a result of changes in facts and circumstances. Facts and circumstances which could affect these judgments include, but are not limited to, changes in interest rates, changes in the performance of the economy and changes in the financial condition of borrowers.

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

The following represent our critical accounting policies:

Allowance for Loan Losses. The allowance for loan losses is the amount estimated by management as necessary to cover losses inherent in the loan portfolio at the balance sheet date. The allowance is established through the provision for loan losses, which is charged to income. Determining the amount of the allowance for loan losses necessarily involves a high degree of judgment. Among the material estimates required to establish the allowance are: loss exposure at default; the amount and timing of future cash flows on impaired loans; value of collateral; and determination of loss factors to be applied to the various elements of the portfolio. All of these estimates are susceptible to significant change. Management reviews the level of the allowance quarterly and establishes the provision for loan losses based upon an evaluation of the portfolio, past loss experience, current economic conditions, and other factors related to the collectability of the loan portfolio. Although we believe that we use the best information available to establish the allowance for loan losses, future adjustments to the allowance may be necessary if economic or other conditions differ substantially from the assumptions used in making the evaluation. In addition, bank regulators, as an integral part of their examination process, periodically review our allowance for loan losses and may require us to recognize adjustments to the allowance based on their judgments about information available to them at the time of their examination. A large loss could deplete the allowance and require increased provisions to replenish the allowance, which would adversely affect earnings.

Business Combinations and Acquired Loans. We use the acquisition method of accounting for all business combinations. The acquisition method of accounting requires us as 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.

We account for purchased performing loans acquired in business combinations using the contractual cash flows method of recognizing discount accretion based on the acquired loans' contractual cash flows. We record purchased performing loans at fair value, including a credit discount. The fair value discount is accreted as an adjustment to yield over the estimated lives of the loans. We do not establish any allowance for loan losses for purchased performing loans, however we will record a provision for loan losses for any further deterioration in these loans subsequent to the acquisition.

We consider loans purchased with evidence of credit deterioration and for which it is probable that all contractually required payments will not be collected as purchased credit-impaired ("PCI") loans. Evidence of credit quality deterioration as of the purchase date may include the internal loan risk grade, delinquent and nonaccrual status, recent credit scores, and recent loan-to-value percentages. We initially record PCI loans at fair value, which includes estimated future credit losses expected to be incurred over the life of the loan. Thus, we do not establish any allowance for loan losses for PCI loans. We estimate the cash flows expected to be collected at the purchase date using specific credit reviews of certain loans and quantitative models incorporating credit risk, prepayment assumptions, and various other factors. These estimates require significant judgment given the impact of real estate prices, changing loss estimates, prepayment assumptions, and other relevant factors. The excess of cash flows expected to be collected over the estimated fair value is the accretable yield and is recognized in interest income over the remaining life of the loan. The difference between the contractually required payments and the cash flows expected to be collected at the purchase date, considering the impact of prepayments, is the nonaccretable difference and is available to absorb future loan chargeoffs.

Real Estate Owned ("REO"). REO represents real estate acquired as a result of customers' loan defaults. At the time of foreclosure, REO is recorded at fair value less costs to sell, which becomes the property's new basis. Any write-downs based on the asset's fair value at the date of acquisition are charged to the allowance for loan losses. After foreclosure, management periodically performs valuations such that the real estate is carried at the lower of its new cost basis or fair value, net of estimated costs to sell. Revenue and expenses from operations and subsequent valuation adjustments to the carrying amount of the property are included in noninterest expense in the consolidated statements of income. In some instances, we may make loans to facilitate the sales of REO. Management reviews all sales for which it is the lending institution for compliance with sales treatment under provisions established by Accounting Standards Codification ("ASC") Topic 360, "Accounting for Sales of Real Estate." Any gains related to sales of REO may be deferred until the buyer has a sufficient initial and continuing investment in the property.

Goodwill and Intangibles. Goodwill is reviewed for potential impairment on an annual basis during the fourth quarter, or more often if events or circumstances indicate there may be impairment. Testing is conducted in two steps: identifying the potential impairment and then, if necessary, identifying the amount of impairment. The first step compares the fair value of the reporting unit to its carrying amount. If the fair value is less than the carrying amount, a second test is conducted by comparing the implied fair value of reporting unit goodwill with the carrying amount of that goodwill. If the carrying amount exceeds the implied fair value, an impairment loss is recognized in an amount equal to that excess. Other identifiable intangible assets are evaluated for impairment if events or changes in circumstances indicate a possible impairment.

Deferred Tax Assets. We use the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets are reduced by a valuation allowance when it is more likely than not that some portion of the deferred tax asset will not be realized. We exercise significant judgment in evaluating the amount and timing of recognition of the resulting tax liabilities and assets.

These judgments require us to make projections of future taxable income. The judgments and estimates we make in determining our deferred tax assets, which are inherently subjective, are reviewed on a continual basis as regulatory and business factors change. Any reduction in estimated future taxable income may require us to record a valuation allowance against our deferred tax assets.

Non-GAAP Financial Measures

In addition to results presented in accordance with GAAP, this10-K contains certain non-GAAP financial measures, which include: the efficiency ratio; operating expense to average total assets; tangible book value; tangible book value per share; tangible equity to tangible assets ratio; net income excluding merger-related expenses, impairment charges for branch consolidation and provision for/(recovery) of loan losses; and return on assets ("ROA"), return on equity ("ROE"), and earnings per share ("EPS") excluding merger expenses, impairment charges for branch consolidation, and provision for/(recovery) of loan losses. The Company believes these non-GAAP financial measures and ratios as presented are useful for both investors and management to understand the effects of certain items and provides an alternative view of the Company's performance over time and in comparison to the Company's competitors.

Management elected to obtain additional FHLB borrowings beginning in November 2014 as part of a short term leveraging strategy to generate additional net interest income with the proceeds, as well as dividend income from the required purchase of additional FHLB stock. The Company believes that showing the effects of the additional borrowings on net interest income and net interest margins is useful to both management and investors as these measures are commonly used to measure financial institutions performance and performance against peers.

The Company believes these measures facilitate comparison of the quality and composition of the Company's capital and earnings ability over time and in comparison to its competitors. These non-GAAP measures have inherent limitations, are not required to be uniformly applied and are not audited. They should not be considered in isolation or as a substitute for total stockholders' equity or operating results determined in accordance with GAAP. These non-GAAP measures may not be comparable to similarly titled measures reported by other companies.

Set forth below is a reconciliation to GAAP of our efficiency ratio:

(Dollars in thousands)	Year Ended June 30,		
	2015	2014	2013
Noninterest expense	$81,552	$55,032	$51,393
Less REO-related expenses	1,673	2,089	3,086
Less merger-related expenses	5,417	2,708	—
Less nonrecurring impairment charges	375	—	—
Less FHLB advance prepayment penalty	—	—	3,069
Noninterest expense – as adjusted	$74,087	$50,235	$45,238
Net interest income	$79,766	$54,849	$53,134
Plus noninterest income	12,519	8,738	10,387
Plus tax equivalent adjustment	2,736	3,076	3,371
Less realized gain on securities	61	10	—
Net interest income plus noninterest income – as adjusted	$94,960	$66,653	$66,892
Efficiency ratio	78.02 %	75.37 %	67.63 %
Efficiency ratio (without adjustments)	88.37 %	86.55 %	80.91 %

Set forth below is a reconciliation to GAAP of our operating expense to average assets:

(Dollars in thousands)	Year Ended June 30,		
	2015	2014	2013
Noninterest expense	$81,552	$55,032	$51,393
Less merger-related expenses	5,417	2,708	—
Less nonrecurring impairment charges	375	—	—
Less FHLB advance prepayment penalty	—	—	3,069
Noninterest expense – as adjusted	$75,760	$52,324	$48,324
Average assets	$2,510,296	$1,673,267	$1,603,514
Adjusted operating expense to average assets	3.02 %	3.13 %	3.01 %

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

(Dollars in thousands, except per share data)	At June 30,	
	2015	2014
Total stockholders' equity	$371,050	$377,151
Less: goodwill, core deposits intangibles, net of taxes	(19,000)	(12,344)
Tangible book value	$352,050	$364,807
Common shares outstanding	19,488,449	20,632,008
Tangible book value per share(1)	$18.06	$17.68

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

	At	
(Dollars in thousands)	June 30, 2015	June 30, 2014
Tangible book value(1)	$352,050	$364,807
Total assets	2,783,114	2,074,454
Less: goodwill, core deposit intangibles, net of taxes	(19,000)	(12,344)
Total tangible assets(2)	$2,764,114	$2,062,110
Tangible equity to tangible assets	12.74%	17.69%

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

Set forth below is a reconciliation to GAAP net income, ROA, ROE, and EPS as adjusted to exclude merger-related expenses, impairment charges, and the provision for/(recovery) of loan losses:

(Dollars in thousands, except per share data)	Year Ended June 30, 2015	2014	2013
Merger-related expenses	$5,417	$2,708	$—
Provision/(recovery) of loan losses	150	(6,300)	1,100
Nonrecurring impairment charge	375	—	—
Total adjustments	5,942	(3,592)	1,100
Tax effect [1]	(2,183)	1,506	(407)
Total adjustments, net of tax	3,759	(2,086)	693
Net income (GAAP)	8,025	10,342	9,053
Net income (non-GAAP)	$11,784	$8,256	$9,746
Per Share Data			
Average shares outstanding - basic	19,038,098	18,630,774	19,922,283
Average shares outstanding - diluted	19,117,902	18,715,669	19,941,687
Basic EPS			
EPS (GAAP)	$0.42	$0.54	$0.45
Non-GAAP adjustment	0.20	(0.10)	0.04
EPS (non-GAAP)	$0.62	$0.44	$0.49
Diluted EPS			
EPS (GAAP)	$0.42	$0.54	$0.45
Non-GAAP adjustment	0.20	(0.10)	0.04
EPS (non-GAAP)	$0.62	$0.44	$0.49
Average Balances			
Average assets	$2,510,296	$1,673,267	$1,603,514
Average equity	$379,316	$361,727	$365,750
ROA			
ROA (GAAP)	0.32%	0.62%	0.56%
Non-GAAP adjustment	0.15%	(0.13)%	0.05%
ROA (non-GAAP)	0.47%	0.49%	0.61%
ROE			
ROE (GAAP)	2.12%	2.86%	2.48%
Non-GAAP adjustment	0.99%	(0.58)%	0.18%
ROE (non-GAAP)	3.11%	2.28%	2.66%

(1) Tax amounts have been adjusted for certain nondeductible merger-related expenses.

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

	Year Ended June 30, 2015		
	Average Balance Outstanding	Interest Earned / Paid	Yield/ Rate
Interest-earning assets	$2,267,373	$87,892	3.88 %
Less: Interest-earning assets funded by additional FHLB borrowings (1)	217,364	1,254	0.58 %
Interest-earning assets - adjusted	$2,050,009	$86,638	4.23 %
Interest-bearing liabilities	$1,879,845	$5,390	0.29 %
Additional FHLB borrowings (2)	217,365	435	0.20 %
Interest-bearing liabilities - adjusted	$1,662,480	$4,955	0.30 %
Net interest income and net interest margin		$82,502	3.64 %
Net interest income and net interest margin - adjusted		81,683	3.98 %
Difference		$819	(0.34)%

(1) Proceeds from the additional borrowings were invested in various interest-earning assets including: deposits with the FRB, FHLB stock, certificates of deposits in other banks, and commercial paper.
(2) Additional borrowings were obtained in November 2014.

Comparison of Financial Condition at June 30, 2015 and June 30, 2014

Assets. Total assets increased $708.7 million, or 34.2%, to $2.8 billion at June 30, 2015 from $2.1 billion at June 30, 2014, including an increase in net loans receivable of $189.8 million, or 12.9%, to $1.7 billion at June 30, 2015 from $1.5 billion at June 30, 2014. The overall increase in assets was largely due to the Branch Acquisition, the Bank of Commerce acquisition, the purchase of home equity lines of credit ("HELOCs"), and proceeds from additional FHLB borrowings which substantially increased cash and cash equivalents as well as commercial paper. The increase in FHLB borrowings was a result of a strategic decision by management to leverage FHLB borrowings beginning in November 2014 to generate additional net interest income with the proceeds, as well as dividend income from the required purchase of additional FHLB stock.

Cash, cash equivalents, and commercial paper. Total cash and cash equivalents increased $70.3 million, or 153.5%, to $116.2 million at June 30, 2015 from $45.8 million at June 30, 2014. The Company began purchasing commercial paper during 2015 in conjunction with its short-term leverage strategy, to take advantage of higher returns with relatively low risk, yet remain highly liquid. The commercial paper balance at June 30, 2015 was $256.2 million. The overall increases were primarily a result of the Branch Acquisition and additional funds from FHLB borrowings.

As part of the Company’s liquidity strategy, we also invest a portion of our excess cash in certificates of deposit in other banks which have a higher yield than cash held in interest-earning accounts in order to increase earnings. All of the certificates of deposit in other banks are fully insured by the FDIC. At June 30, 2015, certificates of deposits in other banks totaled $210.6 million compared to $163.8 million at June 30, 2014. The Company has been maintaining a high liquidity position consistent with the Company’s strategy of managing credit and liquidity risk.

Loans. Net loans increased $189.8 million, or 12.9%, to $1.7 billion at June 30, 2015 compared to $1.5 billion at June 30, 2014 primarily due to $86.5 million in loans acquired from Bank of Commerce, $79.0 million in HELOCs purchased, and $452.0 million portfolio loan originations, that were partially offset by unusually high payoffs during the year relating to the assimilation and transition of newly acquired portfolios.

For fiscal year 2015, the retail loan segment portfolio originations increased from $160.6 million to $241.8 million, or 50.6%, compared to the previous year. The commercial loan segment portfolio originations increased from $83.9

million to $210.2 million, or 150.4%, compared to the previous year. Organic loan growth for the year ended June 30, 2015, which excludes loans acquired through acquisitions and purchases of HELOCs, was $37.4 million, or 2.5%, compared to a net run off of $36.6 million, or (3.1%) for the year ended June 30, 2014.

Asset Quality. The Company remains focused on managing its loan portfolio by proactively identifying problem assets and taking the appropriate measures to address known issues. During 2015, we continued to see improvements throughout our portfolio in our key credit quality metrics. Nonperforming assets decreased 39.4% to $31.9 million, or 1.2% of total assets, at June 30, 2015, compared to $52.6 million, or 2.5% of total assets, at June 30, 2014. Nonperforming assets included $24.9 million in nonaccruing loans and $7.0 million in REO at June 30, 2015, compared to $37.9 million and $14.7 million, in nonaccruing loans and REO, respectively, at June 30, 2014. Included in nonperforming loans are $7.6 million of loans restructured from their original terms of which $4.1 million were current with respect to their modified payment terms. The decrease in nonaccruing loans was primarily due to the sale of $9.2 million in nonperforming loans in the fourth quarter and loans returning to performing status as payment history and the borrower's financial status improved. At June 30, 2015, $8.5 million, or 34.3%, of nonaccruing loans were current on their required loan payments. Purchased impaired loans aggregating $8.2 million acquired from BankGreenville, Jefferson, and Bank of Commerce are excluded from nonaccruing loans due to the accretion of discounts established in accordance with the acquisition method of accounting for business combinations.

The ratio of classified assets to total assets decreased to 2.90% at June 30, 2015 from 4.51% at June 30, 2014. Classified assets decreased 12.5% to $81.1 million at June 30, 2015 compared to $93.6 million at June 30, 2014. Delinquent loans (loans delinquent 30 days or more) at June 30, 2015 were $29.8 million, or 1.8% of total loans compared to $27.9 million, or 1.9% of total loans at June 30, 2014.

As of June 30, 2015, impaired loans decreased to $57.9 million from $62.8 million at June 30, 2014. Our impaired loans are comprised of loans on non-accrual status and all TDRs, whether performing or on non-accrual status under their restructured terms. Impaired loans may be evaluated for reserve purposes using either a specific impairment analysis or on a collective basis as part of homogeneous pools. For more information on these impaired loans, see Note 4 of the Notes to Consolidated Financial Statements included in Item 8 of this Form 10-K.

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

Our allowance for loan losses at June 30, 2015 was $22.4 million or 1.33% of total loans, compared to $23.4 million or 1.56% of total loans at June 30, 2014. The allowance for loan losses was 1.58% of total loans at June 30, 2015, excluding acquired loans excluded from the allowance for loan losses in accordance with the acquisition method of accounting for business combinations, as compared to 2.05% at June 30, 2014. The Company recorded these loans at fair value, which includes a credit discount, therefore, no allowance for loan losses is established for these loans at the time of acquisition. Any subsequent deterioration in credit quality will result in a provision for loan losses. The allowance for our acquired loans at June 30, 2015 was $401,000. There was no allowance for acquired loans at June 30, 2014.

The provision for losses on loans was $150,000 for the year ended June 30, 2015 compared to a $6.3 million recovery of loan losses for fiscal 2014. Net loan charge-offs decreased to $1.2 million for the year ended June 30, 2015 from $2.3 million for fiscal 2014. Net charge-offs as a percentage of average loans decreased to 0.07% for the year ended June 30, 2015 from 0.19% for last fiscal year. The allowance as a percentage of nonaccruing loans increased to 90.02% at June 30, 2015, compared to 61.79% a year earlier.

We believe that the allowance for loan losses as of June 30, 2015 was adequate to absorb the known and inherent risks of loss in the loan portfolio at that date. While we believe the estimates and assumptions used in our determination of the adequacy of the allowance are reasonable, there can be no assurance that such estimates and assumptions will not be proven incorrect in the future, or that the actual amount of future provisions will not exceed the amount of past provisions or that any increased provisions that may be required will not adversely impact our financial condition and results of operations. In addition, the determination of the amount of the allowance for loan losses is subject to review by bank regulators as part of the routine examination process, which may result in the establishment of additional reserves based upon their judgment of information available to them at the time of their examination.

Investments. Securities available for sale increased $88.8 million, to $257.6 million at June 30, 2015 compared to $168.8 million at June 30, 2014. During fiscal 2015, securities purchases of $135.8 million and $24.2 million in investments acquired from the Bank of Commerce were partially offset by $41.3 million in investment securities maturities and $10.4 million in sales and repayments. We evaluate individual investment securities quarterly for other-than-temporary declines in market value. We do not believe that there are any other-than-temporary impairments at June 30, 2015; therefore, no impairment losses have been recorded for fiscal 2015. FHLB stock increased $18.8 million over the last fiscal year due to the previously mentioned leveraging strategy. As a member of the Federal Reserve Bank system, the Company is required to own FRB stock, which totaled $6.2 million as of June 30, 2015. No FRB stock was owned at June 30, 2014.

Real estate owned. REO decreased $7.6 million, to $7.0 million at June 30, 2015 primarily due to the sale of $9.7 million in REO that was partially offset by $2.3 million in transfers from foreclosed loans. The total balance of REO included $4.3 million in land, construction and development projects (both residential and commercial), $1.1 million in commercial real estate and $1.6 million in single-family homes at June 30, 2015.

Deposits. Deposits increased $289.1 million, or 18.3%, to $1.9 billion at June 30, 2015 from $1.6 billion at June 30, 2014, due to $422.6 million in deposits acquired through recent acquisitions, partially offset by a $133.5 million decrease in deposits through a managed reduction of higher rate deposit and certificates of deposit accounts and expected runoff from the acquisitions.

Borrowings. Other borrowings increased to $475.0 million at June 30, 2015 from $50.0 million at June 30, 2014 as a result of a $425.0 million increase in FHLB advances as part of management's short-term leveraging strategy. All FHLB advances have maturities of less than 90 days with a weighted average interest rate of 0.20% at June 30, 2015.

Equity. Stockholders’ equity at June 30, 2015 decreased to $371.1 million from $377.2 million at June 30, 2014. The decrease in stockholders' equity resulted from the repurchase of approximately 1.1 million of the Company's shares for $18.7 million, which was partially offset by $8.0 million of earnings for the year.

Average Balances, Interest and Average Yields/Cost

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

	Years Ended June 30,								
	2015			2014			2013		
	Average Balance Outstanding	Interest Earned/ Paid[(2)]	Yield/ Rate[(2)]	Average Balance Outstanding	Interest Earned/ Paid[(2)]	Yield/ Rate[(2)]	Average Balance Outstanding	Interest Earned/ Paid[(2)]	Yield/ Rate[(2)]
	(Dollars in thousands)								
Interest-earning assets:									
Loans receivable [(1)]	$1,628,067	$80,611	4.95 %	$1,213,271	$59,911	4.94 %	$1,210,153	$61,775	5.10 %
Deposits in other financial institutions	332,703	2,323	0.70 %	211,254	1,749	0.83 %	221,943	1,509	0.68 %
Investment securities	200,772	3,659	1.82 %	89,781	1,578	1.76 %	28,862	324	1.12 %
Other	105,831	1,299	1.23 %	13,730	119	0.87 %	20,769	152	0.73 %
Total interest-earning assets	2,267,373	87,892	3.88 %	1,528,036	63,357	4.15 %	1,481,727	63,760	4.30 %
Interest-bearing liabilities:									
Interest-bearing checking accounts	349,599	442	0.13 %	220,427	275	0.12 %	181,849	212	0.12 %
Money market accounts	453,056	1,027	0.23 %	306,747	788	0.26 %	263,826	895	0.34 %
Savings accounts	209,782	304	0.14 %	92,374	156	0.17 %	90,545	199	0.22 %
Certificate accounts	621,943	3,119	0.50 %	547,929	4,198	0.77 %	571,324	5,669	0.99 %
Borrowings	245,464	498	0.20 %	6,109	15	0.25 %	10,434	280	2.68 %
Total interest-bearing liabilities	1,879,844	5,390	0.29 %	1,173,586	5,432	0.46 %	1,117,978	7,255	0.65 %
Tax-equivalent net interest income		$82,502			$57,925			$56,505	
Tax equivalent interest rate spread			3.59 %			3.69 %			3.65 %
Net earning assets	$387,529			$354,450			$363,749		
Tax equivalent net interest margin			3.64 %			3.79 %			3.81 %
Average interest-earning assets to average	120.61 %			130.20 %			132.54 %		

interest-bearing
liabilities

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(1) The average loans receivable, net balances include loans held for sale and nonaccruing loans.

(2) Interest income used in the average interest/earned and yield calculation includes the tax equivalent adjustment of $2.7 million, $3.1 million and $3.4 million for fiscal years ended June 30, 2015, 2014, and 2013, respectively, calculated based on a federal income tax rate of 34%.

Rate/Volume Analysis

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

	Year Ended June 30, 2015 vs. 2014			Years Ended June 30, 2014 vs. 2013		
(Dollars in thousands)	Increase/ (decrease) due to Volume	Rate	Total increase/ (decrease)	Increase/ (decrease) due to Volume	Rate	Total increase/ (decrease)
Interest-earning assets:						
Loans receivable	$20,483	$217	$20,700	$159	$(2,023)	$(1,864)
Deposits in other financial institutions	1,006	(432)	574	(73)	313	240
Investment securities	1,951	130	2,081	684	570	1,254
Other	798	382	1,180	(52)	19	(33)
Total interest-earning assets	24,238	297	24,535	718	(1,121)	(403)
Interest-bearing liabilities:						
Interest-bearing checking accounts	$161	$6	$167	$45	$18	$63
Money market accounts	376	(137)	239	146	(253)	(107)
Savings accounts	198	(50)	148	4	(47)	(43)
Certificate accounts	567	(1,646)	(1,079)	(232)	(1,239)	(1,471)
Borrowings	588	(105)	483	(116)	(149)	(265)
Total interest-bearing liabilities	$1,890	$(1,932)	$(42)	$(153)	$(1,670)	$(1,823)
Net increase in tax equivalent interest income			$24,577			$1,420

Comparison of Results of Operations for the Years Ended June 30, 2015 and June 30, 2014

General. During 2015, we had net income of $8.0 million compared to net income of $10.3 million earned in 2014. The Company's 2015 earnings included merger-related expenses of $5.4 million and a nonrecurring impairment charge of $375,000 related to the consolidation of six branch offices. Also significantly augmenting 2014 net income was a $6.3 million recovery of loan losses compared to a $150,000 provision for loan losses in 2015. Earnings before merger expenses, nonrecurring impairment charges, and provision for (recovery of) loan losses for 2015 were $11.8 million compared to $8.3 million in 2014. On a basic and diluted per share basis, the Company earned $0.42 and $0.54 per share for 2015 and 2014, respectively. Excluding merger-related expenses, nonrecurring impairment charges, and the provision for (recovery of) loan losses, the Company's diluted earnings per share increased 40.9% to $0.62 for 2015 from $0.44 per share in comparison to prior year.

Net Interest Income. Net interest income was $79.8 million for 2015 compared to $54.8 million in 2014. The $25.0 million, or 45.4% increase was primarily the result of the $24.9 million increase in interest income primarily as a result of increases in average loans receivable and investment securities due to recent acquisitions. Net interest margin (on a fully taxable-equivalent basis) for 2015 contracted 15 basis points over the same period last year from 3.79% to 3.64% as a result of increasing average short-term FHLB borrowings by $239.4 million. The additional borrowings were invested in various short-term assets with an average yield of 0.58%, which generated an additional $819,000 in net interest income in 2015. Excluding the effects of the leverage strategy discussed above, net interest margin increased 19 basis points to 3.98%.

Interest Income. Interest income for 2015 was $85.2 million, compared to $60.3 million for 2014, an increase of $24.9 million, or 41.3%. The $21.0 million, or 37.0% increase in interest income from loans was a result of average loan receivables increasing $414.8 million to $1.6 billion in 2015 over 2014. The corresponding average loan yield increased marginally by one basis point to 4.95% as the accretion of purchase discounts on acquired loans, which totaled $5.4 million for the year, more than offset new loans originated at lower rates and pay offs of higher yielding loans. Net interest margin is enhanced by the amortization of purchase accounting discounts on purchased loans and certificates of deposit received in recent acquisitions, which is accreted into net interest income. This additional income stems from the discount established at the time these loan portfolios were acquired and the related impact of prepayments on purchased loans. Each quarter, the Company analyzes the cash flow assumptions on loan pools purchased and, at least semi-annually, the Company updates loss estimates, prepayment speeds and other variables when analyzing cash flows. In addition to this accretion income, which is recognized over the estimated life of the loans pools, if a loan is removed from a pool due to payoff or foreclosure, the unaccreted discount in excess of losses is recognized as an accretion gain in interest income. As a result, income from loan pools can be volatile from quarter to quarter as well as year over year. The amortization of purchase accounting discounts on loans and certificates of deposit of $6.3 million increased the net interest margin (on a fully taxable-equivalent basis) 28 basis points for fiscal 2015.

Due to a significant number of adjustable-rate loans in the loan portfolio with interest rate floors below which the loans' contractual interest rate may not adjust, net interest income will be negatively impacted in a rising interest rate environment until such time as the current rate exceeds these interest rate floors. As of June 30, 2015, our loans with interest rate floors totaled approximately $578.7 million and had a weighted average floor rate of 4.29% of which $271.9 million, or 47.0%, had yields that would begin floating again once prime rates increase at least 200 basis points.

The combined average balance of investment securities, deposits in other financial institutions, and other interest-earning assets increased by $324.5 million, or 103.1%, to $639.3 million for 2015, while the interest and dividend income from those investments increased by $3.8 million compared to 2014. The increase in average balances in 2015 was primarily due to the purchase of $135.8 million of investment securities, $256.2 million increase in commercial paper, and $24.2 million in investment securities acquired from Bank of Commerce. These increases were partially offset by $41.3 million of U.S. agency securities maturing and $29.8 million in repayments and sales of securities.

Interest Expense. Interest expense for 2015 remained consistent with prior year at $5.4 million. The 17 basis point drop in the average cost of interest-bearing liabilities from 2014 kept interest expense level with the prior year, while average interest-bearing liabilities increased $706.3 million to $1.9 billion for 2015 compared to 2014 as a result of our recent acquisitions and additional FHLB borrowings.

Deposit interest expense decreased $525,000, or 9.7%, to $4.9 million for 2015 compared to $5.4 million in 2014 primarily as a result of average cost of certificates of deposit decreasing by 27 basis points to 0.50%, which was driven by our strategy to utilize our excess liquidity, mainly cash, to reduce higher-cost deposits by competing less aggressively on certain deposit rates. Interest expense on borrowings increased $483,000 to $498,000 in 2015 over the previous year due to the additional FHLB borrowings.

Provision for Loan Losses. During 2015, the provision for loan losses was $150,000 compared to a recovery of $6.3 million for 2014. The provision for loan losses reflects the amount required to maintain the allowance for losses at an appropriated level based upon management's evaluation of the adequacy of general and specific loss reserves, trends in delinquencies and net charge-offs and current economic conditions.

See "Comparison of Financial Condition at June 30, 2015 and 2014 - Asset Quality and Allowance for Loan Losses" for additional details.

Noninterest Income. Noninterest income was $12.5 million for 2015 compared to $8.7 million for 2014. The $3.8 million, or 43.3% increase was primarily driven by $3.1 million, or 113.1% increase in service charges on core deposit accounts due to the growth in the number of our deposits accounts due to recent acquisitions. The $812,000, or 29.8% increase in other noninterest income was also a result of recent acquisitions as well as a $427,000 increase in income from bank owned life insurance.

Noninterest Expense. Noninterest expense was $81.6 million in 2015, a $26.5 million, or 48.2% increase over $55.0 million 2014. This increase was primarily related to a $10.9 million increase in salaries and employee benefits, a $3.3 million increase in net occupancy expense, a $2.7 million increase in merger-related expenses, a $2.4 million increase in amortization of core deposit intangibles, and a $7.2 million increase in other expenses, all of which were a result of our recent acquisitions.

Income Taxes. The provision for income taxes was $2.6 million for fiscal 2015, representing an effective tax rate of 24.2%, as compared to $4.5 million in 2014. This decrease was due to lower income before taxes, as well as a nonrecurring $962,000 charge incurred in the first quarter of fiscal 2014 related to the decline in value of our deferred tax assets based on decreases in North Carolina's state corporate tax rates. Beginning January 1, 2014, North Carolina's corporate tax rate was reduced from 6.9% to 6.0% and to 5.0% in 2015 with additional reductions to 3.0% in 2017 possible in the event certain state revenue triggers are achieved. In August 2015, the state announced the revenue goals had been met and the new rate for 2016 would be 4.0%. For more information on income taxes and deferred taxes, see Note 11 of the Notes to the Consolidated Financial Statements included in Item 8 of this Form 10-K.

We perform a robust evaluation of our deferred tax assets each year to determine whether a deferred tax asset is more likely than not to be realized, evaluating all available positive and negative evidence including the possibility of future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies and recent financial results. A deferred tax asset valuation allowance is established to reduce the net carrying amount of deferred tax assets if it is determined to be more likely than not that all or some portion of the deferred tax asset will not be realized. At June 30, 2015 and June 30, 2014, our deferred tax asset valuation allowance was $1.0 million reducing our net deferred tax assets to $59.5 million and $58.6 million, respectively. The deferred tax asset valuation allowance relates primarily to North Carolina state income taxes due primarily to limitations on state net operating loss carry-forwards. The net deferred tax asset was the amount that we determined was more likely than not to be realized, based on an analysis of positive and negative evidence at June 30, 2015 and June 30, 2014.

Comparison of Results of Operation for the Year Ended June 30, 2014 and 2013

General. During 2014, we had net income of $10.3 million as compared to net income of $9.1 million for 2013. The increase in net income was primarily driven by improved asset quality leading to a recovery of loan losses of $6.3 million. Net income before merger-related expenses, net of tax, for 2014 was $12.2 million compared to $9.1 million for 2013, a 35.0% increase. On a basic and diluted per share basis, the Company earned $0.54 per share for 2014 versus $0.45 per share for 2013. Earnings per share before merger-related expenses, net of tax, was $0.64 per share for 2014, an increase of 42.2% compared to prior year.

Net Interest Income. Net interest income was $54.8 million for 2014 compared to $53.1 million for 2013. Net interest income increased $1.7 million, or 3.2%, compared to the prior year as interest income on securities available for sale increased $1.3 million and total interest expense decreased $1.8 million, which was partially offset by a $1.6 million decrease in interest income on loans. Net interest margin (on a fully taxable-equivalent bases) for 2014 decreased two basis points to 3.79% over last year. The yield on interest-earning assets (on a fully taxable-equivalent basis) decreased 15 basis points to 4.15% while the rate paid on interest-bearing liabilities decreased 19 basis points to 0.46%.

The decline in the yield on interest-earning assets during 2014 was primarily due to declines in the tax-equivalent yields on loans receivable. The decline in the yield on interest-bearing liabilities was primarily due to declines in both the average balance and tax-equivalent yields on certificates of deposit. Generally, our balance sheet interest rate sensitivity achieves better net interest rate margins in a stable or increasing interest rate environment. However, due to $578.7 million of loans in the loan portfolio with interest rate floors, net interest income will be negatively impacted in a rising interest rate environment until such time as the current rate exceeds these interest rate floors.

Interest Income. Interest income for 2014 was $60.3 million, compared to $60.4 million for 2013, a decrease of $108,000, or 0.2%. The decrease in interest income occurred primarily as a result of the decline in the yield on loans receivable and was partially offset by increases in both the average balance and yield on investment securities. Interest income on loans receivable decreased by $1.6 million, or 2.7% to $56.8 million for 2014 from $58.4 million for 2013, reflecting the impact of a 16 basis point decrease in the average tax-equivalent yield on loans. Average loans receivable held steady at $1.2 billion for 2014 compared to 2013. The decrease in average tax-equivalent loan yields reflects the continuing very low level of market interest rates, the maturity or repayment of higher yielding loans, and downward repricing of adjustable rate loans to current market rates. The average tax-equivalent yield on loans was 4.94% for 2014, compared to 5.10% for 2013.

The combined average balance of investment securities, deposits in other financial institutions, and other interest-earning assets increased by $43.2 million, or 15.9%, to $314.8 million for 2014, while the interest and dividend income from those investments increased by $1.5 million compared to the prior fiscal year. The increase in average balance was primarily due to the purchase of $81.6 million of investment securities during fiscal year 2014 and $85.0 million in investment securities acquired in the Jefferson merger. These increases were partially offset by $45.2 million of U.S. agency securities which were called during the fiscal year.

Interest Expense. Interest expense for the 2014 was $5.4 million, compared to $7.3 million in 2013, a decrease of $1.8 million, or 25.1%. The decrease in interest expense occurred as a result of a 19 basis point decrease in the average cost of interest-bearing liabilities to 0.46% for 2014, from 0.65% for the year earlier. These decreases reflect the prepayment of all higher-rate FHLB advances during 2013, as well as, a managed decline in certificates of deposit as our pricing decreases were designed to allow higher rate certificates of deposit to run off.

Deposit interest expense decreased $1.6 million, or 22.3%, to $5.4 million for 2014 compared to $7.0 million for the year earlier primarily as a result of a $23.4 million decrease in the average balance of certificates of deposit and a 22 basis point decrease in the rate paid on these deposits. In addition, the cost of our money market accounts declined $107,000 due an 8 basis point decrease in the rate paid on these deposits compared to last year. Average borrowings decreased to $6.1 million for 2014, from $10.4 million in 2013, while the average rate paid on borrowings decreased to 0.25% for 2014 from 2.68% in 2013. The decrease in the average rate paid on borrowings was primarily the result of the repayment of all higher-rate FHLB advances in 2013.

Provision for Loan Losses. During 2014, the provision (recovery) for loan losses was ($6.3) million, compared to $1.1 million for 2013, a decrease of $7.4 million. The recovery in the provision was primarily due to improving asset quality due to lower classified and nonaccruing loans, as well as lower loan charge-offs. Nonaccruing loans decreased $30.6 million, or 44.7%, and our classified assets declined $24.0 million, or 20.4%, during 2014. In addition, at June 30, 2014, $23.9 million, or 50.9%, of our total nonaccruing loans were current on their loan payments as compared to $39.6 million, or 57.7%, of total nonaccruing loans at June 30, 2013. As a result of these factors, combined with our decreasing loan portfolio (excluding loans acquired through acquisition), our provision for loan losses decreased during 2014.

A comparison of the allowance at June 30, 2014 and 2013 reflects a decrease of $8.7 million, or 27.0%, to $23.4 million at June 30, 2014, from $32.1 million at June 30, 2013. The allowance as a percentage of total loans decreased to 1.56% at June 30, 2014, compared to 2.75% at June 30, 2013. The allowance for loan losses was 2.05% of total loans at June 30, 2014, excluding the loans acquired from Jefferson and BankGreenville. The allowance as a percentage of nonaccruing loans increased to 61.79% at June 30, 2014, compared to 46.78% a year earlier.

As of June 30, 2014, we had identified $62.8 million of impaired loans. Our impaired loans are comprised of loans on nonaccrual and TDRs that are performing under their restructured terms. Impaired loans may be evaluated for reserve purposes using either a specific impairment analysis or on a collective basis as part of homogeneous pools. For more information on these impaired loans, see Note 4 of the Notes to Consolidated Financial Statements included in Item 8 of this Form 10-K.

Noninterest Income. Noninterest income was $8.7 million for 2014 compared to $10.4 million for 2013. Mortgage banking income and fees decreased $1.9 million, or 37.0%, as proceeds from sales of loans held for sale decreased to $87.9 million during the 2014 fiscal year compared to $230.9 million for the 2013 fiscal year as loans originated for sale were severely curtailed due to lower refinancing activity driven by increased mortgage loan interest rates throughout the fiscal year.

Noninterest Expense. Noninterest expense for 2014 increased $3.6 million or 7.1% to $55.0 million compared to $51.4 million for 2013. This increase was primarily driven by $2.7 million of merger-related expenses incurred this fiscal year in connection with the July 31, 2013 acquisition of BankGreenville and the May 31, 2014 acquisition of Jefferson. In addition, salaries and employee benefits increased $3.9 million, or 14.9%, partially offset by a $3.1 million decrease in FHLB advance prepayment penalties, as compared to the prior fiscal year. Salaries and employee benefits increased during 2014 primarily as a result of stock based compensation and additional employees retained from the acquisitions of

BankGreenville and Jefferson. As a result, noninterest expenses as a percentage of average assets increased slightly to 3.29% for 2014, as compared to 3.21% for the prior fiscal year.

Income Taxes. The provision for income taxes was $4.5 million for 2014, representing an effective tax rate of 30.4%, as compared to $2.0 million in 2013. The increase in the income tax provision was due to higher income before income taxes, as well as a nonrecurring $962,000 charge to tax expense for the decrease in the value of our deferred tax assets based on recently implemented decreases in North Carolina's state corporate tax rates. Beginning January 1, 2014, North Carolina's corporate tax rate was reduced from 6.9% to 6.0%.

Asset/Liability Management

Our Risk When Interest Rates Change. The rates of interest we earn on assets and pay on liabilities generally are established contractually for a period of time. Market interest rates change over time. Our loans generally have longer maturities than our deposits. Accordingly, our results of operations, like those of other financial institutions, are impacted by changes in interest rates and the interest rate sensitivity of our assets and liabilities. The risk associated with changes in interest rates and our ability to adapt to these changes is known as interest rate risk and is our most significant market risk. If interest rates rise, our net interest income could be reduced because interest paid on interest-bearing liabilities, including deposits and borrowings, could increase more quickly than interest received on interest-earning assets, including loans and other investments. In addition, rising interest rates may hurt our income because they may reduce the demand for loans. In the alternative, if interest rates decrease, our net interest income could increase.

How We Measure Our Risk of Interest Rate Changes. As part of our process to manage our exposure to changes in interest rates and comply with applicable regulations, we monitor our interest rate risk. In monitoring interest rate risk we continually analyze and manage assets and liabilities based on their payment streams and interest rates, the timing of their maturities, and their sensitivity to actual or potential changes in market interest rates. The board of directors sets the asset and liability policy of HomeTrust Bank, which is implemented by management and an asset/liability committee whose members include certain members of senior management.

The purpose of this committee is to communicate, coordinate and control asset/liability management consistent with our business plan and board approved policies. The committee establishes and monitors the volume and mix of assets and funding sources taking into account relative costs and spreads, interest rate sensitivity and liquidity needs. The objectives are to manage assets and funding sources to produce results that are consistent with liquidity, capital adequacy, growth, risk, and profitability goals.

The committee generally meets on a quarterly basis to review, among other things, economic conditions and interest rate outlook, current and projected liquidity needs and capital position, anticipated changes in the volume and mix of assets and liabilities and interest rate risk exposure limits versus current projections pursuant to net present value of portfolio equity analysis and income simulations. The committee recommends appropriate strategy changes based on this review. The committee is responsible for reviewing and reporting on the effects of the policy implementations and strategies to the board of directors at least quarterly.

Among the techniques we use to manage interest rate risk are: (i) increasing our portfolio of hybrid and adjustable-rate one-to-four family residential loans; (ii) maintaining a strong capital position, which provides for a favorable level of interest-earning assets relative to interest-bearing liabilities; and (iii) emphasizing less interest rate sensitive and lower-costing "core deposits." We also maintain a portfolio of short-term or adjustable-rate assets and use fixed-rate FHLB advances and brokered deposits to extend the term to repricing of our liabilities.

We consider the relatively short duration of our deposits in our overall asset/liability management process. Should short-term rates increase, we have assets and liabilities that will increase with the market. This is reflected in the small change in our present value equity ("PVE") when rates increase (see the table below). PVE is defined as the net present value of our existing assets and liabilities. In addition, we have historically demonstrated an ability to maintain retail deposits through various interest rate cycles. If local retail deposit rates increase dramatically, we also have access to wholesale funding through our lines of credit with the FHLB and FRB, as well as through the brokered deposit market to replace retail deposits, as needed.

Depending on the level of general interest rates, the relationship between long- and short-term interest rates, market conditions and competitive factors, the committee may in the future determine to increase our interest rate risk position somewhat in order to maintain or increase our net interest margin. In particular, we believe that the increased net interest income resulting from a mismatch in the maturity of our assets and liabilities portfolios can, during periods of stable or declining interest rates, provide high enough returns to justify increased exposure to sudden and unexpected increases in interest rates. As a result of this philosophy, our results of operations and the economic value of our equity will remain vulnerable to increases in interest rates and to declines due to differences between long- and short-term interest rates.

The committee regularly reviews interest rate risk by forecasting the impact of alternative interest rate environments on net interest income and our PVE. The committee also valuates these impacts against the potential changes in net interest income and market value of our portfolio equity that are monitored by the board of directors of HomeTrust Bank generally on a quarterly basis.

Our asset/liability management strategy sets limits on the change in PVE given certain changes in interest rates. The table presented here, as of June 30, 2015, is forward-looking information about our sensitivity to changes in interest rates. The table incorporates data from an independent service, as it relates to maturity repricing and repayment/withdrawal of interest-earning assets and interest-bearing liabilities. Interest rate risk is measured by changes in PVE for instantaneous parallel shifts in the yield curve up and down 400 basis points. Given the relatively low level of market interest rates, a PVE calculation for a decrease of greater than 100 basis points has not been prepared. An increase in rates would negatively impact our PVE as a result of costs of deposit accounts increasing more rapidly than yields on loans due to the fixed rate nature of a large portion of our loan portfolio. As rates rise, the market value of fixed rate assets generally declines due to both the rate increases and slowing prepayments. In addition, due to a number of loans in our loan portfolio with interest rate floors, our net interest income will be negatively impacted in a rising interest rate environment until such time as the current rate exceeds these interest rate floors. Conversely, in a falling interest rate environment these interest rate floors will assist in maintaining our net interest income. As of June 30, 2015, our loans with interest rate floors totaled approximately $578.7 million and had a weighted average floor rate of 4.29%.

June 30, 2015

Change in Interest Rates in Basis Points	Present Value Equity					PVE	
	Amount	$ Change		% Change		Ratio	
(Dollars in Thousands)							
+ 400	$571,268	$(37,419	)	(6	)%	22	%
+ 300	581,852	(26,835	)	(4	)	22	
+ 200	591,734	(16,953	)	(3	)	22	
+ 100	600,604	(8,083	)	(1	)	22	
Base	608,687	—		—		22	
- 100	582,037	(26,650	)	(4	)	21	

In evaluating our exposure to interest rate movements, certain shortcomings inherent in the method of analysis presented in the foregoing table must be considered. For example, although certain assets and liabilities may have similar maturities or repricing periods, they may react in different degrees to changes in market interest rates. Also, the interest rates on certain types of assets and liabilities may fluctuate in advance of changes in market interest rates, while interest rates on other types may lag behind changes in interest rates. Additionally, certain assets, such as adjustable rate mortgages, have features which restrict changes in interest rates on a short-term basis and over the life of the asset. Further, in the event of a significant change in interest rates, prepayment and early withdrawal levels would likely deviate significantly from those assumed above. Finally, the ability of many borrowers to service their debt may decrease in the event of an interest rate increase. We consider all of these factors in monitoring our exposure to interest rate risk.

The board of directors and management of HomeTrust Bank believe that certain factors afford HomeTrust Bank the ability to operate successfully despite its exposure to interest rate risk. HomeTrust Bank may manage its interest rate risk by originating and retaining adjustable rate loans in its portfolio, by borrowing from the FHLB to match the duration of our funding to the duration of originated fixed rate one-to-four family real estate loans held in portfolio and by selling on an ongoing basis certain currently originated fixed rate one-to-four family real estate loans.

Liquidity

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

In addition to these primary sources of funds, management has several secondary sources available to meet potential funding requirements. As of June 30, 2015, HomeTrust Bank had an additional borrowing capacity of $16.5 million with the FHLB of Atlanta, a $170.6 million line of credit with the FRB, and two lines of credit with two unaffliated banks totaling $35.0 million. At June 30, 2015, we had $475.0 million in FHLB advances outstanding as part of the previously discussed leveraging strategy. Additionally, the Company classifies its securities portfolio as available for sale, providing an additional source of liquidity. Management believes that our security portfolio is of high quality and the securities would therefore be marketable. In addition, we have historically sold 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 June 30, 2015, brokered deposits totaled $14.5 million or 0.77% of total deposits.

Liquidity management is both a daily and long-term function of business management. Excess liquidity is generally invested in short-term investments, such as overnight deposits and federal funds. On a longer term basis, we maintain a strategy of investing in various lending products and investment securities, including mortgage-backed securities. The Company on a stand-alone level is a separate legal entity from HomeTrust Bank and must provide for its own liquidity and pay its own operating expenses. The Company’s primary source of funds consists of the net proceeds retained by the Company from the Conversion. We also have the ability to receive dividends or capital distributions from HomeTrust Bank, although there are regulatory restrictions on the ability of HomeTrust Bank to pay dividends. At June 30, 2015, the Company (on an unconsolidated basis) had liquid assets of $27.1 million.

We use our sources of funds primarily to meet our ongoing commitments, pay maturing deposits and fund withdrawals, and to fund loan commitments. At June 30, 2015, the total approved loan commitments and unused lines of credit outstanding amounted to $87.6 million and

$250.8 million, respectively, as compared to $55.4 million and $167.6 million, respectively, as of June 30, 2014. Certificates of deposit scheduled to mature in one year or less at June 30, 2015, totaled $415.6 million. It is management's policy to manage deposit rates that are competitive with other local financial institutions. Based on this management strategy, we believe that a majority of maturing deposits will remain with us.

During fiscal 2015, cash and cash equivalents increased $70.3 million, or 153.5%, from $45.8 million as of June 30, 2014 to $116.2 million as of June 30, 2015 primarily due to the funds received from the FHLB leveraging strategy. Cash provided by financing activities of $257.9 million and operating activities of $2.7 million was partially offset by cash used in investing activities of $190.2 million. Primary sources of cash for the year ended June 30, 2015 included proceeds from the Branch Acquisition of $310.9 million, an increase in borrowings of $409.8 million, the maturity of investment securities of $41.3 million, and proceeds from the sale of REO of $9.7 million. Primary uses of cash during the period included the purchase of commercial paper, net of maturities, of $255.7 million, the purchase of securities available for sale, net of proceeds from sales of $125.4 million, a $133.5 million decrease in net deposits, $18.7 million used to repurchase common stock, an increase in portfolio loans of $106.6 million, and the purchase of certificates of deposit in other banks, net of maturities, of $46.8 million.

During fiscal 2014, cash and cash equivalents decreased $79.9 million, or 63.5%, from $125.7 million as of June 30, 2013 to $45.8 million as of June 30, 2014 primarily due to the purchase of $81.6 million in investment securities over fiscal year 2014. Cash used for financing activities of $88.5 million and investing activities of $15.1 million was partially offset by cash provided by operating activities of $23.8 million. Primary sources of cash for the year ended June 30, 2014 included proceeds from the maturity of investment securities of $45.2 million, a net decrease in portfolio loans of $30.0 million, and proceeds from the sale of REO of $10.6 million. Primary uses of cash during the period included the purchase of securities available for sale, net of proceeds from sales of $79.5 million, a $38.2 million decrease in net deposits, $29.7 million used to repurchase common stock, and the purchase of certificates of deposit in other banks, net of maturities, of $27.2 million.

At June 30, 2015, equity totaled $371.1 million. Management monitors the capital levels of the Company to provide for current and future business opportunities and to ensure HomeTrust Bank meets regulatory guidelines for "well-capitalized" institutions. The capital adequacy requirements are quantitative measures established by regulation that require HomeTrust Bancshares, Inc. and the Bank to maintain minimum amounts and ratios of capital. The Federal Reserve requires HomeTrust Bancshares, Inc. to maintain capital adequacy that generally parallels the OCC requirements. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by bank regulators that, if undertaken, could have a direct material effect on the Company's financial statements.

As of June 30, 2015, HomeTrust Bancshares, Inc. was considered "well capitalized" in accordance with its regulatory capital guidelines and exceeded all regulatory capital requirements with Common Equity Tier 1, Tier 1 Risk-Based, Total Risk-Based, and Tier 1 Leverage capital ratios of 15.92%, 15.92%, 17.03%, and 11.91%, respectively. As of June 30, 2014, Tier 1 Risk-Based, Total Risk-Based, and Tier 1 Leverage capital ratios were 20.87%, 22.12%, and 18.03%, respectively. In addition, the Company was categorized as "well capitalized" at June 30, 2015 under applicable regulatory guidelines.

As of June 30, 2015, the Bank was considered "well capitalized" in accordance with its regulatory capital guidelines and exceeded all regulatory capital requirements with Common Equity Tier 1, Tier 1 Risk-Based, Total Risk-Based, and Tier 1 Leverage capital ratios of 13.36%, 13.36%, 14.48%, and 10.00%, respectively. As of June 30, 2014, Tier 1 Risk-Based, Total Risk-Based, and Tier 1 Leverage capital ratios were 18.29%, 19.54%, and 13.37%, respectively. In addition, the Company was categorized as "well capitalized" at June 30, 2015 under applicable regulatory guidelines.

See Note 18 of the Notes to the Consolidated Financial Statements included in Item 8 of this Form 10-K for additional details on the Company's capital requirements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the risk of loss from adverse changes in market prices and rates. Our market risk arises principally from interest rate risk inherent in our lending, investing, deposit and borrowings activities. Management actively monitors and manages its interest rate risk exposure. In addition to other risks that we manage in the normal course of business, such as credit quality and liquidity, management considers interest rate risk to be a significant market risk that could have a potentially material effect on our financial condition and result of operations. The information contained in Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Asset Liability Management” in this Form 10-K is incorporated herein by reference.

Item 8. Financial Statements and Supplementary Data

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** This annual report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. As an emerging growth company, management's report was not subject to attestation by the Company's independent registered public accounting firm in accordance with the JOBS Act.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
To the Stockholders and the Board of Directors
HomeTrust Bancshares, Inc. and Subsidiary

We have audited the accompanying consolidated balance sheets of HomeTrust Bancshares, Inc. and Subsidiary (the "Company") as of June 30, 2015 and 2014, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for each of the years in the three-year period ended June 30, 2015. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of HomeTrust Bancshares, Inc. and its Subsidiary as of June 30, 2015 and 2014, and the results of their operations and their cash flows for each of the years in the three-year period ended June 30, 2015 in conformity with accounting principles generally accepted in the United States of America.

/s/ DIXON HUGHES GOODMAN LLP

Charlotte, North Carolina
September 11, 2015

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

	June 30, 2015	2014
Assets		
Cash	$33,891	$19,801
Interest-bearing deposits	82,269	26,029
Cash and cash equivalents	116,160	45,830
Commercial paper	256,152	—
Certificates of deposit in other banks	210,629	163,780
Securities available for sale, at fair value	257,606	168,774
Other investments, at cost	28,711	3,697
Loans held for sale	5,874	2,537
Total loans, net of deferred loan fees and discount	1,685,707	1,496,958
Allowance for loan losses	(22,374)	(23,429)
Net loans	1,663,333	1,473,529
Premises and equipment, net	57,524	47,235
Accrued interest receivable	7,522	6,787
Real estate owned (REO)	7,024	14,661
Deferred income taxes	59,493	58,623
Bank owned life insurance	77,354	71,285
Goodwill	12,673	10,751
Core deposit intangibles	10,043	4,014
Other assets	13,016	2,951
Total Assets	$2,783,114	$2,074,454
Liabilities and Stockholders' Equity		
Liabilities		
Deposits	$1,872,126	$1,583,047
Other borrowings	475,000	50,000
Capital lease obligations	1,979	1,998
Other liabilities	62,959	62,258
Total liabilities	2,412,064	1,697,303
Stockholders' Equity		
Preferred stock, $0.01 par value, 10,000,000 shares authorized, none issued or outstanding	—	—
Common stock, $0.01 par value, 60,000,000 shares authorized, 19,488,449 shares issued and outstanding at June 30, 2015; 20,632,008 at June 30, 2014	195	207
Additional paid in capital	210,621	225,889
Retained earnings	168,357	160,332
Unearned Employee Stock Ownership Plan (ESOP) shares	(8,993)	(9,522)
Accumulated other comprehensive income	870	245
Total stockholders' equity	371,050	377,151
Total Liabilities and Stockholders' Equity	$2,783,114	$2,074,454

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)

	June 30, 2015	2014	2013
Interest and Dividend Income			
Loans	$77,875	$56,835	$58,404
Securities available for sale	3,659	1,578	324
Certificates of deposit and other interest-bearing deposits	2,747	1,789	1,578
Other investments	875	79	83
Total interest and dividend income	85,156	60,281	60,389
Interest Expense			
Deposits	4,892	5,417	6,975
Other borrowings	498	15	280
Total interest expense	5,390	5,432	7,255
Net Interest Income	79,766	54,849	53,134
Provision for (Recovery of) Loan Losses	150	(6,300)	1,100
Net Interest Income after Provision for (Recovery of) Loan Losses	79,616	61,149	52,034
Noninterest Income			
Service charges and fees on deposit accounts	5,930	2,783	2,589
Mortgage banking income and fees	2,989	3,218	5,107
Gain from sales of securities available for sale	61	10	—
Other, net	3,539	2,727	2,691
Total noninterest income	12,519	8,738	10,387
Noninterest Expense			
Salaries and employee benefits	41,265	30,366	26,438
Net occupancy expense	8,635	5,322	5,497
Marketing and advertising	2,048	1,360	1,705
Telephone, postage, and supplies	3,141	1,799	1,737
Deposit insurance premiums	1,922	1,312	1,407
Computer services	5,972	3,690	2,386
Federal Home Loan Bank advance prepayment penalty	—	—	3,069
Loss on sale and impairment of REO	28	646	951
REO expense	1,645	1,443	2,135
Core deposit intangible amortization	2,547	166	86
Merger-related expenses	5,417	2,708	—
Impairment charges for branch consolidation	375	—	—
Other	8,557	6,220	5,982
Total noninterest expense	81,552	55,032	51,393
Income Before Income Taxes	10,583	14,855	11,028
Income Tax Expense	2,558	4,513	1,975
Net Income	$8,025	$10,342	$9,053
Per Share Data:			
Net income per common share:			
Basic	$0.42	$0.54	$0.45
Diluted	$0.42	$0.54	$0.45
Average shares outstanding:			
Basic	19,038,098	18,630,774	19,922,283

Diluted	19,117,902	18,715,669	19,941,687

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)

	June 30, 2015	2014	2013
Net Income	$8,025	$10,342	$9,053
Other Comprehensive Income (Loss)			
Unrealized holding gains (losses) on securities available for sale			
Gains (losses) arising during the period	$890	$415	$(318)
Deferred income tax benefit (expense)	(302)	(141)	108
Reclassification of securities gains recognized in net income	57	—	—
Deferred income tax expense	(20)	—	—
Total other comprehensive income (loss)	$625	$274	$(210)
Comprehensive Income	$8,650	$10,616	$8,843

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

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

	Common Stock Shares	Common Stock Amount	Additional Paid In Capital	Retained Earnings	Unearned ESOP Shares	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance at June 30, 2012	—	$—	$31,367	$140,937	$—	$181	$172,485
Net income	—	—	—	9,053	—	—	9,053
Issuance of common stock	21,160,000	212	211,388	—	—	—	211,600
Common stock issuance cost	—	—	(3,396)	—	—	—	(3,396)
Loan to ESOP for purchase of shares	—	—	—	—	(10,580)	—	(10,580)
Stock repurchased for equity incentive plan	(846,400)	(9)	(13,290)	—	—	—	(13,299)
Granted restricted stock	511,300	5	(5)	—	—	—	—
Stock option expense	—	—	541	—	—	—	541
Restricted stock expense	—	—	572	—	—	—	572
ESOP shares allocated	—	—	220	—	529	—	749
Other comprehensive loss	—	—	—	—	—	(210)	(210)
Balance at June 30, 2013	20,824,900	$208	$227,397	$149,990	$(10,051)	$(29)	$367,515
Net income	—	—	—	10,342	—	—	10,342
Stock repurchased	(1,845,744)	(18)	(29,668)	—	—	—	(29,686)
Granted restricted stock	7,050	—	—	—	—	—	—
Forfeited restricted stock	(18,900)	—	—	—	—	—	—
Retired stock	(14,555)	—	—	—	—	—	—
Shares issued for Jefferson Bancshares, Inc. merger	1,679,257	17	25,222	—	—	—	25,239
Stock option expense	—	—	1,273	—	—	—	1,273
Restricted stock expense	—	—	1,350	—	—	—	1,350
ESOP shares allocated	—	—	315	—	529	—	844
Other comprehensive income	—	—	—	—	—	274	274
Balance at June 30, 2014	20,632,008	$207	$225,889	$160,332	$(9,522)	$245	$377,151
Net income	—	—	—	8,025	—	—	8,025
Stock repurchased	(1,147,927)	(12)	(18,646)	—	—	—	(18,658)
Forfeited restricted stock	(1,600)	—	—	—	—	—	—
Retired stock							