

Section 1: 8-K (8-K)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): April 26, 2018

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

Maryland
(State or other jurisdiction of incorporation)

001-35593
(Commission File No.)

45-5055422
(IRS Employer Identification Number)

**10 Woodfin Street, Asheville, North
Carolina**
(Address of principal executive offices)

28801
(Zip Code)

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

Not Applicable
(Former name or former address, if changed since last
report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

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

Item 2.02. Results of Operations and Financial Condition

On April 26, 2018, HomeTrust Bancshares, Inc., the holding company for HomeTrust Bank, issued a press release reporting third quarter 2018 financial results. A copy of the press release, including unaudited financial information released as a part thereof, is attached as Exhibit 99.1 to this Current Report on Form 8-K and incorporated by reference herein.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

[99.1](#) Press release dated April 26, 2018

SIGNATURES

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

HOMETRUST BANCSHARES, INC.

Date: April 26, 2018

By: /s/ Tony J. VunCannon
Tony J. VunCannon
Executive Vice President, Chief Financial Officer, and
Treasurer

EXHIBIT INDEX

| <u>Exhibit No.</u> | <u>Description</u> |
|----------------------|--|
| 99.1 | Press release dated April 26, 2018 |

[\(Back To Top\)](#)

Section 2: EX-99.1 (EXHIBIT 99.1)



HomeTrust Bancshares, Inc. Reports Financial Results For The Third Quarter Of Fiscal 2018

ASHEVILLE, N.C., April 26, 2018 – HomeTrust Bancshares, Inc. (NASDAQ: HTBI) ("Company"), the holding company of HomeTrust Bank ("Bank"), today announced preliminary net income of \$6.1 million, or \$0.32 per diluted share for the quarter ended March 31, 2018, compared to \$274,000, or \$0.01 per diluted share for the same period a year ago. Return on assets was 0.76% for the three months ended March 31, 2018 compared to 0.04% for the same period in fiscal 2017. The current quarter results did not include any merger-related expenses. The results in the quarter ended March 31, 2017 included \$7.4 million of acquisition-related expenses related to the acquisition of TriSummit Bancorp, Inc. and its wholly-owned subsidiary TriSummit Bank ("TriSummit"), which net of tax benefit, reduced net income by \$0.26 per diluted share. Net income totaled \$1.0 million, or \$0.06 per diluted share for the nine months ended March 31, 2018, compared to \$7.1 million, or \$0.40 per diluted share for the same period in fiscal 2017. Return on assets was 0.04% for the nine months ended March 31, 2018, compared to 0.33% for the same period in fiscal 2017. Earnings for the nine months ended March 31, 2018 included an estimated \$18.0 million write-down of deferred tax assets following a deferred tax revaluation resulting from enactment of the Tax Cuts and Jobs Act (the "Tax Act") with no comparable charge in the same 2017 period, which was partially offset by the absence of the previously mentioned merger-related expenses.

For the quarter ended March 31, 2018 compared to the corresponding quarter in the previous year and before the write-down of deferred tax assets from the change in the federal tax rate and prior year merger-related expenses (non-GAAP):

- net income increased 28.8% to \$6.4 million from \$5.0 million;
- diluted earnings per share increased 25.9% to \$0.34 from \$0.27; and
- return on assets increased 25.0% to 0.80% from 0.64%.

For the nine months ended March 31, 2018 compared to the same period a year ago and before the write-down of deferred tax assets from the change in the federal tax rate, merger-related expenses, certain state income tax expenses, and gains from the sale of premises and equipment (non-GAAP):

- net income increased 54.9% to \$19.1 million from \$12.3 million;
- diluted earnings per share increased 47.8% to \$1.02 from \$0.69; and
- return on assets increased 38.6% to 0.79% from 0.57%.

The reconciliation of non-GAAP measures, which the Company believes facilitates the assessment of its banking operations and peer comparability, is included in tabular form at the end of this release.

"I am pleased to report another strong quarter of continued core earnings growth as we strengthened our newer and legacy lines of business with additional high-performing revenue producers," said Dana Stonestreet, Chairman, President, and CEO. "During the third quarter of fiscal 2018, we added eight more key revenue producers to further enhance our thriving commercial banking group, mortgage banking, and our new SBA loan and equipment finance lines of business. These are in addition to the 22 revenue producers hired during 2017, which has had a dramatic impact on the scale and reach of the company and are providing a great opportunity for revenue growth. I am also excited about the recent opening of our new de novo branch in Cary, North Carolina - a fast growing market that fits well with our existing commercial lending group in Raleigh. We will continue to capitalize on the momentum our team has built and continue executing our strategies to increase revenues, earnings per share, and shareholder value."

Income Statement Review

Net interest income increased to \$25.2 million for the quarter ended March 31, 2018 compared to \$25.1 million for the comparative quarter in fiscal 2017. The \$157,000 or 0.6% increase was primarily due to a \$2.0 million increase in interest and dividend income

driven by an increase in average interest-earning assets, which was partially offset by a \$1.8 million increase in interest expense. Average interest-earning assets increased \$143.9 million, or 5.1% to \$3.0 billion for the quarter ended March 31, 2018 compared to \$2.8 billion for the corresponding quarter in fiscal 2017. For the quarter ended March 31, 2018, the average balance of total loans receivable increased \$187.0 million, or 8.3% due to organic loan growth. The average balance of other interest-earning assets increased \$59.2 million, or 30.3% primarily due to increases in commercial paper investments. These increases were mainly funded by the cumulative decrease of \$102.3 million, or 25.9% in average interest-earning deposits in other financial institutions and investment securities, an increase in average interest-bearing deposits of \$42.3 million, or 2.4%, and an increase in average Federal Home Loan Bank ("FHLB") borrowings of \$57.3 million, or 9.5% as compared to the same quarter last year. Net interest margin (on a fully taxable-equivalent basis) for the three months ended March 31, 2018 decreased to 3.44% from 3.62% for the same period a year ago. We continue to utilize our leveraging strategy, where designated short-term FHLB borrowings are invested in various short-term liquid assets to generate additional net interest income, as well as the required purchase of additional FHLB stock which generates increased dividend income; however, we have reduced the amount of assets purchased and liabilities assumed as part of the leveraging strategy during the past year and expect to continue reducing these amounts commensurate with anticipated organic loan growth. During the three months ended March 31, 2018 our leveraging strategy produced an additional \$1.0 million in interest and dividend income at an average yield of 2.09%, while the average cost of the borrowings was 1.46%, resulting in approximately \$316,000 in net interest income. During the same quarter in the prior fiscal year, our leveraging strategy produced an additional \$886,000 in interest and dividend income at an average yield of 1.21%, while the average cost of the borrowings was 0.66%, resulting in approximately \$401,000 in net interest income. Excluding the effects of the leveraging strategy, the tax equivalent net interest margin would be 3.65% and 3.98% for the quarters ended March 31, 2018 and 2017, respectively.

Total interest and dividend income increased \$2.0 million, or 7.2% for the three months ended March 31, 2018 as compared to the same period last year, which was primarily driven by a \$1.6 million, or 6.5% increase in loan interest income and a \$630,000, or 72.6% increase in interest income from certificates of deposit and other interest-bearing deposits, partially offset by a \$327,000, or 26.3% decrease in interest income from securities available for sale. The additional loan interest income was primarily due to the increase in the average balance of loans receivable and was partially offset by lower loan yields. Average loan yields decreased 12 basis points to 4.40% for the quarter ended March 31, 2018 from 4.52% in the corresponding quarter from last year primarily due to a \$1.4 million, or 60.9% decrease in the accretion of purchase discounts on acquired loans as a result of reduced prepayments as compared to the same quarter last year. For the quarters ended March 31, 2018 and 2017, the average loan yields included 14 and 40 basis points, respectively, from the accretion of purchase discounts on acquired loans.

Total interest expense increased \$1.8 million, or 81.9% for the quarter ended March 31, 2018 compared to the same period last year, which primarily related to recent deposit gathering initiatives and increases in average borrowings, consisting primarily of short-term FHLB advances along with an 80 basis point increase in the average cost of borrowings. The overall average cost of funds increased 27 basis points to 0.65% for the current quarter as compared to the same quarter last year due primarily to the impact of the recent increases in the federal funds rate on our borrowings.

Net interest income increased \$8.4 million or 12.6% to \$75.0 million for the nine months ended March 31, 2018 compared to \$66.6 million for the nine months ended March 31, 2017. Average interest-earning assets increased \$329.5 million, or 12.5% to \$3.0 billion for the nine months ended March 31, 2018 compared to \$2.6 billion in the same period in 2017. The \$398.8 million, or 19.9% increase in average balance of total loans receivable for the nine months ended March 31, 2018 was due to the TriSummit acquisition and increased organic loan growth, which was mainly funded by the cumulative decrease of \$69.3 million, or 11.1% in average interest-earning deposits in other financial institutions, investment securities, and other interest-earning assets, an increase in average interest-bearing deposits of \$160.9 million, or 9.9% and an increase in average FHLB borrowings of \$107.7 million, or 19.2%. Net interest margin (on a fully taxable-equivalent basis) for the nine months ended March 31, 2018 decreased three basis points to 3.44% from 3.47% for last year. For the nine months ended March 31, 2018, our leveraging strategy produced an additional \$3.1 million in interest and dividend income at an average yield of 1.75%, while the average cost of the borrowings was 1.28%, resulting in approximately \$835,000 in net interest income. Our leveraging strategy produced an additional \$2.8 million in interest and dividend income at an average yield of 1.09% during the corresponding period in fiscal 2017, while the average cost of the borrowings was 0.50%, resulting in approximately \$1.5 million in net interest income. Excluding the effects of the leveraging strategy, the tax equivalent net interest margin would be 3.69% and 3.90% for the nine months ended March 31, 2018 and 2017, respectively.

Total interest and dividend income increased \$13.9 million, or 19.2% for the nine months ended March 31, 2018 as compared to the same period last year. The increase was primarily driven by a \$12.6 million, or 19.4% increase in loan interest income and a \$1.1 million, or 39.3% increase in certificates of deposit and other interest-bearing deposits. The additional loan interest income was primarily due to the increase in the average balance of loans receivable, which was partially offset by a \$2.3 million decrease in the accretion of purchase discounts on acquired loans to \$2.6 million for the nine months ended March 31, 2018 from \$4.8 million for the same period in fiscal 2017, as a result of full repayments of several loans with large discounts in the previous nine month period. Overall, average loan yields decreased eight basis points to 4.38% for the nine months ended March 31, 2018 from

4.46% in the corresponding period in fiscal 2017. Excluding the effects of the accretion on purchase discounts on acquired loans, loan yields increased 11 basis points to 4.24% for the nine months ended March 31, 2018 compared to 4.13% in the same period last year.

Total interest expense increased \$5.4 million, or 98.7% for the nine months ended March 31, 2018 compared to the same period last year. This increase was primarily related to the increase in average interest-bearing deposits and borrowings coupled with the increased cost of six and 78 basis points for the nine months ended March 31, 2018 and 2017, respectively. The overall cost of funds increased 26 basis points to 0.60% for the nine months ended March 31, 2018 compared to 0.34% in the corresponding period last year.

Noninterest income increased \$1.2 million, or 33.5% to \$4.9 million for the three months ended March 31, 2018 from \$3.7 million for the same period in the previous year. The leading factors of the increase included a \$333,000, or 17.8% increase in service charges on deposit accounts as a result of the increase in deposit accounts and related fees; a \$629,000, or 80.5% increase in loan income from the gain on sale of mortgage loans and various commercial loan-related fees driven by the commencing of originations and sales of the guaranteed portion of U.S Small Business Administration ("SBA") commercial loans; and a \$250,000, 47.3% increase in other noninterest income mainly from investments in small business investment companies ("SBIC").

Noninterest income increased \$2.4 million, or 20.4% to \$14.2 million for the nine months ended March 31, 2018 from \$11.9 million for the same period in the prior year, primarily due to a \$756,000, or 13.3% increase in service charges on deposit accounts; a \$1.2 million, or 43.8% increase in loan income from the gain on sale of mortgage loans and various commercial loan-related fees; and \$664,000, or 42.9% increase in other noninterest income. Partially offsetting these increases was a \$221,000, or 57.4% decrease in gains from the sale of premises and equipment for the nine months ended March 31, 2018 compared to the same period last year.

Noninterest expense for the three months ended March 31, 2018 decreased \$7.5 million, or 26.0% to \$21.3 million compared to \$28.8 million for the three months ended March 31, 2017, which was driven by the absence of \$7.4 million in merger-related expenses for the TriSummit acquisition that occurred during same quarter last year.

Noninterest expense for the nine months ended March 31, 2018 decreased \$4.8 million, or 7.1% to \$63.6 million compared to \$68.4 million for the nine months ended March 31, 2017. The decrease was primarily a result of the absence of the previously mentioned merger-related expenses; a \$157,000, or 12.4% decrease in marketing and advertising; and a \$348,000, or 27.7% decrease in real estate owned ("REO") related expenses primarily as a result of fewer REO properties held. Partially offsetting these decreases was the additional expenses related to the TriSummit acquisition as shown in the cumulative increase of \$3.1 million, or 6.2% in salaries and employee benefits; net occupancy expense; telephone, postage, and supplies; and other expenses for the nine months ended March 31, 2018 compared to the same period last year. Deposit insurance premiums increased \$361,000, or 40.8% as the net asset base has increased.

For the three months ended March 31, 2018, the Company's income tax expense was \$2.7 million compared to an income tax benefit of \$325,000 for the three months ended March 31, 2017. In addition to the normal provision for income taxes related to higher pre-tax income, as a result of the Tax Act, we incurred an additional \$318,000 in income tax expense for the quarter ended March 31, 2018 to establish a tax valuation allowance on our alternative minimum tax ("AMT") credits in accordance with recent Internal Revenue Service guidelines. In addition, our fiscal year end requires the use of a blended federal tax rate as prescribed by the Internal Revenue Code, which is 27.5% and will be used through June 30, 2018.

For the nine months ended March 31, 2018, the Company's income tax expense was \$24.7 million compared to \$3.0 million for the corresponding period last year. The increase was mainly driven by the reduction in the federal corporate tax rate, which required the Company to revalue net deferred tax assets and establish the tax valuation allowance on our AMT credits as discussed above, resulting in a \$18.0 million adjustment through income tax expense; and to a lesser extent higher pre-tax income. In addition, for the nine months ended March 31, 2018 and 2017, the Company incurred a charge of \$133,000 and \$490,000, respectively, related to the decrease in value of our deferred tax assets based on decreases in North Carolina's corporate tax rate.

Balance Sheet Review

Total assets increased \$64.3 million, or 2.0% to \$3.3 billion at March 31, 2018 from \$3.2 billion at June 30, 2017. Total liabilities increased \$60.4 million, or 2.2% to \$2.9 billion at March 31, 2018 from \$2.8 billion at June 30, 2017. Deposit growth of \$131.9 million, or 6.4% and the cumulative decrease of \$94.3 million, or 22.5% in cash and cash equivalents, certificates of deposit in other financial institutions and investment securities during the first nine months of fiscal 2018 were used to partially fund the \$94.3 million, or 4.0% increase in total loans receivable, the \$89.6 million, or 59.8% increase in commercial paper, and reduce borrowings by \$71.5 million, or 10.3%. The increase in net loans receivable was driven by \$91.0 million, or 5.5% annualized rate of organic loan growth. The \$2.6 million, or 6.5% decrease in other investments was due to a reduction in FHLB stock requirements

as a result of reduced borrowings. The \$23.1 million, or 40.2% decrease in deferred income taxes was driven primarily by the previously mentioned write-down of deferred tax assets and to a lesser extent, the use of net operating losses as our taxable income increased.

Total deposits increased \$131.9 million, or 6.4%, during the nine months ended March 31, 2018 to \$2.2 billion. The increase was primarily due to a \$94.8 million increase in our core deposits (which exclude certificates of deposit) from growth initiatives and a \$63.5 million increase in brokered deposits, partially offset by a \$26.5 million managed run off in our higher costing certificates of deposit.

Stockholders' equity at March 31, 2018 increased \$3.9 million, or 1.0% to \$401.6 million from \$397.6 million at June 30, 2017. The increase was primarily driven by \$1.0 million in net income, \$2.6 million in stock-based compensation, and \$680,000 in a cumulative adjustment for the adoption of Accounting Standard Update 2016-09, "Improvements to Employee Share-Based Payment Accounting," partially offset by a \$1.5 million decrease in other comprehensive income representing unrealized losses on investment securities, net of tax. As of March 31, 2018, HomeTrust 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 11.72%, 11.72%, 12.51%, and 10.23%, respectively. In addition, the Company exceeded all regulatory capital requirements as of that date. The estimated \$18.0 million deferred tax revaluation did not have a material impact on the Company's regulatory capital ratios.

Asset Quality

The allowance for loan losses was \$21.5 million, or 0.88% of total loans, at March 31, 2018 compared to \$21.2 million, or 0.90% of total loans, at June 30, 2017. The allowance for loan losses to total gross loans excluding acquired loans was 0.97% at March 31, 2018, compared to 1.03% at June 30, 2017.

There was no provision for losses on loans for the nine months ended March 31, 2018 and 2017. Net loan recoveries totaled \$321,000 for the nine months ended March 31, 2018, compared to net loan charge-offs of \$195,000 for the same period in fiscal 2017. Net recoveries as a percentage of average loans increased to (0.02)% for the nine months ended March 31, 2018 from net charge-offs of 0.01% for the same period last fiscal year.

Nonperforming assets decreased \$2.3 million, or 11.5% to \$17.7 million, or 0.54% of total assets, at March 31, 2018 compared to \$20.0 million, or 0.62% of total assets at June 30, 2017. Nonperforming assets included \$12.6 million in nonaccruing loans and \$5.1 million in REO at March 31, 2018, compared to \$13.7 million and \$6.3 million, in nonaccruing loans and REO, respectively, at June 30, 2017. Included in nonperforming loans are \$3.4 million of loans restructured from their original terms of which \$1.5 million were current at March 31, 2018, with respect to their modified payment terms. At March 31, 2018, \$4.6 million, or 36.4% of nonaccruing loans were current on their required loan payments. Purchased impaired loans aggregating \$3.8 million obtained through prior acquisitions are excluded from nonaccruing loans due to the accretion of discounts established in accordance with the acquisition method of accounting for business combinations. Nonperforming loans to total loans was 0.52% at March 31, 2018 compared to 0.58% at June 30, 2017.

The ratio of classified assets to total assets decreased to 1.29% at March 31, 2018 from 1.57% at June 30, 2017. Classified assets decreased 16.1% to \$42.1 million at March 31, 2018 compared to \$50.2 million at June 30, 2017. Our overall asset quality metrics continue to demonstrate our commitment to growing and maintaining a high quality loan portfolio with moderate risk profile.

About HomeTrust Bancshares, Inc.

HomeTrust Bancshares, Inc. is the holding company for HomeTrust Bank. As of March 31, 2018, the Company had assets of \$3.3 billion. The Bank, founded in 1926, is a North Carolina state chartered, community-focused financial institution committed to providing value added relationship banking through 43 locations as well as online/mobile channels. Locations include: North Carolina (including the Asheville metropolitan area, the "Piedmont" region, Charlotte, Cary, and Raleigh), Upstate South Carolina (Greenville), East Tennessee (including Kingsport/Johnson City/Bristol, Knoxville, and Morristown) and Southwest Virginia (including the Roanoke Valley). The Bank is the 2nd largest community bank headquartered in North Carolina.

Forward-Looking Statements

This press release includes "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements often include words such as "believe," "expect," "anticipate," "estimate," and "intend" or future or conditional verbs such as "will," "would," "should," "could," or "may." Forward-looking statements are not historical facts but instead represent management's current expectations and forecasts regarding future events, many of which are inherently uncertain and outside of our control. Actual results may differ, possibly materially, from those currently expected or projected in these forward-looking statements. Factors that could cause our actual results to differ materially from those described in the forward-looking statements, include expected cost savings, synergies and other financial benefits from our acquisitions might not be realized within the expected time frames or at all, and costs or difficulties relating to integration matters might be greater than expected; increased competitive pressures; changes in the interest rate environment; changes in general economic conditions and conditions within the securities markets; legislative and regulatory changes; and other factors described in HomeTrust's latest annual Report on Form 10-K and Quarterly Reports on Form 10-Q and other documents filed with or furnished to the Securities and Exchange Commission - which are available on our website at www.hometrustedbanking.com and on the SEC's website at www.sec.gov. Any of the forward-looking statements that we make in this press release or the documents we file with or furnish to the SEC are based upon management's beliefs and assumptions at the time they are made and may turn out to be wrong because of inaccurate assumptions we might make, because of the factors described above or because of other factors that we cannot foresee. We do not undertake and specifically disclaim any obligation to revise any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements. These risks could cause our actual results for fiscal 2018 and beyond to differ materially from those expressed in any forward-looking statements by, or on behalf of, us and could negatively affect our operating and stock performance.

WEBSITE: WWW.HOMETRUSTBANCSHARES.COM

Contact:

Dana L. Stonestreet – Chairman, President and Chief Executive Officer
Tony J. VunCannon – Executive Vice President, Chief Financial Officer, and Treasurer
828-259-3939

Consolidated Balance Sheets (Unaudited)

| (Dollars in thousands) | March 31, 2018 | December 31, 2017 | September 30, 2017 | June 30, 2017 | March 31, 2017 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| Assets | | | | | |
| Cash | \$ 38,100 | \$ 46,743 | \$ 38,162 | \$ 41,982 | \$ 36,978 |
| Interest-bearing deposits | 41,296 | 51,922 | 40,809 | 45,003 | 43,296 |
| Cash and cash equivalents | 79,396 | 98,665 | 78,971 | 86,985 | 80,274 |
| Commercial paper | 239,435 | 199,722 | 199,774 | 149,863 | 169,918 |
| Certificates of deposit in other banks | 84,218 | 100,349 | 110,454 | 132,274 | 138,646 |
| Securities available for sale, at fair value | 160,971 | 167,669 | 182,053 | 199,667 | 211,347 |
| Other investments, at cost | 36,783 | 38,877 | 38,651 | 39,355 | 35,269 |
| Loans held for sale | 6,071 | 7,072 | 7,793 | 5,607 | 4,328 |
| Total loans, net of deferred loan fees | 2,445,755 | 2,418,014 | 2,394,755 | 2,351,470 | 2,281,685 |
| Allowance for loan losses | (21,472) | (21,090) | (21,997) | (21,151) | (21,097) |
| Net loans | 2,424,283 | 2,396,924 | 2,372,758 | 2,330,319 | 2,260,588 |
| Premises and equipment, net | 62,725 | 62,435 | 62,614 | 63,648 | 64,172 |
| Accrued interest receivable | 9,216 | 9,371 | 9,340 | 8,758 | 8,849 |
| Real estate owned ("REO") | 5,053 | 4,818 | 5,941 | 6,318 | 6,279 |
| Deferred income taxes | 34,311 | 36,526 | 55,653 | 57,387 | 59,661 |
| Bank owned life insurance ("BOLI") | 87,532 | 86,984 | 86,561 | 85,981 | 85,371 |
| Goodwill | 25,638 | 25,638 | 25,638 | 25,638 | 25,638 |
| Core deposit intangibles | 5,131 | 5,773 | 6,454 | 7,173 | 7,931 |
| Other assets | 10,100 | 9,765 | 7,343 | 7,560 | 7,175 |
| Total Assets | \$ 3,270,863 | \$ 3,250,588 | \$ 3,249,998 | \$ 3,206,533 | \$ 3,165,446 |
| Liabilities and Stockholders' Equity | | | | | |
| Liabilities | | | | | |
| Deposits | \$ 2,180,324 | \$ 2,108,208 | \$ 2,100,310 | \$ 2,048,451 | \$ 2,084,759 |
| Borrowings | 625,000 | 685,000 | 679,800 | 696,500 | 626,000 |
| Capital lease obligations | 1,920 | 1,925 | 1,931 | 1,937 | 1,942 |
| Other liabilities | 62,066 | 60,094 | 62,458 | 61,998 | 61,999 |
| Total liabilities | 2,869,310 | 2,855,227 | 2,844,499 | 2,808,886 | 2,774,700 |
| 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 ⁽¹⁾ | 190 | 190 | 190 | 190 | 189 |
| Additional paid in capital | 216,712 | 215,928 | 214,827 | 213,459 | 211,731 |
| Retained earnings | 193,368 | 187,241 | 197,907 | 191,660 | 186,894 |
| Unearned Employee Stock Ownership Plan ("ESOP") shares | (7,538) | (7,670) | (7,803) | (7,935) | (8,067) |
| Accumulated other comprehensive income (loss) | (1,179) | (328) | 378 | 273 | (1) |
| Total stockholders' equity | 401,553 | 395,361 | 405,499 | 397,647 | 390,746 |
| Total Liabilities and Stockholders' Equity | \$ 3,270,863 | \$ 3,250,588 | \$ 3,249,998 | \$ 3,206,533 | \$ 3,165,446 |

(1) Shares of common stock issued and outstanding at March 31, 2018 was 19,034,868; December 31, 2017 was 18,967,175; at September 30, 2017 was 18,968,675; at June 30, 2017 was 18,967,875; and at March 31, 2017 was 18,947,176.

Consolidated Statement of Income (Loss) (Unaudited)

| (Dollars in thousands) | Three Months Ended | | | Nine Months Ended | |
|---|--------------------|--------------|-----------|-------------------|-----------|
| | March 31, | December 31, | March 31, | March 31, | March 31, |
| | 2018 | 2017 | 2017 | 2018 | 2017 |
| Interest and Dividend Income | | | | | |
| Loans | \$ 26,355 | \$ 26,140 | \$ 24,747 | \$ 77,745 | \$ 65,098 |
| Securities available for sale | 916 | 904 | 1,243 | 2,791 | 2,986 |
| Certificates of deposit and other interest-bearing deposits | 1,498 | 1,303 | 868 | 3,970 | 2,850 |
| Other investments | 496 | 501 | 433 | 1,503 | 1,211 |
| Total interest and dividend income | 29,265 | 28,848 | 27,291 | 86,009 | 72,145 |
| Interest Expense | | | | | |
| Deposits | 1,622 | 1,541 | 1,215 | 4,509 | 3,355 |
| Borrowings | 2,414 | 2,077 | 1,004 | 6,460 | 2,166 |
| Total interest expense | 4,036 | 3,618 | 2,219 | 10,969 | 5,521 |
| Net Interest Income | 25,229 | 25,230 | 25,072 | 75,040 | 66,624 |
| Provision for Loan Losses | — | — | — | — | — |
| Net Interest Income after Provision for Loan Losses | 25,229 | 25,230 | 25,072 | 75,040 | 66,624 |
| Noninterest Income | | | | | |
| Service charges and fees on deposit accounts | 2,202 | 2,185 | 1,869 | 6,426 | 5,670 |
| Loan income and fees | 1,410 | 1,361 | 781 | 3,873 | 2,694 |
| BOLI income | 536 | 518 | 511 | 1,616 | 1,576 |
| Gain from sale of premises and equipment | — | — | — | 164 | 385 |
| Other, net | 778 | 723 | 528 | 2,211 | 1,547 |
| Total noninterest income | 4,926 | 4,787 | 3,689 | 14,290 | 11,872 |
| Noninterest Expense | | | | | |
| Salaries and employee benefits | 11,927 | 11,973 | 12,191 | 36,252 | 34,721 |
| Net occupancy expense | 2,389 | 2,473 | 2,463 | 7,211 | 6,538 |
| Marketing and advertising | 334 | 319 | 374 | 1,106 | 1,263 |
| Telephone, postage, and supplies | 748 | 748 | 728 | 2,181 | 1,914 |
| Deposit insurance premiums | 413 | 419 | 404 | 1,246 | 885 |
| Computer services | 1,600 | 1,595 | 1,721 | 4,740 | 4,796 |
| Loss (gain) on sale and impairment of REO | 194 | 104 | (181) | 152 | 288 |
| REO expense | 311 | 205 | 447 | 757 | 969 |
| Core deposit intangible amortization | 642 | 681 | 797 | 2,042 | 2,065 |
| Merger-related expenses | — | — | 7,401 | — | 7,736 |
| Other | 2,763 | 2,658 | 2,467 | 7,890 | 7,248 |
| Total noninterest expense | 21,321 | 21,175 | 28,812 | 63,577 | 68,423 |
| Income (Loss) Before Income Taxes | 8,834 | 8,842 | (51) | 25,753 | 10,073 |
| Income Tax Expense (Benefit) | 2,707 | 19,508 | (325) | 24,725 | 2,992 |
| Net Income | \$ 6,127 | \$ (10,666) | \$ 274 | \$ 1,028 | \$ 7,081 |

Per Share Data

| | Three Months Ended | | | Nine Months Ended | |
|---|--------------------|----------------------|-------------------|-------------------|-------------------|
| | March 31, 2018 | December 31, 2017 | March 31, 2017 | March 31, 2018 | March 31, 2017 |
| Net income (loss) per common share: | | | | | |
| Basic | \$ 0.34 | \$ (0.59) | \$ 0.01 | \$ 0.06 | \$ 0.40 |
| Diluted | \$ 0.32 | \$ (0.59) | \$ 0.01 | \$ 0.06 | \$ 0.40 |
| Adjusted net income per common share: ⁽¹⁾ | | | | | |
| Basic | \$ 0.36 | \$ 0.39 | \$ 0.27 | \$ 1.06 | \$ 0.69 |
| Diluted | \$ 0.34 | \$ 0.38 | \$ 0.27 | \$ 1.02 | \$ 0.69 |
| Average shares outstanding: | | | | | |
| Basic | 18,052,000 | 17,975,883 | 17,808,920 | 17,997,997 | 17,194,466 |
| Diluted | 18,761,586 | 17,975,883 | 18,396,154 | 18,688,486 | 17,728,783 |
| Book value per share at end of period | \$ 21.10 | \$ 20.84 | \$ 20.62 | \$ 21.10 | \$ 20.62 |
| Tangible book value per share at end of period ⁽¹⁾ | \$ 19.54 | \$ 19.26 | \$ 19.01 | \$ 19.54 | \$ 19.01 |
| Total shares outstanding at end of period | 19,034,868 | 18,967,175 | 18,947,176 | 19,034,868 | 18,947,176 |

(1) See Non-GAAP reconciliation tables below for adjustments.

Selected Financial Ratios and Other Data

| | Three Months Ended | | | Nine Months Ended | |
|---|--------------------|----------------------|-------------------|-------------------|-------------------|
| | March 31, 2018 | December 31, 2017 | March 31, 2017 | March 31, 2018 | March 31, 2017 |
| Performance ratios:⁽¹⁾ | | | | | |
| Return (loss) on assets (ratio of net income to average total assets) | 0.76% | (1.31)% | 0.04% | 0.04% | 0.33% |
| Return on assets - adjusted ⁽⁴⁾ | 0.80 | 0.86 | 0.64 | 0.79 | 0.57 |
| Return (loss) on equity (ratio of net income to average equity) | 6.16 | (10.51) | 0.28 | 0.34 | 2.54 |
| Return on equity - adjusted ⁽⁴⁾ | 6.47 | 6.92 | 5.20 | 6.32 | 4.42 |
| Tax equivalent yield on earning assets ⁽²⁾ | 3.99 | 3.93 | 3.94 | 3.93 | 3.75 |
| Rate paid on interest-bearing liabilities | 0.65 | 0.58 | 0.38 | 0.60 | 0.34 |
| Tax equivalent average interest rate spread ⁽²⁾ | 3.34 | 3.35 | 3.56 | 3.33 | 3.41 |
| Tax equivalent net interest margin ⁽²⁾⁽³⁾ | 3.44 | 3.44 | 3.62 | 3.44 | 3.47 |
| Tax equivalent net interest margin - adjusted ⁽⁴⁾ | 3.65 | 3.73 | 3.98 | 3.69 | 3.90 |
| Average interest-earning assets to average interest-bearing liabilities | 120.71 | 120.42 | 119.70 | 120.60 | 120.35 |
| Operating expense to average total assets | 2.63 | 2.61 | 3.70 | 2.63 | 3.16 |
| Efficiency ratio | 70.70 | 70.54 | 100.18 | 71.17 | 87.17 |
| Efficiency ratio - adjusted ⁽⁴⁾ | 69.77 | 69.67 | 72.90 | 70.38 | 75.97 |

(1) Ratios are annualized where appropriate.

(2) For the three and nine months ended March 31, 2017 the weighted average rate for municipal leases is adjusted for a 37% combined federal and state tax rate since the interest from these leases is tax exempt. All other periods were at 30%.

(3) Net interest income divided by average interest-earning assets.

(4) See Non-GAAP reconciliation tables below for adjustments.

At or For the Three Months Ended

| | March 31, 2018 | December 31, 2017 | September 30, 2017 | June 30, 2017 | March 31, 2017 |
|--|-------------------|----------------------|-----------------------|------------------|-------------------|
| Asset quality ratios: | | | | | |
| Nonperforming assets to total assets ⁽¹⁾ | 0.54 % | 0.59% | 0.62 % | 0.62 % | 0.63 % |
| Nonperforming loans to total loans ⁽¹⁾ | 0.52 | 0.59 | 0.59 | 0.58 | 0.61 |
| Total classified assets to total assets | 1.29 | 1.39 | 1.50 | 1.57 | 1.67 |
| Allowance for loan losses to nonperforming loans ⁽¹⁾ | 169.71 | 146.79 | 156.17 | 154.77 | 152.74 |
| Allowance for loan losses to total loans | 0.88 | 0.87 | 0.92 | 0.90 | 0.92 |
| Allowance for loan losses to total gross loans excluding acquired loans ⁽²⁾ | 0.97 | 0.97 | 1.01 | 1.03 | 1.10 |
| Net charge-offs (recoveries) to average loans (annualized) | (0.06) | 0.15 | (0.14) | (0.01) | (0.02) |
| Capital ratios: | | | | | |
| Equity to total assets at end of period | 12.28 % | 12.16% | 12.48 % | 12.40 % | 12.34 % |
| Tangible equity to total tangible assets ⁽²⁾ | 11.48 | 11.34 | 11.67 | 11.57 | 11.49 |
| Average equity to average assets | 12.30 | 12.49 | 12.55 | 12.59 | 12.36 |

(1) Nonperforming assets include nonaccruing loans, consisting of certain restructured loans, and REO. There were no accruing loans more than 90 days past due at the dates indicated. At March 31, 2018, there were \$3.4 million of restructured loans included in nonaccruing loans and \$4.6 million, or 36.4% of nonaccruing loans were current on their loan payments. Purchased impaired loans acquired through bank acquisitions are excluded from nonaccruing loans due to the accretion of discounts in accordance with the acquisition method of accounting for business combinations.

(2) See Non-GAAP reconciliation tables below for adjustments.

Average Balance Sheet Data

| | For the Three Months Ended March 31, | | | | | |
|--|--------------------------------------|--|-------------------------------|-----------------------------------|--|-------------------------------|
| | 2018 | | | 2017 | | |
| | Average Balance Outstanding | Interest Earned/ Paid ⁽²⁾ | Yield/ Rate ⁽²⁾ | Average Balance Outstanding | Interest Earned/ Paid ⁽²⁾ | Yield/ Rate ⁽²⁾ |
| (Dollars in thousands) | | | | | | |
| Assets: | | | | | | |
| Interest-earning assets: | | | | | | |
| Loans receivable ⁽¹⁾ | \$ 2,431,723 | \$ 26,761 | 4.40% | \$ 2,244,677 | \$ 25,358 | 4.52% |
| Deposits in other financial institutions | 126,933 | 441 | 1.39% | 175,475 | 454 | 1.04% |
| Investment securities | 165,219 | 916 | 2.22% | 218,990 | 1,244 | 2.27% |
| Other interest-earning assets ⁽³⁾ | 254,424 | 1,552 | 2.44% | 195,220 | 846 | 1.73% |
| Total interest-earning assets | 2,978,299 | 29,671 | 3.99% | 2,834,362 | 27,902 | 3.94% |
| Other assets | 259,390 | | | 283,128 | | |
| Total assets | <u>3,237,689</u> | | | <u>3,117,490</u> | | |
| Liabilities and equity: | | | | | | |
| Interest-bearing deposits: | | | | | | |
| Interest-bearing checking accounts | 480,650 | 236 | 0.20% | 447,426 | 216 | 0.19% |
| Money market accounts | 657,214 | 633 | 0.39% | 562,286 | 336 | 0.24% |
| Savings accounts | 221,214 | 72 | 0.13% | 251,448 | 87 | 0.14% |
| Certificate accounts | 445,328 | 681 | 0.61% | 501,016 | 576 | 0.46% |
| Total interest-bearing deposits | 1,804,406 | 1,622 | 0.36% | 1,762,176 | 1,215 | 0.28% |
| Borrowings | 662,977 | 2,414 | 1.46% | 605,721 | 1,004 | 0.66% |
| Total interest-bearing liabilities | 2,467,383 | 4,036 | 0.65% | 2,367,897 | 2,219 | 0.38% |
| Noninterest-bearing deposits | 308,955 | | | 297,719 | | |
| Other liabilities | 63,177 | | | 66,557 | | |
| Total liabilities | 2,839,515 | | | 2,732,173 | | |
| Stockholders' equity | 398,174 | | | 385,317 | | |
| Total liabilities and stockholders' equity | <u>\$ 3,237,689</u> | | | <u>\$ 3,117,490</u> | | |
| Net earning assets | <u>\$ 510,916</u> | | | <u>\$ 466,465</u> | | |
| Average interest-earning assets to average interest-bearing liabilities | 120.71% | | | 119.70% | | |
| Tax-equivalent: | | | | | | |
| Net interest income | | <u>\$ 25,635</u> | | | <u>\$ 25,683</u> | |
| Interest rate spread | | | 3.34% | | | 3.56% |
| Net interest margin ⁽⁴⁾ | | | 3.44% | | | 3.62% |
| Non-tax-equivalent: | | | | | | |
| Net interest income | | <u>\$ 25,229</u> | | | <u>\$ 25,072</u> | |
| Interest rate spread | | | 3.28% | | | 3.48% |
| Net interest margin ⁽⁴⁾ | | | 3.39% | | | 3.54% |

(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 \$406 and \$611 for the three months ended March 31, 2018 and 2017, respectively, calculated based on a combined federal and state tax rate of 30% and 37%, respectively.

(3) The average other interest-earning assets consists of FRB stock, FHLB stock, and commercial paper.

(4) Net interest income divided by average interest-earning assets.

For the Nine Months Ended March 31,

| | 2018 | | | 2017 | | |
|---|-----------------------------|-------------------------------------|---------------------------|-----------------------------|-------------------------------------|---------------------------|
| | Average Balance Outstanding | Interest Earned/Paid ⁽²⁾ | Yield/Rate ⁽²⁾ | Average Balance Outstanding | Interest Earned/Paid ⁽²⁾ | Yield/Rate ⁽²⁾ |
| (Dollars in thousands) | | | | | | |
| Assets: | | | | | | |
| Interest-earning assets: | | | | | | |
| Loans receivable ⁽¹⁾ | \$ 2,399,753 | \$ 78,914 | 4.38% | \$ 2,000,966 | \$ 66,873 | 4.46% |
| Deposits in other financial institutions | 145,761 | 1,494 | 1.37% | 181,770 | 1,429 | 1.05% |
| Investment securities | 176,726 | 2,791 | 2.11% | 201,301 | 2,986 | 1.98% |
| Other interest-earning assets ⁽³⁾ | 234,931 | 3,979 | 2.26% | 243,659 | 2,632 | 1.44% |
| Total interest-earning assets | 2,957,171 | 87,178 | 3.93% | 2,627,696 | 73,920 | 3.75% |
| Other assets | 271,231 | | | 254,791 | | |
| Total assets | <u>\$ 3,228,402</u> | | | <u>\$ 2,882,487</u> | | |
| Liabilities and equity: | | | | | | |
| Interest-bearing liabilities: | | | | | | |
| Interest-bearing checking accounts | 471,618 | 688 | 0.19% | 418,654 | 561 | 0.18% |
| Money market accounts | 635,645 | 1,695 | 0.36% | 532,998 | 1,034 | 0.26% |
| Savings accounts | 227,413 | 225 | 0.13% | 223,749 | 227 | 0.14% |
| Certificate accounts | 447,950 | 1,901 | 0.57% | 446,315 | 1,533 | 0.46% |
| Total interest-bearing deposits | 1,782,626 | 4,509 | 0.34% | 1,621,716 | 3,355 | 0.28% |
| Borrowings | 669,371 | 6,460 | 1.29% | 561,647 | 2,166 | 0.51% |
| Total interest-bearing liabilities | 2,451,997 | 10,969 | 0.60% | 2,183,363 | 5,521 | 0.34% |
| Noninterest-bearing deposits | 309,162 | | | 263,382 | | |
| Other liabilities | 65,380 | | | 64,624 | | |
| Total liabilities | 2,826,539 | | | 2,511,369 | | |
| Stockholders' equity | 401,863 | | | 371,118 | | |
| Total liabilities and stockholders' equity | <u>\$ 3,228,402</u> | | | <u>\$ 2,882,487</u> | | |
| Net earning assets | <u>\$ 505,174</u> | | | <u>\$ 444,333</u> | | |
| Average interest-earning assets to average interest-bearing liabilities | 120.60% | | | 120.35% | | |
| Tax-equivalent: | | | | | | |
| Net interest income | | <u>\$ 76,209</u> | | | <u>\$ 68,399</u> | |
| Interest rate spread | | | 3.33% | | | 3.41% |
| Net interest margin ⁽⁴⁾ | | | 3.44% | | | 3.47% |
| Non-tax-equivalent: | | | | | | |
| Net interest income | | <u>\$ 75,040</u> | | | <u>\$ 66,624</u> | |
| Interest rate spread | | | 3.28% | | | 3.32% |
| Net interest margin ⁽⁴⁾ | | | 3.38% | | | 3.38% |

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

(2) Interest income used in the average interest earned and yield calculation includes the tax equivalent adjustment of \$1,169 and \$1,775 for the nine months ended March 31, 2018 and 2017, respectively, calculated based on a combined federal and state tax rate of 30% and 37%, respectively.

(3) The average other interest-earning assets consists of FRB stock, FHLB stock, and commercial paper.

(4) Net interest income divided by average interest-earning assets.

Loans

| (Dollars in thousands) | March 31, 2018 | December 31, 2017 | September 30, 2017 | June 30, 2017 | March 31, 2017 |
|--|----------------|-------------------|--------------------|---------------|----------------|
| Retail consumer loans: | | | | | |
| One-to-four family | \$ 670,036 | \$ 686,229 | \$ 684,956 | \$ 684,089 | \$ 683,383 |
| HELOCs - originated | 143,049 | 150,084 | 152,979 | 157,068 | 160,083 |
| HELOCs - purchased | 165,680 | 162,181 | 162,518 | 162,407 | 160,829 |
| Construction and land/lots | 68,121 | 60,805 | 54,969 | 50,136 | 46,856 |
| Indirect auto finance | 160,664 | 150,042 | 142,915 | 140,879 | 132,959 |
| Consumer | 11,317 | 9,699 | 8,814 | 7,900 | 7,729 |
| Total retail consumer loans | 1,218,867 | 1,219,040 | 1,207,151 | 1,202,479 | 1,191,839 |
| Commercial loans: | | | | | |
| Commercial real estate | 810,332 | 786,381 | 753,857 | 730,408 | 706,277 |
| Construction and development | 184,179 | 185,921 | 209,672 | 197,966 | 177,087 |
| Commercial and industrial | 132,337 | 127,709 | 124,722 | 120,387 | 105,299 |
| Municipal leases | 101,108 | 100,205 | 100,638 | 101,175 | 101,776 |
| Total commercial loans | 1,227,956 | 1,200,216 | 1,188,889 | 1,149,936 | 1,090,439 |
| Total loans | 2,446,823 | 2,419,256 | 2,396,040 | 2,352,415 | 2,282,278 |
| Deferred loan fees, net | (1,068) | (1,242) | (1,285) | (945) | (593) |
| Total loans, net of deferred loan fees | 2,445,755 | 2,418,014 | 2,394,755 | 2,351,470 | 2,281,685 |
| Allowance for loan losses | (21,472) | (21,090) | (21,997) | (21,151) | (21,097) |
| Loans, net | \$ 2,424,283 | \$ 2,396,924 | \$ 2,372,758 | \$ 2,330,319 | \$ 2,260,588 |

Deposits

| (Dollars in thousands) | March 31, 2018 | December 31, 2017 | September 30, 2017 | June 30, 2017 | March 31, 2017 |
|------------------------------|----------------|-------------------|--------------------|---------------|----------------|
| Core deposits: | | | | | |
| Noninterest-bearing accounts | \$ 303,875 | \$ 313,493 | \$ 304,144 | \$ 310,172 | \$ 301,654 |
| NOW accounts | 496,934 | 489,668 | 464,992 | 469,377 | 480,405 |
| Money market accounts | 659,791 | 638,259 | 642,351 | 569,607 | 564,195 |
| Savings accounts | 220,497 | 224,732 | 230,944 | 237,149 | 249,330 |
| Total core deposits | 1,681,097 | 1,666,152 | 1,642,431 | 1,586,305 | 1,595,584 |
| Certificates of deposit | 499,227 | 442,056 | 457,879 | 462,146 | 489,175 |
| Total | \$ 2,180,324 | \$ 2,108,208 | \$ 2,100,310 | \$ 2,048,451 | \$ 2,084,759 |

Non-GAAP Reconciliations

In addition to results presented in accordance with generally accepted accounting principles utilized in the United States ("GAAP"), this earnings release contains certain non-GAAP financial measures, which include: the efficiency ratio; tangible book value; tangible book value per share; tangible equity to tangible assets ratio; net income excluding merger-related expenses, certain state income tax expense, adjustments for the change in federal tax law, and gain from the sale of premises and equipment; earnings per share ("EPS"), return on assets ("ROA"), and return on equity ("ROE") excluding merger-related expenses, certain state income tax expense, adjustments for the change in federal tax law, and gain from the sale of premises and equipment; and the ratio of the allowance for loan losses to total loans excluding acquired loans. 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 utilize short-term FHLB borrowings beginning in November 2014 as part of a leverage strategy to increase net interest income. The Company believes that showing the effects of these borrowings on net interest income and net interest margin is useful to both management and investors as these measures are commonly used to measure financial institution's performance and 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) | Three Months Ended | | | Nine Months Ended | |
|---|--------------------|----------------------|-------------------|-------------------|-------------------|
| | March 31, 2018 | December 31, 2017 | March 31, 2017 | March 31, 2018 | March 31, 2017 |
| Noninterest expense | \$ 21,321 | \$ 21,175 | \$ 28,812 | \$ 63,577 | \$ 68,423 |
| Less merger-related expenses | — | — | 7,401 | — | 7,736 |
| Noninterest expense – as adjusted | \$ 21,321 | \$ 21,175 | \$ 21,411 | \$ 63,577 | \$ 60,687 |
| Net interest income | \$ 25,229 | \$ 25,230 | \$ 25,072 | \$ 75,040 | \$ 66,624 |
| Plus noninterest income | 4,926 | 4,787 | 3,689 | 14,290 | 11,872 |
| Plus tax equivalent adjustment | 406 | 378 | 611 | 1,169 | 1,775 |
| Less gain on sale of premises and equipment | — | — | — | 164 | 385 |
| Net interest income plus noninterest income – as adjusted | \$ 30,561 | \$ 30,395 | \$ 29,372 | \$ 90,335 | \$ 79,886 |
| Efficiency ratio | 69.77% | 69.67% | 72.90% | 70.38% | 75.97% |
| Efficiency ratio (without adjustments) | 70.70% | 70.54% | 100.18% | 71.17% | 87.17% |

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

| (Dollars in thousands, except per share data) | As of | | | | |
|---|-------------------|----------------------|-----------------------|------------------|-------------------|
| | March 31, 2018 | December 31, 2017 | September 30, 2017 | June 30, 2017 | March 31, 2017 |
| Total stockholders' equity | \$ 401,553 | \$ 395,361 | \$ 405,499 | \$ 397,647 | \$ 390,746 |
| Less: goodwill, core deposit intangibles, net of deferred taxes | 29,589 | 30,083 | 29,704 | 30,157 | 30,635 |
| Tangible book value | \$ 371,964 | \$ 365,278 | \$ 375,795 | \$ 367,490 | \$ 360,111 |
| Common shares outstanding | 19,034,868 | 18,967,175 | 18,968,675 | 18,967,875 | 18,947,176 |
| Tangible book value per share | \$ 19.54 | \$ 19.26 | \$ 19.81 | \$ 19.37 | \$ 19.01 |
| Book value per share | \$ 21.10 | \$ 20.84 | \$ 21.38 | \$ 20.96 | \$ 20.62 |

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

| | At or For the Three Months Ended | | | | |
|---|----------------------------------|----------------------|-----------------------|------------------|-------------------|
| | March 31, 2018 | December 31, 2017 | September 30, 2017 | June 30, 2017 | March 31, 2017 |
| | (Dollars in thousands) | | | | |
| Tangible equity ⁽¹⁾ | \$ 371,964 | \$ 365,278 | \$ 375,795 | \$ 367,490 | \$ 360,111 |
| Total assets | 3,270,863 | 3,250,588 | 3,249,998 | 3,206,533 | 3,165,446 |
| Less: goodwill, core deposit intangibles, net of deferred taxes | 29,589 | 30,083 | 29,704 | 30,157 | 30,635 |
| Total tangible assets ⁽²⁾ | \$ 3,241,274 | \$ 3,220,505 | \$ 3,220,294 | \$ 3,176,376 | \$ 3,134,811 |
| Tangible equity to tangible assets | 11.48% | 11.34% | 11.67% | 11.57% | 11.49% |

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

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

Set forth below is a reconciliation to GAAP of net interest income and net interest margin as adjusted to exclude FHLB borrowings utilized in the leverage strategy and proceeds from such borrowings:

| | Three Months Ended March 31, | | | | | |
|---|------------------------------|------------------------|----------------|-----------------------------|------------------------|----------------|
| | 2018 | | | 2017 | | |
| | Average Balance Outstanding | Interest Earned / Paid | Yield/ Rate | Average Balance Outstanding | Interest Earned / Paid | Yield/ Rate |
| Interest-earning assets | \$ 2,978,299 | \$ 29,671 | 3.99 % | \$ 2,834,362 | \$ 27,902 | 3.94 % |
| Less: Interest-earning assets funded by additional FHLB borrowings ⁽¹⁾ | 200,000 | 1,044 | 2.09 % | 292,000 | 886 | 1.21 % |
| Interest-earning assets - adjusted | <u>\$ 2,778,299</u> | <u>\$ 28,627</u> | <u>4.12 %</u> | <u>\$ 2,542,362</u> | <u>\$ 27,016</u> | <u>4.25 %</u> |
| Interest-bearing liabilities | \$ 2,467,383 | \$ 4,036 | 0.65 % | \$ 2,367,897 | \$ 2,219 | 0.38 % |
| Additional FHLB borrowings | 200,000 | 728 | 1.46 % | 292,000 | 485 | 0.66 % |
| Interest-bearing liabilities - adjusted | <u>\$ 2,267,383</u> | <u>\$ 3,308</u> | <u>0.58 %</u> | <u>\$ 2,075,897</u> | <u>\$ 1,734</u> | <u>0.33 %</u> |
| Tax equivalent net interest income and net interest margin | | \$ 25,635 | 3.44 % | | \$ 25,683 | 3.62 % |
| Tax equivalent net interest income and net interest margin - adjusted | | 25,319 | 3.65 % | | 25,282 | 3.98 % |
| Difference | | <u>\$ 316</u> | <u>(0.21)%</u> | | <u>\$ 401</u> | <u>(0.36)%</u> |
| | Nine Months Ended March 31, | | | | | |
| | 2018 | | | 2017 | | |
| | Average Balance Outstanding | Interest Earned / Paid | Yield/ Rate | Average Balance Outstanding | Interest Earned / Paid | Yield/ Rate |
| Interest-earning assets | \$ 2,957,171 | \$ 87,178 | 3.93 % | \$ 2,627,696 | \$ 73,920 | 3.75 % |
| Less: Interest-earning assets funded by additional FHLB borrowings ⁽¹⁾ | 233,333 | 3,068 | 1.75 % | 342,333 | 2,793 | 1.09 % |
| Interest-earning assets - adjusted | <u>\$ 2,723,838</u> | <u>\$ 84,110</u> | <u>4.12 %</u> | <u>\$ 2,285,363</u> | <u>\$ 71,127</u> | <u>4.15 %</u> |
| Interest-bearing liabilities | \$ 2,451,997 | \$ 10,969 | 0.60 % | \$ 2,183,363 | \$ 5,521 | 0.34 % |
| Less: Additional FHLB borrowings | 233,333 | 2,233 | 1.28 % | 342,333 | 1,273 | 0.50 % |
| Interest-bearing liabilities - adjusted | <u>\$ 2,218,664</u> | <u>\$ 8,736</u> | <u>0.53 %</u> | <u>\$ 1,841,030</u> | <u>\$ 4,248</u> | <u>0.31 %</u> |
| Tax equivalent net interest income and net interest margin | | \$ 76,209 | 3.44 % | | \$ 68,399 | 3.47 % |
| Tax equivalent net interest income and net interest margin - adjusted | | 75,374 | 3.69 % | | 66,879 | 3.90 % |
| Difference | | <u>\$ 835</u> | <u>(0.25)%</u> | | <u>\$ 1,520</u> | <u>(0.43)%</u> |

(1) Proceeds from these borrowings were invested in various interest-earning assets, including: deposits with the Federal Reserve Bank, FHLB stock, certificates of deposit in other banks, and commercial paper.

Set forth below is a reconciliation to GAAP of net income and earnings per share (EPS) as adjusted to exclude merger-related expenses, state tax expense rate change, federal tax law rate change, and gain from sale of premises and equipment:

| (Dollars in thousands, except per share data) | Three Months Ended | | | Nine Months Ended | |
|--|--------------------|----------------------|-------------------|-------------------|-------------------|
| | March 31, 2018 | December 31, 2017 | March 31, 2017 | March 31, 2018 | March 31, 2017 |
| Merger-related expenses | \$ — | \$ — | \$ 7,401 | \$ — | \$ 7,736 |
| State tax expense adjustment ⁽¹⁾ | — | — | — | 133 | 490 |
| Change in federal tax law adjustment ⁽²⁾ | 318 | 17,693 | — | 18,011 | — |
| Gain from sale of premises and equipment | — | — | — | (164) | (385) |
| Total adjustments | 318 | 17,693 | 7,401 | 17,980 | 7,841 |
| Tax effect ⁽³⁾ | — | — | (2,670) | 49 | (2,621) |
| Total adjustments, net of tax | 318 | 17,693 | 4,731 | 18,029 | 5,220 |
| Net income (loss) (GAAP) | 6,127 | (10,666) | 274 | 1,028 | 7,081 |
| Net income (non-GAAP) | \$ 6,445 | \$ 7,027 | \$ 5,005 | \$ 19,057 | \$ 12,301 |
| Per Share Data | | | | | |
| Average shares outstanding - basic | 18,052,000 | 17,975,883 | 17,808,920 | 17,997,997 | 17,194,466 |
| Average shares outstanding - diluted | 18,761,586 | 17,975,883 | 18,396,154 | 18,688,486 | 17,728,783 |
| Average shares outstanding - diluted (adjusted) ⁽⁴⁾ | 18,761,586 | 18,689,894 | 18,396,154 | 18,688,486 | 17,728,783 |
| Basic EPS | | | | | |
| EPS (GAAP) | \$ 0.34 | \$ (0.59) | \$ 0.01 | \$ 0.06 | \$ 0.40 |
| Non-GAAP adjustment | 0.02 | 0.98 | 0.26 | 1.00 | 0.29 |
| EPS (non-GAAP) | \$ 0.36 | \$ 0.39 | \$ 0.27 | \$ 1.06 | \$ 0.69 |
| Diluted EPS | | | | | |
| EPS (GAAP) | \$ 0.32 | \$ (0.59) | \$ 0.01 | \$ 0.06 | \$ 0.40 |
| Non-GAAP adjustment | 0.02 | 0.97 | 0.26 | 0.96 | 0.29 |
| EPS (non-GAAP) | \$ 0.34 | \$ 0.38 | \$ 0.27 | \$ 1.02 | \$ 0.69 |
| Average Balances | | | | | |
| Average assets | \$ 3,237,689 | \$ 3,249,632 | \$ 3,117,490 | \$ 3,228,402 | \$ 2,882,487 |
| Average equity | 398,174 | 405,993 | 385,317 | 401,863 | 371,118 |
| ROA | | | | | |
| ROA (GAAP) | 0.76% | (1.31)% | 0.04% | 0.04% | 0.33% |
| Non-GAAP adjustment | 0.04% | 2.17 % | 0.60% | 0.75% | 0.24% |
| ROA (non-GAAP) | 0.80% | 0.86 % | 0.64% | 0.79% | 0.57% |
| ROE | | | | | |
| ROE (GAAP) | 6.16% | (10.51)% | 0.28% | 0.34% | 2.54% |
| Non-GAAP adjustment | 0.31% | 17.43 % | 4.92% | 5.98% | 1.88% |
| ROE (non-GAAP) | 6.47% | 6.92 % | 5.20% | 6.32% | 4.42% |

(1) State tax adjustment is a result of a decrease in value of our deferred tax assets stemming from recent decreases in North Carolina's corporate tax rate.

(2) Revaluation of net deferred tax assets due to the Tax Cuts and Jobs Act.

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

(4) Average shares outstanding - diluted were adjusted for the three months ended December 31, 2017 to include potentially dilutive shares not considered due to the corresponding net losses under GAAP.

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

| (Dollars in thousands) | As of | | | | |
|--|---------------------|----------------------|-----------------------|---------------------|---------------------|
| | March 31, 2018 | December 31, 2017 | September 30, 2017 | June 30, 2017 | March 31, 2017 |
| Total gross loans receivable (GAAP) | \$ 2,446,823 | \$ 2,419,256 | \$ 2,396,040 | \$ 2,352,415 | \$ 2,282,278 |
| Less: acquired loans | 288,847 | 311,508 | 338,933 | 374,538 | 403,971 |
| Adjusted loans (non-GAAP) | <u>\$ 2,157,976</u> | <u>\$ 2,107,748</u> | <u>\$ 2,057,107</u> | <u>\$ 1,977,877</u> | <u>\$ 1,878,307</u> |
| Allowance for loan losses (GAAP) | \$ 21,472 | \$ 21,090 | \$ 21,997 | \$ 21,151 | \$ 21,097 |
| Less: allowance for loan losses on acquired loans | 459 | 566 | 1,197 | 727 | 474 |
| Adjusted allowance for loan losses | <u>\$ 21,013</u> | <u>\$ 20,524</u> | <u>\$ 20,800</u> | <u>\$ 20,424</u> | <u>\$ 20,623</u> |
| Adjusted allowance for loan losses / Adjusted loans (non-GAAP) | 0.97% | 0.97% | 1.01% | 1.03% | 1.10% |