

REFINITIV

# DELTA REPORT

## 10-Q

CASH - PATHWARD FINANCIAL, INC.  
10-Q - JUNE 30, 2024 COMPARED TO 10-Q - MARCH 31, 2024

The following comparison report has been automatically generated

TOTAL DELTAS	617
CHANGES	336
DELETIONS	141
ADDITIONS	140

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

FORM 10-Q

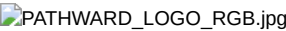
☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **March 31, 2024** **June 30, 2024**  
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: 0-22140



PATHWARD FINANCIAL, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

42-1406262

(I.R.S. Employer Identification No.)

5501 South Broadband Lane, Sioux Falls, South Dakota 57108

(Address of principal executive offices and Zip Code)

(877) 497-7497

(Registrant's telephone number, including area code)

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

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

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 ☒ No ☐

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

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

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

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class:	Outstanding at May 1, 2024 July 31, 2024:
Common Stock, \$.01 par value	25,270,584 24,977,030 Shares
Nonvoting Common Stock, \$.01 par value	0 Nonvoting shares

PATHWARD FINANCIAL, INC.  
FORM 10-Q

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Item 1. Financial Statements.

PATHWARD FINANCIAL, INC. AND SUBSIDIARIES  
Condensed Consolidated Statements of Financial Condition

	(Dollars in thousands, except per share data)	March 31, 2024	September 30, 2023	(Dollars in thousands, except per share data)	June 30, 2024	September 30, 2023
		(Unaudited)	(Audited)	ASSETS	(Unaudited)	(Audited)
(Dollars in thousands, except per share data)						
ASSETS	ASSETS	(Unaudited)	(Audited)	ASSETS	(Unaudited)	(Audited)
Cash and cash equivalents						
Securities available for sale, at fair value						
Securities held to maturity, at amortized cost (fair value \$31,113 and \$31,425, respectively)						
Securities held to maturity, at amortized cost (fair value \$30,237 and \$31,425, respectively)						
Federal Reserve Bank and Federal Home Loan Bank Stock, at cost						
Loans held for sale						
Loans and leases						
Allowance for credit losses						
Accrued interest receivable						
Premises, furniture, and equipment, net						
Rental equipment, net						
Goodwill and intangible assets						
Other assets						
Total assets						
LIABILITIES AND STOCKHOLDERS' EQUITY						
LIABILITIES AND STOCKHOLDERS' EQUITY						
LIABILITIES AND STOCKHOLDERS' EQUITY						
LIABILITIES						
LIABILITIES						
LIABILITIES						
Deposits						
Deposits						
Deposits						
Short-term borrowings						
Long-term borrowings						
Accrued expenses and other liabilities						
Total liabilities						
STOCKHOLDERS' EQUITY						
STOCKHOLDERS' EQUITY						
STOCKHOLDERS' EQUITY						
Preferred stock, 3,000,000 shares authorized, no shares issued, none outstanding at March 31, 2024 and September 30, 2023, respectively						
Common stock, \$0.01 par value; 90,000,000 shares authorized, 25,507,915 and 26,225,563 shares issued, 25,377,986 and 26,183,583 shares outstanding at March 31, 2024 and September 30, 2023, respectively						
Common stock, Nonvoting, \$0.01 par value; 3,000,000 shares authorized, no shares issued, none outstanding at March 31, 2024 and September 30, 2023, respectively						
Preferred stock, 3,000,000 shares authorized, no shares issued, none outstanding at June 30, 2024 and September 30, 2023, respectively						
Common stock, \$0.01 par value; 90,000,000 shares authorized, 25,215,159 and 26,225,563 shares issued, 25,085,230 and 26,183,583 shares outstanding at June 30, 2024 and September 30, 2023, respectively						
Common stock, Nonvoting, \$0.01 par value; 3,000,000 shares authorized, no shares issued, none outstanding at June 30, 2024 and September 30, 2023, respectively						
Additional paid-in capital						
Retained earnings						
Accumulated other comprehensive loss						
Treasury stock, at cost, 129,929 and 41,980 common shares at March 31, 2024 and September 30, 2023, respectively						
Treasury stock, at cost, 129,929 and 41,980 common shares at June 30, 2024 and September 30, 2023, respectively						
Total equity attributable to parent						
Noncontrolling interest						
Total stockholders' equity						
Total liabilities and stockholders' equity						

See Notes to Condensed Consolidated Financial Statements.

PATHWARD FINANCIAL, INC. AND SUBSIDIARIES  
Condensed Consolidated Statements of Operations (Unaudited)

		Three Months Ended March 31,		Six Months Ended March 31,						
		Three Months Ended June 30,		Nine Months Ended June 30,						
(Dollars in thousands, except per share data)	(Dollars in thousands, except per share data)	2024	2023	2024	2023	(Dollars in thousands, except per share data)	2024	2023	2024	2023
Interest and dividend income:	Interest and dividend income:					Interest and dividend income:				
Loans and leases, including fees										
Mortgage-backed securities										
Other investments										
Interest expense:	Interest expense:					Interest expense:				
Deposits										
FHLB advances and other borrowings										
Net interest income										
Net interest income										
Net interest income										
Provision for credit loss										
Provision for credit loss										
Provision for credit loss										
Net interest income after provision for credit loss										
Net interest income after provision for credit loss										
Net interest income after provision for credit loss										
Noninterest income:										
Noninterest income:										
Noninterest income:										
Refund transfer product fees										
Refund advance fee income										
Card and deposit fees										
Rental income										
Gain on sale of trademarks										
Gain on sale of trademarks										
Gain on sale of trademarks										
Gain (loss) on sale of other										
Gain on sale of other										
Other income										
Total noninterest income										
Noninterest expense:										
Noninterest expense:										
Noninterest expense:										
Compensation and benefits										
Refund transfer product expense										
Refund advance expense										
Card processing										
Occupancy and equipment expense										
Operating lease equipment depreciation										
Legal and consulting										

Intangible amortization		
Impairment expense		
Other expense		
Total noninterest expense		
Income before income tax expense		
Income before income tax expense		
Income before income tax expense		
Income tax expense		
Income tax expense		
Income tax expense		
Net income before noncontrolling interest		
Net income before noncontrolling interest		
Net income before noncontrolling interest		
Net income attributable to noncontrolling interest		
Net income attributable to parent		
Earnings per common share:		
Earnings per common share:		
Earnings per common share:		
Basic		
Diluted		
See Notes to Condensed Consolidated Financial Statements.		

PATHWARD FINANCIAL, INC. AND SUBSIDIARIES									
Condensed Consolidated Statements of Comprehensive Income (Unaudited)									
			Three Months Ended March 31,		Six Months Ended March 31,				
			Three Months Ended June 30,		Nine Months Ended June 30,				
(Dollars in thousands)	(Dollars in thousands)	2024	2023	2024	2023	(Dollars in thousands)	2024	2023	2024
Net income before noncontrolling interest									
Other comprehensive income (loss):									
Other comprehensive income (loss):									
Other comprehensive income (loss):									
Change in net unrealized gain (loss) on debt securities									
		(23,414)							
		(23,414)							
		(23,414)							
		(1,463)							
		(1,463)							
		(1,463)							
Unrealized gain (loss) on currency translation									
Deferred income tax effect									
Total other comprehensive income (loss)									
Total comprehensive income									
Total comprehensive income attributable to noncontrolling interest									
Comprehensive income attributable to parent									
See Notes to Condensed Consolidated Financial Statements.									

PATHWARD FINANCIAL, INC. AND SUBSIDIARIES  
Condensed Consolidated Statements of Changes in Stockholders' Equity (Unaudited)

(Dollars in thousands, except per share data)	Total Pathward Financial, Inc.									Total Pathward Financial, Inc.								
	(Dollars in thousands, except per share data)	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Stockholders' Equity	Noncontrolling interest	Total Stockholders' Equity	(Dollars in thousands, except per share data)	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Stockholders' Equity	Noncontrolling interest	Total Stockholders' Equity
Three Months Ended March 31, 2024																		
Balance, December 31, 2023																		
Balance, December 31, 2023																		
Balance, December 31, 2023																		
Cash dividends declared on common stock (\$0.05 per share)																		
Issuance of common stock due to restricted stock																		
Issuance of common stock due to restricted stock																		
Issuance of common stock due to restricted stock																		
Repurchases of common stock																		
Stock compensation																		
Stock compensation																		
Stock compensation																		
Total other comprehensive loss																		
Net income																		
Net income																		
Net income																		
Net distribution to noncontrolling interest																		
Three Months Ended June 30, 2024																		
Balance, March 31, 2024																		
Three Months Ended March 31, 2023																		
Three Months Ended March 31, 2023																		
Three Months Ended March 31, 2023																		

Balance, December 31, 2022
Balance, December 31, 2022
Balance, December 31, 2022
Balance, March 31, 2024
Balance, March 31, 2024
Cash dividends declared on common stock (\$0.05 per share)
Repurchases of common stock
Repurchases of common stock
Repurchases of common stock
Stock compensation
Stock compensation
Stock compensation
Total other comprehensive income
Total other comprehensive loss
Net income
Net income
Net income
Net distribution to noncontrolling interest
Balance, June 30, 2024
Three Months Ended June 30, 2023
Three Months Ended June 30, 2023
Three Months Ended June 30, 2023
Balance, March 31, 2023
Balance, March 31, 2023
Cash dividends declared on common stock (\$0.05 per share)
Repurchases of common stock
Repurchases of common stock
Repurchases of common stock



Stock compensation  
Stock compensation  
Stock compensation  
Total other  
comprehensive  
loss  
Net income  
Net distribution  
to  
noncontrolling  
interest  
Balance, June  
30, 2023

(Dollars in thousands, except per share data)	Total Pathward Financial, Inc.									Total Pathward Financial, Inc.								
	(Dollars in thousands, except per share data)	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Stockholders' Equity	Noncontrolling interest	Total Stockholders' Equity	(Dollars in thousands, except per share data)	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Stockholders' Equity	Noncontrolling interest	Total Stockholders' Equity
Six Months Ended March 31, 2024																		
Nine Months Ended June 30, 2024																		
Balance, September 30, 2023																		
Balance, September 30, 2023																		
Balance, September 30, 2023																		
Cash dividends declared on common stock (\$0.10 per share)																		
Cash dividends declared on common stock (\$0.15 per share)																		
Issuance of common stock due to restricted stock																		
Issuance of common stock due to restricted stock																		
Issuance of common stock due to restricted stock																		
Repurchases of common stock																		
Stock compensation																		
Stock compensation																		
Stock compensation																		
Total other comprehensive income																		

Joint venture
membership
interest
divestiture
Net income
Net investment
by
noncontrolling
interest
Balance,
March 31,
2024
Net distribution
to
noncontrolling
interest
Balance, June
30, 2024
Six Months Ended March
31, 2023
Six Months Ended March
31, 2023
Six Months Ended March
31, 2023
Nine Months Ended June
30, 2023
Nine Months Ended June
30, 2023
Nine Months Ended June
30, 2023
Balance, September 30,
2022
Balance, September 30,
2022
Balance, September 30,
2022
Cash
dividends
declared on
common stock
(\$0.10 per
share)
Cash
dividends
declared on
common stock
(\$0.15 per
share)
Issuance of common stock
due to restricted stock
Issuance of common stock
due to restricted stock
Issuance of common stock
due to restricted stock
Repurchases
of common
stock
Stock compensation
Stock compensation
Stock compensation
Total other
comprehensive
income

Net income
Net distribution to noncontrolling interest
Balance, March 31, 2023
Balance, June 30, 2023

See Notes to Condensed Consolidated Financial Statements.

PATHWARD FINANCIAL, INC. AND SUBSIDIARIES  
Condensed Consolidated Statements of Cash Flows (Unaudited)

(Dollars in thousands)	Six Months Ended March 31,	
	2024	2023
Cash flows from operating activities:		
Net income before noncontrolling interest	\$ 93,431	\$ 83,790
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	29,457	34,390
Provision for credit loss	35,942	46,539
Provision for deferred taxes	4,059	2,545
Originations of loans held for sale	(933,786)	(608,628)
Proceeds from sales of loans held for sale	968,998	604,363
Net change in loans held for sale	17,924	652
Net realized (gain) on loans held for sale	(1,370)	(110)
Net realized (gain) on trademarks	—	(10,000)
Net realized (gain) loss on other	(3,165)	272
Impairment on rental equipment	2,013	24
Net change in accrued interest receivable	(7,012)	(4,455)
Net change in other assets	(13,724)	14,050
Net change in accrued expenses and other liabilities	16,729	14,568
Stock compensation	5,904	5,829
Net cash provided by operating activities	215,400	183,829
Cash flows from investing activities:		
Proceeds from maturities of and principal collected on securities available for sale	89,476	89,162
Proceeds from maturities of and principal collected on securities held to maturity	1,811	2,822
Purchases of Federal Reserve Bank and Federal Home Loan Bank stock	(183,010)	(120,160)
Redemption of Federal Reserve Bank and Federal Home Loan Bank stock	185,377	119,586
Purchases of loans and leases	(163,091)	(187,834)
Net change in loans and leases	255,909	191,195
Purchases of premises, furniture, and equipment	(3,592)	(3,428)
Purchases of rental equipment	(173,005)	(238,999)
Proceeds from sales of rental equipment	4,951	6,736
Net change in rental equipment	188	(153)
Proceeds from sales of foreclosed real estate and repossessed assets	—	1
Proceeds from sale of trademarks	—	10,000
Proceeds from sale of other assets	4,091	—
Net cash provided by (used in) investing activities	19,105	(131,072)
Cash flows from financing activities:		
Net change in deposits	(220,838)	36,659
Net change in short-term borrowings	18,000	43,000
Principal payments on other liabilities	(550)	—
Proceeds from other liabilities	—	(1,026)
Payment of debt issuance costs	—	(511)
Dividends paid on common stock	(2,566)	(2,788)
Issuance of common stock due to restricted stock	3	1
Repurchases of common stock	(56,364)	(82,281)
Investment by (distributions to) noncontrolling interest	79	(1,698)

Net cash (used in) financing activities	(262,236)	(8,644)
Effect of exchange rate changes on cash	39	447
Net change in cash and cash equivalents	(27,692)	44,560
Cash and cash equivalents at beginning of fiscal year	375,580	388,038
Cash and cash equivalents at end of fiscal period	<u>\$ 347,888</u>	<u>\$ 432,598</u>

(Dollars in thousands)	Nine Months Ended June 30,	
	2024	2023
Cash flows from operating activities:		
Net income before noncontrolling interest	\$ 135,478	\$ 129,394
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	43,832	49,506
Provision for credit loss	41,823	48,312
Provision for deferred taxes	7,762	4,895
Originations of loans held for sale	(1,426,973)	(941,502)
Proceeds from sales of loans held for sale	1,468,162	870,132
Net change in loans held for sale	18,062	5,456
Net realized (gain) on loans held for sale	(3,091)	(235)
Net realized (gain) on trademarks	—	(10,000)
Net realized (gain) on other	(6,119)	(91)
Impairment on rental equipment	2,013	24
Net change in accrued interest receivable	(8,473)	(4,353)
Net change in other assets	(13,705)	22,193
Net change in accrued expenses and other liabilities	51,978	6,519
Stock compensation	7,770	8,399
Net cash provided by operating activities	<u>318,519</u>	<u>188,649</u>
Cash flows from investing activities:		
Purchases of securities available for sale	—	(150,751)
Proceeds from maturities of and principal collected on securities available for sale	141,801	127,071
Proceeds from maturities of and principal collected on securities held to maturity	2,430	3,758
Purchases of Federal Reserve Bank and Federal Home Loan Bank stock	(276,025)	(206,104)
Redemption of Federal Reserve Bank and Federal Home Loan Bank stock	279,787	204,026
Purchases of loans and leases	(229,912)	(197,549)
Net change in loans and leases	147,134	(42,484)
Purchases of premises, furniture, and equipment	(5,784)	(4,973)
Purchases of rental equipment	(221,681)	(373,063)
Proceeds from sales of rental equipment	7,302	9,373
Net change in rental equipment	408	(279)
Proceeds from sales of foreclosed real estate and repossessed assets	—	1
Proceeds from sale of trademarks	—	10,000
Proceeds from sale of other assets	6,466	—
Net cash (used in) investing activities	<u>(148,074)</u>	<u>(620,974)</u>
Cash flows from financing activities:		
Net change in deposits	(157,666)	440,939
Net change in short-term borrowings	(13,000)	230,000
Principal payments on other liabilities	(621)	(1,416)
Payment of debt issuance costs	—	(511)
Dividends paid on common stock	(3,824)	(4,115)
Issuance of common stock due to restricted stock	3	1
Repurchases of common stock	(71,513)	(103,996)

Investment by (distributions to) noncontrolling interest	(219)	(2,286)
Net cash provided by (used in) financing activities	(246,840)	558,616
Effect of exchange rate changes on cash	(259)	942
Net change in cash and cash equivalents	(76,654)	127,233
Cash and cash equivalents at beginning of fiscal year	375,580	388,038
Cash and cash equivalents at end of fiscal period	<u>\$ 298,926</u>	<u>\$ 515,271</u>

		Six Months Ended March		Nine Months Ended June		
		31,		30,		
(Dollars in thousands)	(Dollars in thousands)	2024	2023	(Dollars in thousands)	2024	2023
Supplemental disclosure of cash flow information:	Supplemental disclosure of cash flow information:			Supplemental disclosure of cash flow information:		
Cash paid during the period for:	Cash paid during the period for:			Cash paid during the period for:		
Interest						
Income taxes						
Franchise and other taxes						
Supplemental schedule of non-cash investing activities:	Supplemental schedule of non-cash investing activities:			Supplemental schedule of non-cash investing activities:		
Purchases/sales of securities accrued, not settled						
Trade Date Purchases - AFS						
Trade Date Purchases - AFS						
Trade Date Purchases - AFS						
Transfers						
Transfers						
Transfers						
Held for sale to loans and leases						
Held for sale to loans and leases						
Transfers						
Held for sale to loans and leases						
Loans and leases to rental equipment						
Loans and leases to rental equipment						
Loans and leases to rental equipment						
Rental equipment to loan and leases						
Rental equipment to loan and leases						
Rental equipment to loan and leases						
Recognition of operating lease ROU assets, net of measurements						
Recognition of operating lease ROU assets, net of measurements						
Recognition of operating lease ROU assets, net of measurements						
Joint venture membership interest divestiture						
See Notes to Condensed Consolidated Financial Statements.						

## NOTE 1. BASIS OF PRESENTATION

The interim unaudited Condensed Consolidated Financial Statements contained herein should be read in conjunction with the audited consolidated financial statements and accompanying notes to the consolidated financial statements for the fiscal year ended September 30, 2023 included in Pathward Financial, Inc.'s ("Pathward Financial" or the "Company") Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on November 21, 2023. Accordingly, footnote disclosures which would substantially duplicate the disclosures contained in the audited consolidated financial statements have been omitted.

The financial information of the Company included herein has been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial reporting and has been prepared pursuant to the rules and regulations for reporting on Form 10-Q and Rule 10-01 of Regulation S-X. Such information reflects all adjustments (consisting of normal recurring adjustments) that are, in the opinion of management, necessary for a fair presentation of the financial position and results of operations for the periods presented. The results of the three and **six nine** months ended **March 31, 2024** **June 30, 2024** are not necessarily indicative of the results expected for the fiscal year ending September 30, 2024.

Certain prior fiscal year amounts have been reclassified to conform to the current year financial statement presentation. These reclassifications did not impact previously reported net income, comprehensive income or the statement of financial condition.

Additionally, certain prior fiscal year amounts within Note 4. Loans and Leases, Net have been revised. Prior fiscal year tables that were revised include the amortized cost basis of loans and leases by asset classification and year of origination, nonaccrual loans and leases by year of origination, and loans and leases that are 90 days or more delinquent and accruing by year of origination. The revisions were related to the year of origination and did not impact total loan balances, total asset classification balances, total nonaccrual balances, or total past due loan balances.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RECENTLY ADOPTED ACCOUNTING STANDARDS UPDATES ("ASU")

Significant accounting policies in effect and disclosed within the Company's most recent audited consolidated financial statements as of September 30, 2023 remain substantially unchanged.

The following ASU became effective for the Company on October 1, 2023, and did not have a material impact on the Company's significant accounting policies or Condensed Consolidated Financial Statements:

ASU 2022-02, *Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*. The amendments in this ASU eliminate accounting guidance for troubled-debt restructurings ("TDRs") by creditors in Subtopic ASC 310-40, Receivables – Troubled Debt Restructurings by Creditors, and enhance disclosure requirements for certain loan refinancings and restructurings when a borrower is experiencing financial difficulty. The ASU also requires current-period gross charge-offs by year of origination to be disclosed for loans and leases within scope of Topic 326.

NOTE 3. SECURITIES

The amortized cost, gross unrealized gains and losses and estimated fair values of available for sale ("AFS") and held to maturity ("HTM") debt securities are presented below.

	(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value	(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
(Dollars in thousands)										
Debt Securities AFS										
At March 31, 2024										
At March 31, 2024										
At March 31, 2024										
At June 30, 2024										
At June 30, 2024										
At June 30, 2024										
Corporate securities										
Corporate securities										
Corporate securities										
SBA securities										
Obligations of states and political subdivisions										
Non-bank qualified obligations of states and political subdivisions										
Asset-backed securities										
Mortgage-backed securities										
Total debt securities AFS										
At September 30, 2023										
Corporate securities										
Corporate securities										
Corporate securities										
SBA securities										

Obligations of states and political subdivisions
Non-bank qualified obligations of states and political subdivisions
Asset-backed securities
Mortgage-backed securities
Total debt securities AFS
Debt Securities HTM
Debt Securities HTM
Debt Securities HTM
At March 31, 2024
At March 31, 2024
At March 31, 2024
At June 30, 2024
At June 30, 2024
At June 30, 2024
Non-bank qualified obligations of states and political subdivisions
Non-bank qualified obligations of states and political subdivisions
Non-bank qualified obligations of states and political subdivisions
Mortgage-backed securities
Total debt securities HTM
At September 30, 2023
Non-bank qualified obligations of states and political subdivisions
Non-bank qualified obligations of states and political subdivisions
Non-bank qualified obligations of states and political subdivisions
Non-bank qualified obligations of states and political subdivisions
Non-bank qualified obligations of states and political subdivisions
Non-bank qualified obligations of states and political subdivisions
Non-bank qualified obligations of states and political subdivisions
Non-bank qualified obligations of states and political subdivisions
Non-bank qualified obligations of states and political subdivisions
Non-bank qualified obligations of states and political subdivisions
Non-bank qualified obligations of states and political subdivisions
Non-bank qualified obligations of states and political subdivisions
Mortgage-backed securities
Total debt securities HTM

Gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous loss position, were as follows:

Gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous loss position, were as follows:																		
	LESS THAN 12 MONTHS			LESS THAN 12 MONTHS			OVER 12 MONTHS			TOTAL			LESS THAN 12 MONTHS		OVER 12 MONTHS		TOTAL	
	Gross				Gross		Gross		Gross				Gross			Gross		
(Dollars in thousands)	(Dollars in thousands)	Fair Value	Unrealized (Losses)	Fair Value	Unrealized (Losses)		Fair Value	Unrealized (Losses)		(Dollars in thousands)	Fair Value	Unrealized (Losses)	Fair Value	Unrealized (Losses)	Fair Value	Unrealized (Losses)	Fair Value	Unrealized (Losses)
Debt Securities AFS																		
At March 31, 2024																		
At March 31, 2024																		
At March 31, 2024																		
At June 30, 2024																		
At June 30, 2024																		
At June 30, 2024																		
Corporate securities																		
Corporate securities																		
Corporate securities																		
SBA securities																		
Obligations of state and political subdivisions																		
Non-bank qualified obligations of states and political subdivisions																		
Asset-backed securities																		
Mortgage-backed securities																		
Total debt securities AFS																		
At September 30, 2023																		
Corporate securities																		
Corporate securities																		
Corporate securities																		
SBA securities																		
Obligations of state and political subdivisions																		
Non-bank qualified obligations of states and political subdivisions																		
Asset-backed securities																		
Mortgage-backed securities																		
Total debt securities AFS																		
Debt Securities HTM																		
Debt Securities HTM																		
Debt Securities HTM																		
At March 31, 2024																		
At March 31, 2024																		
At March 31, 2024																		
At June 30, 2024																		
At June 30, 2024																		
At June 30, 2024																		
Non-bank qualified obligations of states and political subdivisions																		
Non-bank qualified obligations of states and political subdivisions																		



Non-bank qualified obligations of states and political subdivisions
Mortgage-backed securities
Total debt securities HTM
At September 30, 2023
Non-bank qualified obligations of states and political subdivisions
Non-bank qualified obligations of states and political subdivisions
Non-bank qualified obligations of states and political subdivisions
Mortgage-backed securities
Total debt securities HTM

The decrease in the fair value of investment securities balances when comparing **March 31, 2024** **June 30, 2024** to September 30, 2023 was primarily driven by principal pay downs during the **six** **nine** months. At **March 31, 2024** **June 30, 2024**, there were **194** **193** securities AFS in an unrealized loss position. All of the mortgage-backed securities ("MBS") in an unrealized loss position at **March 31, 2024** **June 30, 2024** were government **guaranteed or issued by a private label where the Company held a senior tranche.** **guaranteed.** Management assessed each investment security with unrealized losses for credit loss and determined all unrealized losses on these securities were due to adverse market conditions and/or change in interest rates versus credit loss. As part of that assessment, management evaluated and concluded that it is more-likely-than-not that the Company will not be required and does not intend to sell any of the securities prior to recovery of the amortized cost. At **March 31, 2024** **June 30, 2024**, there was no allowance for credit losses ("ACL") for debt securities AFS or debt securities HTM.

The amortized cost and fair value of debt securities by contractual maturity are shown below. Certain securities have call features that allow the issuer to call the security prior to maturity. Expected maturities may differ from contractual maturities in MBS because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Therefore, MBS are not included in the maturity categories in the following maturity summary. The expected maturities of certain SBA securities may differ from contractual maturities because the borrowers may have the right to prepay the obligation. However, certain prepayment penalties may apply.

(Dollars in thousands)	(Dollars in thousands)	At March 31, 2024	At September 30, 2023	(Dollars in thousands)	At June 30, 2024	At September 30, 2023
		Fair	Fair		Fair	Fair
Debt Securities AFS	Debt Securities AFS	Amortized Cost	Value	Amortized Cost	Value	Value
Due in one year or less						
Due after one year through five years						
Due after five years through ten years						
Due after ten years						
		604,792				
		580,466				
Mortgage-backed securities						
Total debt securities AFS						
Debt Securities HTM						
Debt Securities HTM						
Debt Securities HTM						
Due after ten years						
Due after ten years						
Due after ten years						
		32,602				
		31,970				
Mortgage-backed securities						
Total debt securities HTM						

*Federal Reserve Bank ("FRB") Stock.* The Bank is required by federal law to subscribe to capital stock (divided into shares of \$100 each) as a member of the FRB of Minneapolis with an amount equal to six per centum of the paid-up capital stock and surplus. One-half of the subscription is paid at time of application, and one-half is subject to call of the Board of Governors of the Federal Reserve System. FRB of Minneapolis stock held by the Bank totaled \$19.7 million at **March 31, 2024** **June 30, 2024** and September 30, 2023. These equity securities are 'restricted' in that they can only be owned by member banks.

Federal Home Loan Bank ("FHLB") Stock. The Company's borrowings from the FHLB are secured by specific investment securities. Such advances can be made pursuant to several different credit programs, each of which has its own interest rate and range of maturities.

The investments in the FHLB stock are required investments related to the Company's membership in and current borrowings from the FHLB of Des Moines. The investments in the FHLB of Des Moines could be adversely impacted by the financial operations of the FHLB and actions of their regulator, the Federal Housing Finance Agency.

The FHLB stock is carried at cost since it is generally redeemable at par value. The carrying value of the stock held at the FHLB was \$6.2 million \$4.8 million and \$8.5 million at March 31, 2024 June 30, 2024 and at September 30, 2023, respectively.

These equity securities are 'restricted' in that they can only be sold back to the respective institution from which they were acquired or another member institution at par. Therefore, FRB and FHLB stocks are less liquid than other marketable equity securities, and the cost approximates fair value.

Equity Securities. The Company held \$4.3 million and \$3.4 million in marketable equity securities within other assets on the Condensed Consolidated Statements of Financial Condition at March 31, 2024 June 30, 2024 and September 30, 2023, respectively. The Company recognized no \$0.2 million unrealized gains losses on marketable equity securities during the six nine months ended March 31, 2024 June 30, 2024 and 2023. No such securities were sold during the six nine months ended March 31, 2024 June 30, 2024.

Non-marketable equity securities with a readily determinable fair value totaled \$10.0 million \$10.5 million and \$8.4 million at March 31, 2024 June 30, 2024 and September 30, 2023, respectively. These securities are held within other assets on the Condensed Consolidated Statements of Financial Condition. The Company recognized \$0.4 million \$0.6 million in unrealized gains and \$0.1 million in unrealized losses during the six nine months ended March 31, 2024 June 30, 2024 and 2023, respectively. No such securities were sold during the six nine months ended March 31, 2024 June 30, 2024.

Non-marketable equity securities without readily determinable fair value totaled \$14.8 million \$13.8 million and \$16.2 million at March 31, 2024 June 30, 2024 and September 30, 2023, respectively, reflecting Company ownership interests in other entities through its Pathward Venture Capital, LLC, a wholly-owned service corporation subsidiary of the Bank that was formed in 2017 for the purpose of making minority equity investments, and other corporate investments. During the quarter ended June 30, 2024, the Company recognized a \$2.4 million gain on Visa shares previously carried at cost basis of \$0 since 2008. On April 8, 2024, Visa Inc. announced the commencement of an exchange offer for Visa Class B-1 common stock and the Company subsequently tendered its Visa Class B-1 common stock in exchange for a combination of Visa Class C common stock and Visa Class B-2 common stock. After entering the exchange, the Company sold its Visa Class C and Visa Class B-2 common stock in the secondary market. There was one additional such security sold during the six nine months ended March 31, 2024 June 30, 2024 for a \$2.5 million gain which is included in gain on sale of other on the Condensed Consolidated Statements of Operations.

Equity Securities Impairment. The Company evaluates impairment for investments held at cost on at least an annual basis based on the ultimate recoverability of the par value. All other equity investments, including those under the equity method, are reviewed for other-than-temporary impairment on at least a quarterly basis. The Company recognized no \$1.0 million and \$0.5 million \$3.2 million impairment for such investments for the six nine months ended March 31, 2024 June 30, 2024 and 2023, respectively.

NOTE 4. LOANS AND LEASES, NET

Loans and leases consist of the following:

(Dollars in thousands)	(Dollars in thousands)	March 31, 2024	September 30, 2023	(Dollars in thousands)	June 30, 2024	September 30, 2023
Term lending						
Asset-based lending						
Factoring						
Lease financing						
Insurance premium finance						
SBA/USDA						
Other commercial finance						
Commercial finance						
Consumer finance						
Consumer finance						
Consumer finance						
Tax services						
Warehouse finance						
Total loans and leases						
Net deferred loan origination costs						
Total gross loans and leases						
Allowance for credit losses						

Total loans and leases, net

During the **six** nine months ended **March 31, 2024** **June 30, 2024** and 2023, the Company originated **\$933.8 million** **\$1.43 billion** and **\$608.6 million** **\$941.5 million** of commercial finance and consumer finance as held for sale, respectively.

The Company sold held for sale loans resulting in proceeds of **\$969.0 million** **\$1.47 billion** and a **\$1.4** **\$3.1** million gain on sale during the **six** nine months ended **March 31, 2024** **June 30, 2024**. The Company sold held for sale loans resulting in proceeds of **\$604.4 million** **\$870.1 million** and gain on sale of **\$0.1 million** **\$0.2 million** during the **six** nine months ended **March 31, 2023** **June 30, 2023**.

Loans purchased and sold by portfolio segment, including participation interests, were as follows:

Loans purchased and sold by portfolio segment, including participation interests, were as follows:										
		Three Months Ended March 31,		Six Months Ended March 31,						
		Three Months Ended June 30,		Nine Months Ended June 30,						
(Dollars in thousands)	(Dollars in thousands)	2024	2023	2024	2023	(Dollars in thousands)	2024	2023	2024	2023
Loans Purchased										
Loans held for investment:										
Loans held for investment:										
Loans held for investment:										
Commercial finance										
Commercial finance										
Commercial finance										
Warehouse finance										
Warehouse finance										
Warehouse finance										
Total purchases										
Loans Sold										
Loans held for sale:										
Loans held for sale:										
Loans held for sale:										
Commercial finance										
Commercial finance										
Commercial finance										
Consumer finance										
Total sales										
Total sales										
Total sales										

*Leasing Portfolio.* The net investment in direct financing and sales-type leases was comprised of the following:

(Dollars in thousands)	(Dollars in thousands)	March 31, 2024	September 30, 2023	(Dollars in thousands)	June 30, 2024	September 30, 2023
Minimum lease payments receivable						
Unguaranteed residual assets						
Unamortized initial direct costs						
Unearned income						
Total net investment in direct financing and sales-type leases						

The components of total lease income were as follows:

		Three Months Ended March 31,		Six Months Ended March 31,				Three Months Ended June 30,		Nine Months Ended June 30,			
(Dollars in thousands)	(Dollars in thousands)	2024	2023			2024	2023	(Dollars in thousands)	2024	2023	2024	2023	
Interest income - loans and leases													

Interest income on net investments in direct financing and sales-type leases

Interest income on net investments in direct financing and sales-type leases

Interest income on net investments in direct financing and sales-type leases

Leasing and equipment finance noninterest income

Leasing and equipment finance noninterest income

Leasing and equipment finance noninterest income

Lease income from operating lease payments

Lease income from operating lease payments

Lease income from operating lease payments

Other<sup>(1)</sup>

Other<sup>(1)</sup>

Other<sup>(1)</sup>

Total leasing and equipment finance noninterest income

Total lease income

<sup>(1)</sup> Other leasing and equipment finance noninterest income consists of gains (losses) on sales of leased equipment, fees and service charges on leases and gains (losses) on sales of leases.

Undiscounted future minimum lease payments receivable for direct financing and sales-type leases, and a reconciliation to the carrying amount recorded at **March 31, 2024** **June 30, 2024** were as follows:

(Dollars in thousands)

Remaining in 2024

Remaining in 2024

Remaining in 2024

2025

2026

2027

2028

Thereafter

Total undiscounted future minimum lease payments receivable for direct financing and sales-type leases

Total undiscounted future minimum lease payments receivable for direct financing and sales-type leases

Total undiscounted future minimum lease payments receivable for direct financing and sales-type leases

Third-party residual value guarantees

Total carrying amount of direct financing and sales-type leases

The Company did not record any contingent rental income from direct financing and sales-type leases in the **six** **nine** months ended **March 31, 2024** **June 30, 2024**.

A number of factors affected the economic environment in 2023 including geopolitical conflict, supply chain disruptions, inflation, rising interest rates, and bank failures brought on by, among other things, rising interest rates, deposit outflows and liquidity crises. While the ultimate impact of these factors, some of which continue to impact the economic environment in 2024, on the Company's loan and lease portfolio remains difficult to predict, management continues to evaluate the loan and lease portfolio in order to assess the impact on repayment sources and underlying collateral that could result in additional losses and the impact to our customers and businesses as a result of these factors impacting the economy and will refine its estimate as developments occur and more information becomes available.

Activity in the allowance for credit losses and balances of loans and leases by portfolio segment was as follows:

Three Months Ended March 31, 2024						Three Months Ended June 30, 2024					
(Dollars in thousands)						(Dollars in thousands)					
	Beginning Balance	Provision (Reversal)	Charge-offs	Recoveries	Ending Balance		Beginning Balance	Provision (Reversal)	Charge-offs	Recoveries	Ending Balance
(Dollars in thousands)	thousands)					thousands)					

Allowance for credit losses:
Term lending
Term lending
Term lending
Asset-based lending
Factoring
Lease financing
Insurance premium finance
SBA/USDA
Other commercial finance
Commercial finance
Consumer finance
Consumer finance
Consumer finance
Tax services
Warehouse finance
Total loans and leases
Unfunded commitments <sup>(1)</sup>
Total

<sup>(1)</sup> Reserve for unfunded commitments is recognized within other liabilities on the Condensed Consolidated Statements of Financial Condition.

	Three Months Ended March 31, 2023						Three Months Ended June 30, 2023					
	(Dollars in thousands)	Beginning Balance	Provision (Reversal)	Charge-offs	Recoveries	Ending Balance	(Dollars in thousands)	Beginning Balance	Provision (Reversal)	Charge-offs	Recoveries	Ending Balance
(Dollars in thousands)												
Allowance for credit losses:												
Term lending												
Term lending												
Term lending												
Asset-based lending												
Factoring												
Lease financing												
Insurance premium finance												
SBA/USDA												
Other commercial finance												
Commercial finance												
Consumer finance												
Consumer finance												
Consumer finance												
Tax services												
Warehouse finance												
Total loans and leases												
Unfunded commitments <sup>(1)</sup>												
Total												

<sup>(1)</sup> Reserve for unfunded commitments is recognized within other liabilities on the Condensed Consolidated Statements of Financial Condition.

Six Months Ended March 31, 2024							Nine Months Ended June 30, 2024					
(Dollars in thousands)	(Dollars in thousands)	Beginning Balance	Provision (Reversal)	Charge-offs	Recoveries	Ending Balance	(Dollars in thousands)	Beginning Balance	Provision (Reversal)	Charge-offs	Recoveries	Ending Balance
Allowance for credit losses:												
Term lending												
Term lending												
Term lending												
Asset-based lending												
Factoring												
Lease financing												
Insurance premium finance												
SBA/USDA												
Other commercial finance												
Commercial finance												
Consumer finance												
Consumer finance												
Consumer finance												
Tax services												
Warehouse finance												
Total loans and leases												
Unfunded commitments <sup>(1)</sup>												
Total												

<sup>(1)</sup> Reserve for unfunded commitments is recognized within other liabilities on the Condensed Consolidated Statements of Financial Condition.

	Six Months Ended March 31, 2023						Nine Months Ended June 30, 2023					
(Dollars in thousands)	(Dollars in thousands)	Beginning Balance	Provision (Reversal)	Charge-offs	Recoveries	Ending Balance	(Dollars in thousands)	Beginning Balance	Provision (Reversal)	Charge-offs	Recoveries	Ending Balance
Allowance for credit losses:												
Term lending												
Term lending												
Term lending												
Asset-based lending												
Factoring												
Lease financing												
Insurance premium finance												
SBA/USDA												
Other commercial finance												
Commercial finance												
Consumer finance												
Consumer finance												
Consumer finance												
Tax services												
Warehouse finance												
Total loans and leases												

Unfunded commitments<sup>(1)</sup>

Total

<sup>(1)</sup> Reserve for unfunded commitments is recognized within other liabilities on the Condensed Consolidated Statements of Financial Condition.

Information on loans and leases that are deemed to be collateral dependent and are evaluated individually for the ACL was as follows:

(Dollars in thousands)	(Dollars in thousands)	At March 31, 2024	At September 30, 2023	(Dollars in thousands)	At June 30, 2024	At September 30, 2023
Term lending						
Asset-based lending						
Factoring						
Lease financing						
SBA/USDA						
SBA/USDA						
SBA/USDA						
Commercial finance <sup>(1)</sup>						
Commercial finance <sup>(1)</sup>						
Commercial finance <sup>(1)</sup>						
Total						
Total						
Total						

<sup>(1)</sup> For Commercial Finance, collateral dependent financial assets have collateral in the form of cash, equipment, or other business assets.

Management has identified certain structured finance credits for alternative energy projects in which a substantial cash collateral account has been established to mitigate credit risk. Due to the nature of the transactions and significant cash collateral positions, these credits are evaluated individually. The balance of these pass rated cash collateral loans totaled \$119.1 \$109.0 million and \$117.0 million at March 31, 2024 June 30, 2024 and at September 30, 2023, respectively.

Federal regulations provide for the classification of loans and other assets such as debt and equity securities considered by the Bank's primary regulator, the OCC, to be of lesser quality as "substandard," "doubtful" or "loss." The loan classification and risk rating definitions are as follows:

Pass - A pass asset is of sufficient quality in terms of repayment, collateral and management to preclude a special mention or an adverse rating.

Watch - A watch asset is generally a credit performing well under current terms and conditions but with identifiable weakness meriting additional scrutiny and corrective measures. Watch is not a regulatory classification but can be used to designate assets that are exhibiting one or more weaknesses that deserve management's attention. These assets are of better quality than special mention assets.

Special Mention - A special mention asset is a credit with potential weaknesses deserving management's close attention and, if left uncorrected, may result in deterioration of the repayment prospects for the asset. Special mention assets are not adversely classified and do not expose an institution to sufficient risk to warrant adverse classification. Special mention is a temporary status with aggressive credit management required to garner adequate progress and move to watch or higher.

The adverse classifications are as follows:

Substandard - A substandard asset is inadequately protected by the net worth and/or repayment ability or by a weak collateral position. Assets so classified will have well-defined weaknesses creating a distinct possibility the Bank will sustain some loss if the weaknesses are not corrected. Loss potential does not have to exist for an asset to be classified as substandard.

Doubtful - A doubtful asset has weaknesses similar to those classified substandard, with the degree of weakness causing the likely loss of some principal in any reasonable collection effort. Due to pending factors, the asset's classification as loss is not yet appropriate.

Loss - A loss asset is considered uncollectible and of such little value that the asset's continuance on the Bank's balance sheet is no longer warranted. This classification does not necessarily mean an asset has no recovery or salvage value leaving room for future collection efforts.

Loans and leases, or portions thereof, are generally charged off when collection of principal becomes doubtful. Typically, this is associated with a delay or shortfall in payments of 210 days or more for insurance premium finance, 120 days or more for consumer credit products and leases, and 90 days or more for commercial finance loans. Action is taken to charge off electronic return originator ("ERO") loans if such loans have not been collected by the end of June and refund advance loans if such loans have not been collected by the end of the calendar year. The Company individually evaluates loans and leases that do not share similar risk characteristics with other financial assets, which generally means loans and leases identified as modifications or loans and leases on nonaccrual status.

The Company recognizes that concentrations of credit may naturally occur and may take the form of a large volume of related loans and leases to an individual, a specific industry, or a geographic location. Credit concentration is a direct, indirect, or contingent obligation that has a common bond where the aggregate exposure equals or exceeds a certain percentage of the Company's Tier 1 Capital plus the allowable Allowance for Credit Losses.

The Company has various portfolios of consumer finance and tax services loans that present unique risks that are statistically managed. Due to the unique risks associated with these portfolios, the Company monitors other credit quality indicators in its evaluation of the appropriateness of the ACL on these portfolios, and as such, these loans are not included in the asset classification table below. The outstanding balances of consumer finance loans and tax services loans were \$267.0 million \$253.4 million and \$84.5 million \$43.2 million at March 31, 2024 June 30, 2024, respectively, and \$254.4 million and \$5.2 million at September 30, 2023, respectively. The amortized cost basis of loans and leases by asset classification and year of origination was as follows:

(Dollars in thousands)	(Dollars in thousands)	Amortized Cost Basis									
		Term Loans and Leases by Origination						(Dollars in thousands)			
		Year						Term Loans and Leases by Origination			
At March 31, 2024		2024	2023	2022	2021	2020	Prior	Revolving Loans and Leases			
At June 30, 2024		2024	2023	2022	2021	2020	Prior	Revolving Loans and Leases			
Term lending											
Pass											
Pass											
Pass											
Watch											
Special mention											
Substandard											
Doubtful											
Total											
Current period charge-offs											
Asset-based lending											
Pass											
Pass											
Pass											
Watch											
Special mention											
Substandard											
Total											
Total											
Total											
Current period charge-offs											
Factoring											
Pass											
Pass											
Pass											
Watch											
Special mention											
Substandard											
Doubtful											
Total											
Current period charge-offs											
Lease financing											
Pass											
Pass											
Pass											
Watch											



Special mention
Substandard
Doubtful
Total
Current period charge-offs

Insurance premium finance

Pass
Pass
Pass
Watch
Special mention
Substandard
Doubtful
Total
Current period charge-offs

SBA/USDA

Pass
Pass
Pass
Watch
Special mention
Substandard
Doubtful
Total
Current period charge-offs

Other commercial finance

Pass
Pass
Pass
Watch
Substandard
Substandard
Substandard
Total
Total
Total
Current period charge-offs

Warehouse finance

Pass
Pass
Pass
Total
Total
Total
Current period charge-offs

Total loans and leases

Pass
------

Pass									
Pass									
Watch									
Special mention									
Substandard									
Doubtful									
Total									
Current period charge-offs									
	Amortized Cost Basis								
(Dollars in thousands)	Term Loans and Leases by Origination Year						Revolving Loans and		
At September 30, 2023	2023	2022	2021	2020	2019	Prior	Leases	Total	
Term lending									
Pass	\$ 539,448	\$ 149,190	\$ 99,677	\$ 73,132	\$ 14,368	\$ 85,812	\$ —	\$ 961,627	
Watch	53,481	51,036	58,041	12,230	4,483	727	—	179,998	
Special mention	26,539	13,853	20,463	723	2,932	75	—	64,585	
Substandard	20,437	30,451	14,729	24,613	3,872	764	—	94,866	
Doubtful	200	2,655	1,691	1,121	165	1,225	—	7,057	
Total	640,105	247,185	194,601	111,819	25,820	88,603	—	1,308,133	
Asset-based lending									
Pass	—	—	—	—	—	—	161,744	161,744	
Watch	—	—	—	—	—	—	174,243	174,243	
Special mention	—	—	—	—	—	—	26,382	26,382	
Substandard	—	—	—	—	—	—	19,501	19,501	
Doubtful	—	—	—	—	—	—	501	501	
Total	—	—	—	—	—	—	382,371	382,371	
Factoring									
Pass	—	—	—	—	—	—	270,754	270,754	
Watch	—	—	—	—	—	—	70,833	70,833	
Special mention	—	—	—	—	—	—	8,892	8,892	
Substandard	—	—	—	—	—	—	7,865	7,865	
Total	—	—	—	—	—	—	358,344	358,344	
Lease financing									
Pass	57,123	15,941	15,167	27,489	4,036	1,281	—	121,037	
Watch	793	10,436	12,566	4,494	1,579	55	—	29,923	
Special mention	—	—	847	415	195	—	—	1,457	
Substandard	14,890	1,983	7,082	3,660	3,062	33	—	30,710	
Doubtful	—	—	71	61	—	133	—	265	
Total	72,806	28,360	35,733	36,119	8,872	1,502	—	183,392	
Insurance premium finance									
Pass	797,267	1,210	—	—	—	—	—	798,477	
Watch	858	34	—	—	—	—	—	892	
Special mention	250	15	—	—	—	—	—	265	
Substandard	91	20	—	—	—	—	—	111	
Doubtful	180	152	—	—	—	—	—	332	
Total	798,646	1,431	—	—	—	—	—	800,077	
SBA/USDA									
Pass	158,675	148,525	26,244	36,274	8,798	18,252	—	396,768	
Watch	49,010	48,833	658	51	357	2,572	—	101,481	

Special mention	—	—	530	—	—	—	—	530
Substandard	252	2,356	1,718	5,418	8,509	7,718	—	25,971
Total	207,937	199,714	29,150	41,743	17,664	28,542	—	524,750
Other commercial finance								
Pass	2,330	18,927	32,737	1,137	10,122	69,927	—	135,180
Watch	1,742	—	—	—	—	—	—	1,742
Substandard	2,753	450	25,708	—	—	258	—	29,169
Total	6,825	19,377	58,445	1,137	10,122	70,185	—	166,091
Warehouse finance								
Pass	—	—	—	—	—	—	376,915	376,915
Total	—	—	—	—	—	—	376,915	376,915
Total loans and leases								
Pass	1,554,843	333,793	173,825	138,032	37,324	175,272	809,413	3,222,502
Watch	105,884	110,339	71,265	16,775	6,419	3,354	245,076	559,112
Special mention	26,789	13,868	21,840	1,138	3,127	75	35,274	102,111
Substandard	38,423	35,260	49,237	33,691	15,443	8,773	27,366	208,193
Doubtful	380	2,807	1,762	1,182	165	1,358	501	8,155
Total	\$ 1,726,319	\$ 496,067	\$ 317,929	\$ 190,818	\$ 62,478	\$ 188,832	\$ 1,117,630	\$ 4,100,073

Past due loans and leases were as follows:

At March 31, 2024										At June 30, 2024										Nonperforming Loans and Leases
Accruing and Nonaccruing Loans and Leases							Accruing and Nonaccruing Loans and Leases							Nonperforming Loans and Leases		Accruing and Nonaccruing Loans and Leases				
(Dollars in thousands)	30-59 Days		60-89 Days		> 89 Days		> 89 Days Past Due and Accruing	Nonaccrual Balance	Total	(Dollars in thousands)	30-59 Days		60-89 Days		> 89 Days		> 89 Days Past Due and Accruing	Nonaccrual Balance	Total	
	(Dollars in thousands)	Past Due	Past Due	Past Due	Past Due	Total Current Receivable					Past Due	Past Due	Past Due	Past Due	Total Current Receivable					
Loans held for sale																				
Term lending																				
Term lending																				
Term lending																				
Asset-based lending																				
Factoring																				
Lease financing																				
Insurance premium finance																				
SBA/USDA																				
Other commercial finance																				
Commercial finance																				
Consumer finance																				
Consumer finance																				
Consumer finance																				
Tax services																				

Warehouse  
finance

Total loans and  
leases held for  
investment

Total loans and  
leases

At September 30, 2023										
(Dollars in thousands)	Accruing and Nonaccruing Loans and Leases						Nonperforming Loans and Leases			
	30-59 Days Past Due			Total Past Due	Current	Total Loans and Leases Receivable	> 89 Days Past Due and			
	Due	Due	Due				Accruing	Nonaccrual Balance	Total	
Loans held for sale	\$ 626	\$ 549	\$ 306	\$ 1,481	\$ 76,298	\$ 77,779	\$ 306	\$ —	\$ 306	
Term lending	13,898	7,723	11,136	32,757	1,275,376	1,308,133	3,737	15,324	19,061	
Asset-based lending	—	—	123	123	382,248	382,371	—	18,082	18,082	
Factoring	—	—	—	—	358,344	358,344	—	1,298	1,298	
Lease financing	6,865	158	4,828	11,851	171,541	183,392	4,242	1,666	5,908	
Insurance premium finance	2,159	1,262	2,339	5,760	794,317	800,077	2,339	—	2,339	
SBA/USDA	512	—	1,835	2,347	522,403	524,750	833	1,002	1,835	
Other commercial finance	—	—	91	91	166,000	166,091	91	—	91	
Commercial finance	23,434	9,143	20,352	52,929	3,670,229	3,723,158	11,242	37,372	48,614	
Consumer finance	2,992	2,425	2,210	7,627	246,789	254,416	2,210	—	2,210	
Tax services	—	—	5,082	5,082	110	5,192	5,082	—	5,082	
Warehouse finance	—	—	—	—	376,915	376,915	—	—	—	
Total loans and leases held for investment	26,426	11,568	27,644	65,638	4,294,043	4,359,681	18,534	37,372	55,906	
Total loans and leases	\$ 27,052	\$ 12,117	\$ 27,950	\$ 67,119	\$ 4,370,341	\$ 4,437,460	\$ 18,840	\$ 37,372	\$ 56,212	

Nonaccrual loans and leases by year of origination were as follows:

Amortized Cost Basis										
(Dollars in thousands)	(Dollars in thousands)	Term Loans and Leases by Origination Year							(Dollars in thousands)	Term Loans and Leases by Origination Year
		2024	2023	2022	2021	2020	Prior	Revolving Loans and Leases		2024
At March 31, 2024								Total	Nonaccrual with No ACL	
At June 30, 2024										
Term lending										
Factoring										
Factoring										
Factoring										
Lease financing										
SBA/USDA										
SBA/USDA										
SBA/USDA										
Commercial finance										
Commercial finance										
Commercial finance										
Total nonaccrual loans and leases										
Total nonaccrual loans and leases										
Total nonaccrual loans and leases										
Amortized Cost Basis										

(Dollars in thousands)	Term Loans and Leases by Origination Year						Revolving Loans and		Nonaccrual with No	
	2023	2022	2021	2020	2019	Prior	Leases	Total	ACL	
At September 30, 2023										
Term lending	\$ 865	\$ 4,942	\$ 2,933	\$ 2,165	\$ 3,134	\$ 1,285	\$ —	\$ 15,324	\$ —	
Asset-based lending	—	—	—	—	—	—	18,082	18,082	—	
Factoring	—	—	—	—	—	—	1,298	1,298	—	
Lease financing	—	—	446	660	—	560	—	1,666	1	
SBA/USDA	—	750	—	—	—	252	—	1,002	—	
Commercial finance	865	5,692	3,379	2,825	3,134	2,097	19,380	37,372	1	
Total nonaccrual loans and leases	\$ 865	\$ 5,692	\$ 3,379	\$ 2,825	\$ 3,134	\$ 2,097	\$ 19,380	\$ 37,372	\$ 1	

Loans and leases that are 90 days or more delinquent and accruing by year of origination were as follows:

Amortized Cost Basis																		
(Dollars in thousands)	(Dollars in thousands)	Term Loans and Leases by Origination								(Dollars in thousands)	Term Loans and Leases by Origination							
		Year						Revolving Loans and			Year						Revolving Loans and	
At March 31, 2024		2024	2023	2022	2021	2020	Prior	Leases	Total							Leases	Total	
Loans held for sale																		
At June 30, 2024		2024	2023	2022	2021	2020	Prior	Leases	Total									
Term lending																		
Term lending																		
Term lending																		
Lease financing																		
Lease financing																		
Lease financing																		
Insurance premium finance																		
SBA/USDA																		
Commercial finance																		
Commercial finance																		
Commercial finance																		
Consumer finance																		
Consumer finance																		
Consumer finance																		
Total loans and leases held for investment																		
Total loans and leases held for investment																		
Total loans and leases held for investment																		
Total 90 days or more delinquent and accruing																		

(Dollars in thousands)	Term Loans and Leases by Origination Year						Revolving Loans and		Amortized Cost Basis	
	2023	2022	2021	2020	2019	Prior	Leases	Total		
At September 30, 2023										
Loans held for sale	\$ 306	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 306		
Term lending	1,604	1,371	500	233	29	—	—	3,737		
Lease financing	151	490	979	784	1,794	44	—	4,242		
Insurance premium finance	—	414	114	—	334	1,477	—	2,339		
SBA/USDA	—	—	—	833	—	—	—	833		
Other commercial finance	—	—	—	—	—	91	—	91		
Commercial finance	1,755	2,275	1,593	1,850	2,157	1,612	—	11,242		
Consumer finance	891	1,045	246	—	—	—	28	2,210		

Tax services	5,082	—	—	—	—	—	—	5,082
Total loans and leases held for investment	7,728	3,320	1,839	1,850	2,157	1,612	28	18,534
Total 90 days or more delinquent and accruing	\$ 8,034	\$ 3,320	\$ 1,839	\$ 1,850	\$ 2,157	\$ 1,612	\$ 28	\$ 18,840

Certain loans and leases 90 days or more past due as to interest or principal continue to accrue because they are (1) well-secured and in the process of collection or (2) consumer loans exempt under regulatory rules from being classified as nonaccrual until later delinquency, usually 120 days past due.

The following table provides the average recorded investment in nonaccrual loans and leases:

The following table presents the average total investment in nonfederal loans and leases:											
		Three Months Ended March 31,			Six Months Ended March 31,						
		Three Months Ended June 30,			Nine Months Ended June 30,						
(Dollars in thousands)	(Dollars in thousands)	2024	2023		2024	2023	(Dollars in thousands)	2024	2023	2024	2023
Term lending											
Asset-based lending											
Factoring											
Lease financing											
SBA/USDA											
SBA/USDA											
SBA/USDA											
Commercial finance											
Commercial finance											
Commercial finance											
Total loans and leases											
Total loans and leases											
Total loans and leases											

The recognized interest income on the Company's nonaccrual loans and leases for the three and **six nine** months ended **March 31, 2024** **June 30, 2024** and 2023 was not significant.

Effective October 1, 2023, the Company adopted ASU 2022-02, *Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures* on a prospective basis. Financial information at and for the three and **six nine** months ended **March 31, 2024** **June 30, 2024** is reflected as such. The historical information disclosed is in accordance with Subtopic ASC 310-40, *Receivables – Troubled Debt Restructurings by Creditors*.

Modifications made to borrowers experiencing financial difficulty during the three and **six nine** months ended **March 31, 2024** **June 30, 2024** were **\$1.6** **\$6.1** million and **\$7.6** million in the commercial finance loan **portfolio**. **portfolio**, respectively. The types of modifications granted were term extensions and reduced payments.

During the three and nine months ended June 30, 2024, the Company had \$1.5 million of commercial finance loans where a modification was granted in the previous 12 months in which there was a payment default. As of June 30, 2024, \$1.5 million of modifications granted were in the 60-89 days past due category.

No loans were modified in a TDR during the three and **six nine** months ended **March 31, 2023** **June 30, 2023**. The Company had an immaterial amount and **\$0.1** **\$0.4** million of commercial finance loans that were modified within the previous 12 months experience a payment default during the three and **six nine** months ended **March 31, 2023** **June 30, 2023**, respectively. TDR net charge-offs and the impact of TDRs on the Company's allowance for credit losses were insignificant during the **six nine** months ended **March 31, 2023** **June 30, 2023**.

#### NOTE 5. EARNINGS PER COMMON SHARE ("EPS")

The Company has granted restricted share awards with dividend rights that are considered to be participating securities. Accordingly, a portion of the Company's earnings is allocated to those participating securities in the earnings per share calculation under the two-class method. Basic EPS is computed using the two-class method by dividing income available to common stockholders after the allocation of dividends and undistributed earnings to the participating securities by the weighted average number of common shares outstanding for the period. Diluted EPS is calculated using the more dilutive of the two-class method or the treasury stock method. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised, and is computed after giving consideration to the weighted average dilutive effect upon vesting of restricted stock grants and after the allocation of earnings to the participating securities. Antidilutive securities are disregarded in earnings per share calculations. Diluted EPS shown below reflects the two-class method, as diluted EPS under the two-class method was more dilutive than under the treasury stock method.

A reconciliation of net income and common stock share amounts used in the computation of basic and diluted earnings per share is presented below.

	Three Months Ended March 31,		Six Months Ended March 31,							
	Three Months Ended June 30,		Nine Months Ended June 30,							
(Dollars in thousands, except per share data)	(Dollars in thousands, except per share data)	2024	2023	2024	2023	(Dollars in thousands, except per share data)	2024	2023	2024	2023
Basic income per common share:										
Net income attributable to Pathward Financial, Inc.										
Net income attributable to Pathward Financial, Inc.										
Net income attributable to Pathward Financial, Inc.										
Dividends and undistributed earnings allocated to participating securities										
Basic net earnings available to common stockholders										
Undistributed earnings allocated to nonvested restricted stockholders										
Reallocation of undistributed earnings to nonvested restricted stockholders										
Diluted net earnings available to common stockholders										
Diluted net earnings available to common stockholders										
Diluted net earnings available to common stockholders										
Total weighted-average basic common shares outstanding										
Total weighted-average basic common shares outstanding										
Total weighted-average basic common shares outstanding										
Effect of dilutive securities <sup>(1)</sup>										
Performance share units										
Performance share units										
Performance share units										
Total effect of dilutive securities										
Total effect of dilutive securities										
Total effect of dilutive securities										
Total weighted-average diluted common shares outstanding										
Net earnings per common share:										
Net earnings per common share:										
Net earnings per common share:										
Basic earnings per common share										
Basic earnings per common share										
Basic earnings per common share										
Diluted earnings per common share <sup>(2)</sup>										

<sup>(1)</sup> Represents the effect of the assumed exercise of stock options and vesting of performance share units and restricted stock, as applicable, utilizing the treasury stock method.

<sup>(2)</sup> Excluded from the computation of diluted earnings per share for the three months ended March 31, 2024 June 30, 2024 and 2023, respectively, were 204,877 260,415 and 422,461 409,666 weighted average shares of nonvested restricted stock because their inclusion would be anti-dilutive. Excluded from the computation of diluted earnings per share for the six nine months ended March 31, 2024 June 30, 2024 and 2023, respectively, were 206,060 224,035 and 417,012 414,539 weighted average shares of nonvested restricted stock because their inclusion would be anti-dilutive.

#### NOTE 6. RENTAL EQUIPMENT, NET

Rental equipment consists of the following:

(Dollars in thousands)	(Dollars in thousands)	March 31, 2024	September 30, 2023	(Dollars in thousands)	June 30, 2024	September 30, 2023
Computers and IT networking equipment						
Motor vehicles and other						
Other furniture and equipment						

#### Solar panels and equipment

Total	
Accumulated depreciation	
Accumulated depreciation	
Accumulated depreciation	
Unamortized initial direct costs	
Net book value	

Future minimum lease payments expected to be received for operating leases at **March 31, 2024** **June 30, 2024** were as follows:

(Dollars in thousands)	
Remaining in 2024	\$ 22,318
2025	39,532
2026	29,630
2027	21,494
2028	12,248
Thereafter	11,693
Total	<u>\$ 136,915</u>

(Dollars in thousands)	
Remaining in 2024	\$ 11,141
2025	39,960
2026	30,116
2027	21,961
2028	12,686
Thereafter	12,069
Total	<u>\$ 127,933</u>

#### NOTE 7. GOODWILL AND INTANGIBLE ASSETS

The Company held a total of \$309.5 million of goodwill at **March 31, 2024** **June 30, 2024**. The recorded goodwill is a result of multiple business combinations that occurred from 2015 to 2018. There have been no changes to the carrying amount of goodwill during the **six** **nine** months ended **March 31, 2024** **June 30, 2024**.

The changes in the carrying amount of the Company's intangible assets were as follows:

(Dollars in thousands)	(Dollars in thousands)	Non-Trademark <sup>(1)</sup>	Non-Compete	Customer Relationships <sup>(2)</sup>	All Others <sup>(3)</sup>	Total	(Dollars in thousands)	Non-Trademark <sup>(1)</sup>	Non-Compete	Customer Relationships <sup>(2)</sup>	All Others <sup>(3)</sup>	Total
At September 30, 2023												
Amortization during the period												
Amortization during the period												
Amortization during the period												
At March 31, 2024												
At March 31, 2024												
At March 31, 2024												
At June 30, 2024												
At June 30, 2024												
At June 30, 2024												
Gross carrying amount												
Gross carrying amount												
Gross carrying amount												



Accumulated amortization
Accumulated impairment
At March 31, 2024
At June 30, 2024
At September 30, 2022
At September 30, 2022
At September 30, 2022
Amortization during the period
Amortization during the period
Amortization during the period
At March 31, 2023
At March 31, 2023
At March 31, 2023
At June 30, 2023
At June 30, 2023
At June 30, 2023
Gross carrying amount
Gross carrying amount
Gross carrying amount
Accumulated amortization
Accumulated impairment
At March 31, 2023
At June 30, 2023

(1) Book amortization period of 5-15 years. Amortized using the straight line and accelerated methods.

(2) Book amortization period of 10-30 years. Amortized using the accelerated method.

(3) Book amortization period of 3-20 years. Amortized using the straight line method.

The estimated amortization expense of intangible assets assumes no activities, such as acquisitions, which would result in additional amortizable intangible assets. Estimated amortization expense of intangible assets in the remaining **six three** months of fiscal 2024 and subsequent fiscal years at **March 31, 2024** **June 30, 2024** was as follows:

(Dollars in thousands)
Remaining in 2024
Remaining in 2024
Remaining in 2024
2025
2026
2027
2028
Thereafter
Total anticipated intangible amortization

There were no impairments to intangible assets during the **six nine** months ended **March 31, 2024** **June 30, 2024** and 2023. Intangible impairment expense is recorded within the impairment expense line of the Condensed Consolidated Statements of Operations.

NOTE 8. OPERATING LEASE RIGHT-OF-USE ASSETS AND LIABILITIES

Operating lease right-of-use ("ROU") assets, included in other assets, were **\$26.0 million** **\$25.2 million** and \$26.9 million at **March 31, 2024** **June 30, 2024** and September 30, 2023, respectively.

Operating lease liabilities, included in accrued expenses and other liabilities, were \$27.8 million \$27.0 million and \$28.8 million at March 31, 2024 June 30, 2024 and September 30, 2023, respectively.

Undiscounted future minimum operating lease payments and a reconciliation to the amount recorded as operating lease liabilities at March 31, 2024 June 30, 2024 were as follows:

(Dollars in thousands)

Remaining in 2024
Remaining in 2024
Remaining in 2024
2025
2026
2027
2028
Thereafter
Total undiscounted future minimum lease payments
Discount
Total operating lease liabilities

The weighted-average discount rate and remaining lease term for operating leases were as follows:

		March 31, 2024		September 30, 2023	
		June 30, 2024		September 30, 2023	
Weighted-average discount rate	Weighted-average discount rate	2.44 %	2.38 %	Weighted-average discount rate	2.44 % 2.38 %
Weighted-average remaining lease term (years)	Weighted-average remaining lease term (years)	9.11	9.66	Weighted-average remaining lease term (years)	8.93 9.66

The components of total lease costs for operating leases were as follows:

The components of total lease costs for operating leases were as follows:										
		Three Months Ended March 31,		Six Months Ended March 31,						
		Three Months Ended June 30,		Nine Months Ended June 30,						
(Dollars in thousands)	(Dollars in thousands)	2024	2023	2024	2023	(Dollars in thousands)	2024	2023	2024	2023
Lease expense										
Short-term and variable lease cost										
Sublease income										
Sublease income										
Sublease income										
Total lease cost for operating leases										

## NOTE 9. STOCKHOLDERS' EQUITY

**Repurchase of Common Stock.** The Company's Board of Directors authorized the September 3, 2021 share repurchase program to repurchase up to 6,000,000 shares of the Company's outstanding common stock. This authorization is effective from September 3, 2021 through September 30, 2024. On August 25, 2023, the Company's Board of Directors announced a share repurchase program to repurchase up to an additional 7,000,000 shares of the Company's outstanding common stock on or before September 30, 2028. During the six nine months ended March 31, 2024 June 30, 2024 and 2023, the Company repurchased 996,773 1,283,693 and 1,826,694 2,316,814 shares, respectively, as part of the share repurchase programs.

Under the repurchase programs, repurchased shares were retired and designated as authorized but unissued shares. The Company accounts for repurchased shares using the par value method under which the repurchase price is charged to paid-in capital up to the amount of the original proceeds of those shares. When the repurchase price is greater than the original issue proceeds, the excess is charged to retained earnings. As of March 31, 2024 June 30, 2024, 7,669,663 7,382,743 shares of common stock remained available for repurchase.

For the six nine months ended March 31, 2024 June 30, 2024 and 2023, the Company also repurchased 122,452 and 59,626 shares, or \$5.8 million and \$2.1 million, of common stock, respectively, in settlement of employee tax withholding obligations due upon the vesting of restricted stock.

*Retirement of Treasury Stock.* The Company accounts for the retirement of repurchased shares, including treasury stock, using the par value method under which the repurchase price is charged to paid-in capital up to the amount of the original proceeds of those shares. When the repurchase price is greater than the original issue proceeds, the excess is charged to retained earnings. The Company retired no shares of common stock held in treasury during the **six** **nine** months ended **March 31, 2024** **June 30, 2024** and 2023.

NOTE 10. STOCK COMPENSATION

On February 27, 2024, the shareholders of the Company voted to approve the Pathward Financial, Inc. 2023 Omnibus Incentive Plan (the "Plan"). The Plan permits the granting of various types of awards including but not limited to nonvested (restricted) shares and performance share units ("PSUs") to certain officers and directors of the Company. Awards may be granted by the Compensation Committee of the Board of Directors based on the performance of the award recipients or other relevant factors.

Shares have previously been granted each year to executives and senior leadership members under the applicable Company incentive plan. These shares vest at various times ranging from immediately to three years based on circumstances at time of grant. The fair value is determined based on the fair market value of the Company's stock on the grant date. Director shares are issued to the Company's directors, and these shares have historically vested from **immediate** **immediately** to up to one year from the grant date.

The Company also grants selected executives PSU awards. The vesting of these awards is contingent on meeting company-wide performance goals, including earnings per share. PSUs are generally granted at the market value of the underlying share on the date of grant, adjusted for dividends, as **performance share units** **PSUs** do not participate in dividends. The awards contingently vest over a period of three years and have payout levels ranging from a threshold of 50% to a maximum of 200%. Upon vesting, each **performance share unit** **PSU** earned is converted into one share of common stock.

The fair value of the PSUs is determined by the dividend-adjusted fair value on the grant date for those awards subject to a performance condition. For those PSUs subject to a market condition, a simulation valuation is performed.

In addition, during the first and second quarters of fiscal year 2017, shares were granted to certain executive officers of the Company in connection with their signing of employment agreements with the Company. These stock awards vest in equal installments over eight years.

The following tables show the activity of share awards (including shares of restricted stock subject to vesting, fully-vested restricted stock, and PSUs) granted, exercised or forfeited under all of the Company's incentive plans during the **six** **nine** months ended **March 31, 2024** **June 30, 2024**.

	Number of Shares	Number of Shares	Weighted Average Fair Value at Grant	Number of Shares	Weighted Average Fair Value at Grant
Nonvested shares outstanding, September 30, 2023					
Granted					
Vested					
Forfeited or expired					
Nonvested shares outstanding, March 31, 2024					
Nonvested shares outstanding, June 30, 2024					
	Number of Units <sup>(1)</sup>	Number of Units <sup>(1)</sup>	Weighted Average Fair Value at Grant	Number of Units <sup>(1)</sup>	Weighted Average Fair Value at Grant
Performance share units outstanding, September 30, 2023					
Granted					
Vested					
Forfeited or expired					
Performance share units outstanding, March 31, 2024					

<sup>(1)</sup> The activity in this table includes 60,984 shares related to the fiscal year 2021 performance share units, which are included in this table under the assumption of a target performance achievement. The final performance was assessed after September 30, 2023, resulted in an achievement greater than target, and an additional 47,252 shares were allocated to the participants in the plan.

Performance share units outstanding, June 30, 2024

<sup>(1)</sup> The activity in this table includes 60,984 shares related to the fiscal year 2021 PSUs, which are included in this table under the assumption of a target performance achievement. The final performance was assessed after September 30, 2023, resulted in an achievement greater than target, and an additional 47,252 shares were allocated to the participants in the plan.

Compensation expense for share-based awards is recorded over the vesting period at the fair value of the award at the time of the grant. The exercise price of fair value of nonvested (restricted) shares and PSUs granted under the Company's incentive plans is equal to the fair market value of the underlying stock at the grant date, adjusted for dividends where applicable. The Company has elected to record forfeitures as they occur.

At **March 31, 2024** **June 30, 2024**, stock-based compensation expense not yet recognized in income totaled **\$10.5 million** **\$8.5 million**, which is expected to be recognized over a weighted average remaining period of **1.61** **1.54** years.

NOTE 11. INCOME TAXES

The Company recorded an income tax expense of **\$21.0 million** **\$26.1 million** for the **six** **nine** months ended **March 31, 2024** **June 30, 2024**, resulting in an effective tax rate of **18.33%** **16.15%**, compared to an income tax expense of **\$15.8 million** **\$19.0 million**, or an effective tax rate of **15.83%** **12.80%**, for the **six** **nine** months ended **March 31, 2023** **June 30, 2023**. The Company's effective tax rate was lower than the U.S. statutory rate of 21% primarily because of the effect of investment tax credits during fiscal year 2024. The Company's effective tax rate in the future will depend in part on actual investment tax credits generated from qualified renewable energy property.

The table below compares the income tax expense components for the periods presented.

(Dollars in thousands)	Six Months Ended March 31,				Nine Months Ended June 30,			
	(Dollars in thousands)	2024		2023	(Dollars in thousands)	2024		2023
Provision at statutory rate								
Tax-exempt income								
State income taxes								
Interim period effective rate adjustment								
Tax credit investments, net - federal								
Research tax credit								
IRC 162(m) nondeductible compensation								
Other, net								
Income tax expense								
Effective tax rate	Effective tax rate	18.33 %		15.83 %	Effective tax rate	16.15 %		12.80 %

NOTE 12. REVENUE FROM CONTRACTS WITH CUSTOMERS

The table below presents the Company's revenue by operating segment. For additional descriptions of the Company's operating segments, including additional financial information and the underlying management accounting process, see Note 13. Segment Reporting to the Condensed Consolidated Financial Statements.

(Dollars in thousands)	(Dollars in thousands)				(Dollars in thousands)				Corporate	Consolidated
	Consumer		Commercial		Corporate Services/Other		Consolidated Company		Services/Other	Company
Three Months Ended March 31,	2024	2023	2024	2023	2024	2023	2024	2023		
Three Months Ended June 30,	2024	2023	2024	2023	2024	2023	2024	2023		
Net interest income <sup>(1)</sup>										
Noninterest income:										
Refund transfer product fees										
Refund transfer product fees										
Refund transfer product fees										
Refund advance fee income <sup>(1)</sup>										
Card and deposit fees										
Rental income <sup>(1)</sup>										
Gain (loss) on sale of other <sup>(1)</sup>										
Gain on sale of other <sup>(1)</sup>										
Gain (loss) on sale of other <sup>(1)</sup>										
Gain on sale of other <sup>(1)</sup>										
Gain (loss) on sale of other <sup>(1)</sup>										
Gain on sale of other <sup>(1)</sup>										
Other income <sup>(1)</sup>										
Total noninterest income										
Revenue										

Six Months Ended March 31,
Six Months Ended March 31,
Six Months Ended March 31,
Nine Months Ended June 30,
Nine Months Ended June 30,
Nine Months Ended June 30,
Net interest income <sup>(1)</sup>
Net interest income <sup>(1)</sup>
Net interest income <sup>(1)</sup>
Noninterest income:
Refund transfer product fees
Refund transfer product fees
Refund transfer product fees
Refund advance fee income <sup>(1)</sup>
Card and deposit fees
Rental income <sup>(1)</sup>
Gain on sale of trademarks
Gain on sale of trademarks
Gain on sale of trademarks
Gain (loss) on sale of other <sup>(1)</sup>
Gain on sale of other <sup>(1)</sup>
Other income <sup>(1)</sup>
Total noninterest income
Revenue

<sup>(1)</sup> These revenues are not within the scope of Topic 606. Additional details are included in other footnotes to the accompanying financial statements. The scope of Topic 606 explicitly excludes net interest income as well as many other revenues for financial assets and liabilities, including loans, leases, and securities.

Following is a discussion of key revenues within the scope of Topic 606. The Company provides services to customers that have related performance obligations that must be completed to recognize revenue. Revenues are generally recognized immediately upon the completion of the service or over time as services are performed. Any services performed over time generally require that the Company renders services each period; therefore, the Company measures progress in completing these services based upon the passage of time. Revenue from contracts with customers did not generate significant contract assets and liabilities for the **six** **nine** months ended **March 31, 2024** **June 30, 2024**.

**Refund Transfer Product Fees.** Refund transfer fees are specific to the Banking as a Service ("BaaS") business line and reflect product fees offered by the Company through third-party tax preparers and tax preparation software providers where the Company acts as the partnering financial institution. A refund transfer allows a taxpayer to pay tax preparation and filing fees directly from their federal or state government tax refund, with the remainder of the refund being disbursed in accordance with the terms and conditions of the taxpayer agreement, which may include satisfaction of other disbursement obligations before going directly to the taxpayer via check, direct deposit, or prepaid card. Refund transfer fees are recognized by the Company immediately after the taxpayer's refund has been disbursed in accordance with the contract and are based on standalone pricing included within the terms and conditions. Certain expenses to tax preparation software providers are netted with refund transfer fee income as the Company is considered the agent in these contractual relationships. All refund transfer fees are recorded within the Consumer reporting segment.

**Card and Deposit Fees.** Card fees relate to the BaaS business line and consists of income from prepaid cards and merchant services, including interchange fees from prepaid cards processed through card association networks, merchant services and other card related services. Interchange rates are generally set by card association networks based on transaction volume and other factors. Since interchange fees are generated by cardholder activity, the Company recognizes the income as transactions occur. Fee income for merchant services and other card related services reflect account management and transaction fees charged to merchants for processing card association network transactions. The associated income is recognized as transactions occur or as services are performed. For the Company's internally managed prepaid card programs, fees are based on standalone pricing within the terms and conditions of the cardholder agreement. The Company is considered the principal of these relationships resulting in all fee income being presented on a gross basis within the Condensed Consolidated Statement of Operations. For the Company's sponsorship prepaid card programs where a third-party is considered the Program Manager, the fees are based on standalone pricing within the terms and conditions of the Program Agreement. For these relationships, the Company is considered the agent and certain expenses with the Program Manager, networks and associations are netted with card fee revenue. All card fee income is included in the Consumer reporting segment.

Deposit fees relate to the BaaS and Commercial Finance business lines and consist of income from banking and deposit-related services, including account services, overdraft protection, and wire transfers. Fee income for account services is recognized over the course of the month as the performance obligation is satisfied. Fee income for overdraft protection and wire transfers is recognized at the point in time when such event occurs. For BaaS, the fees for account services and overdraft protection are based on standalone

pricing within the terms and conditions of the Program Agreement with the sponsorship partner. For these relationships, the Company is considered the agent and certain expenses with the partner are netted with deposit fee revenue. For Commercial Finance, fees for wire transfers are based on standalone pricing within the terms and conditions of the customer deposit agreement. Bank and deposit fees for the BaaS and Commercial Finance business lines are included in the Consumer and Commercial reporting segments, respectively. Also included within Card and Deposit Fees for the Consumer reporting segment are servicing fees the Company recognizes for **custodial** off-balance sheet **custodial** deposits. This fee income is for services the Bank performs to maintain records of cardholder funds placed at one or more third-party banks insured by the Federal Deposit Insurance Corporation ("FDIC"). The servicing fee is typically reflective of the effective federal funds rate ("EFFR").

NOTE 13. SEGMENT REPORTING

An operating segment is generally defined as a component of a business for which discrete financial information is available and whose results are reviewed by the chief operating decision-maker. Operating segments are aggregated into reportable segments if certain criteria are met.

The Company reports its results of operations through the following three business segments: Consumer, Commercial, and Corporate Services/Other. The BaaS business line is reported in the Consumer segment. The Commercial Finance business line is reported in the Commercial segment. The Corporate Services/Other segment includes certain shared services as well as treasury related functions such as the investment portfolio, warehouse finance, wholesale deposits, and borrowings.

The following table presents segment data for the Company:

(Dollars in thousands)	(Dollars in thousands)	Consumer		Commercial		Corporate Services/Other		Total	(Dollars in thousands)	Consumer	Commercial	Corporate Services/Other	Total
Three Months Ended March 31,		2024	2023	2024	2023	2024	2023	2024	2023				
Three Months Ended June 30,		2024	2023	2024	2023	2024	2023	2024	2023				
Net interest income													
Provision for credit loss													
Provision for (reversal of) credit loss													
Noninterest income													
Noninterest expense													
Income (loss) before income tax expense													
Total assets													
Total assets													
Total assets													
Total goodwill													
Total deposits													
Six Months Ended March 31,													
Six Months Ended March 31,													
Six Months Ended March 31,													
Nine Months Ended June 30,													
Nine Months Ended June 30,													
Nine Months Ended June 30,													
Net interest income													
Net interest income													
Net interest income													
Provision for credit loss													
Noninterest income													
Noninterest expense													
Income (loss) before income tax expense													
Total assets													
Total assets													
Total assets													
Total goodwill													
Total deposits													

NOTE 14. FAIR VALUES OF FINANCIAL INSTRUMENTS

ASC 820, *Fair Value Measurements* defines fair value, establishes a framework for measuring the fair value of assets and liabilities using a hierarchy system and requires disclosures about fair value measurement. It clarifies that fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between

market participants in the market in which the reporting entity transacts.

The fair value hierarchy is as follows:

**Level 1 Inputs** - Valuation is based upon quoted prices for identical instruments traded in active markets that the Company has the ability to access at measurement date.

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

**Level 3 Inputs** - Valuation is generated from model-based techniques that use significant assumptions not observable in the market and are used only to the extent that observable inputs are not available. These unobservable assumptions reflect the Company's own estimates of assumptions that market participants would use in pricing the asset or liability.

**Debt Securities Available for Sale and Held to Maturity.** Debt securities available for sale are recorded at fair value on a recurring basis and debt securities held to maturity are carried at amortized cost.

The fair value of debt securities available for sale, categorized primarily as Level 2, is recorded using prices obtained from independent asset pricing services that are based on observable transactions, but not quoted markets. Management reviews the prices obtained from independent asset pricing services for unusual fluctuations and compares to current market trading activity.

**Equity Securities.** Marketable equity securities and certain non-marketable equity securities are recorded at fair value on a recurring basis. The fair values of marketable equity securities are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs).

The following tables summarize the fair values of debt securities available for sale and equity securities as they are measured at fair value on a recurring basis.

(Dollars in thousands)	(Dollars in thousands)	At March 31, 2024				(Dollars in thousands)	At June 30, 2024			
		Total	Level 1	Level 2	Level 3		Total	Level 1	Level 2	Level 3
Debt securities AFS	Debt securities AFS					Debt securities AFS				
Corporate securities										
SBA securities										
Obligations of states and political subdivisions										
Non-bank qualified obligations of states and political subdivisions										
Asset-backed securities										
Mortgage-backed securities										
Total debt securities AFS										
Common equities and mutual funds <sup>(1)</sup>										
Non-marketable equity securities <sup>(2)</sup>										

<sup>(1)</sup> Equity securities at fair value are included within other assets on the Condensed Consolidated Statements of Financial Condition at **March 31, 2024** **June 30, 2024**.

<sup>(2)</sup> Consists of certain non-marketable equity securities that are measured at fair value using net asset value ("NAV") per share (or its equivalent) as a practical expedient and are excluded from the fair value hierarchy.

(Dollars in thousands)	At September 30, 2023			
	Total	Level 1	Level 2	Level 3
Debt securities AFS				
Corporate securities	\$ 18,250	\$ —	\$ 18,250	\$ —
SBA securities	85,242	—	85,242	—
Obligations of states and political subdivisions	2,289	—	2,289	—
Non-bank qualified obligations of states and political subdivisions	226,723	—	226,723	—
Asset-backed securities	246,199	—	246,199	—
Mortgage-backed securities	1,225,525	—	1,225,525	—
Total debt securities AFS	\$ 1,804,228	\$ —	\$ 1,804,228	\$ —
Common equities and mutual funds <sup>(1)</sup>	\$ 3,378	\$ 3,378	\$ —	\$ —
Non-marketable equity securities <sup>(2)</sup>	\$ 8,389	\$ —	\$ —	\$ —

<sup>(1)</sup> Equity securities at fair value are included within other assets on the Consolidated Statements of Financial Condition at September 30, 2023.

<sup>(2)</sup> Consists of certain non-marketable equity securities that are measured at fair value using NAV per share (or its equivalent) as a practical expedient and are excluded from the fair value hierarchy.

**Loans and Leases.** The Company does not record loans and leases at fair value on a recurring basis. However, if a loan or lease is individually evaluated for risk of credit loss and repayment is expected to be solely provided by the values of the underlying collateral, the Company measures fair value on a nonrecurring basis. Fair value is determined by the fair

value of the underlying collateral less estimated costs to sell. The fair value of the collateral is determined based on the internal estimates and/or assessment provided by third-party appraisers and the valuation relies on discount rates ranging from 3% to ~~44%~~ 33%.

The following tables summarize the assets of the Company that are measured at fair value in the Condensed Consolidated Statements of Financial Condition on a nonrecurring basis:

(Dollars in thousands)	(Dollars in thousands)	At March 31, 2024				(Dollars in thousands)	At June 30, 2024			
		Level	Level	Level	Level		Level	Level	Level	Level
		Total	1	2	3		Total	1	2	3
Loans and leases, net individually evaluated for credit loss	Loans and leases, net individually evaluated for credit loss					Loans and leases, net individually evaluated for credit loss				
Commercial finance	Commercial finance					Commercial finance				
Commercial finance	Commercial finance					Commercial finance				
Commercial finance	Commercial finance					Commercial finance				
Total loans and leases, net individually evaluated for credit loss	Total loans and leases, net individually evaluated for credit loss					Total loans and leases, net individually evaluated for credit loss				
Total loans and leases, net individually evaluated for credit loss	Total loans and leases, net individually evaluated for credit loss					Total loans and leases, net individually evaluated for credit loss				
Total loans and leases, net individually evaluated for credit loss	Total loans and leases, net individually evaluated for credit loss					Total loans and leases, net individually evaluated for credit loss				
Total	Total					Total				
Total	Total					Total				
Total	Total					Total				

(Dollars in thousands)	At September 30, 2023			
	Total	Level 1	Level 2	Level 3
Loans and leases, net individually evaluated for credit loss				
Commercial finance	\$ 21,829	\$ —	\$ —	\$ 21,829
Total loans and leases, net individually evaluated for credit loss	21,829	—	—	21,829
Total	\$ 21,829	\$ —	\$ —	\$ 21,829

(Dollars in thousands)	Quantitative Information About Level 3 Fair Value Measurements						(Dollars in thousands)	Quantitative Information About Level 3 Fair Value Measurements					
	Fair Value at March 31, 2024	Fair Value at September 30, 2023	Valuation Technique	Unobservable Input	Range of Inputs			Fair Value at June 30, 2024	Fair Value at September 30, 2023	Valuation Technique	Unobservable Input	Range of Inputs	
Loans and leases, net individually evaluated for credit loss	\$9,234	\$ 21,829	Market approach	Market approach	Appraised values <sup>(1)</sup>	3% - 44%	Loans and leases, net individually evaluated for credit loss	\$8,418	\$ 21,829	Market approach	Market approach	Appraised values <sup>(1)</sup>	3% - 33%

<sup>(1)</sup> The Company generally relies on external appraisers to develop this information. Management reduced the appraised value by estimating selling costs and other inputs in a range of 3% to ~~44%~~ 33%.

Management discloses the estimated fair value of financial instruments, including assets and liabilities on and off the Condensed Consolidated Statements of Financial Condition, for which it is practicable to estimate fair value. These fair value estimates were made at ~~March 31, 2024~~ June 30, 2024 and September 30, 2023 based on relevant market information and information about financial instruments. Fair value estimates are intended to represent the price at which an asset could be sold or a liability could be settled. However, since there is no active market for certain financial instruments of the Company, the estimates of fair value are subjective in nature, involve uncertainties, and include matters of significant judgment. Changes in assumptions as well as tax considerations could significantly affect the estimated values. Accordingly, the aggregate fair value estimates are not intended to represent the underlying value of the Company, on either a going concern or a liquidation basis.

The following tables present the carrying amount and estimated fair value of the financial instruments held by the Company:

		At March 31, 2024						At June 30, 2024							
		Carrying	Estimated							Carrying	Estimated				
(Dollars in thousands)	(Dollars in thousands)	Amount	Fair Value	Level 1	Level 2	Level 3	(Dollars in thousands)	Amount	Fair Value	Level 1	Level 2	Level 3			
Financial assets															
Cash and cash equivalents															
Cash and cash equivalents															



Cash and cash equivalents
Debt securities available for sale
Debt securities held to maturity
Common equities and mutual funds <sup>(1)</sup>
Non-marketable equity securities <sup>(1)(2)</sup>
Loans held for sale
Loans and leases
Federal Reserve Bank and Federal Home Loan Bank stocks
Accrued interest receivable
Financial liabilities
Deposits
Deposits
Deposits
Overnight federal funds purchased
Other short- and long-term borrowings
Other short- and long-term borrowings
Other short- and long-term borrowings
Accrued interest payable

<sup>(1)</sup> Equity securities at fair value are included within other assets on the Condensed Consolidated Statements of Financial Condition at **March 31, 2024** **June 30, 2024**.

<sup>(2)</sup> Includes certain non-marketable equity securities that are measured at fair value using NAV per share (or its equivalent) as a practical expedient and are excluded from the fair value hierarchy.

At September 30, 2023					
(Dollars in thousands)	Carrying Amount	Estimated Fair Value	Level 1	Level 2	Level 3
<b>Financial assets</b>					
Cash and cash equivalents	\$ 375,580	\$ 375,580	\$ 375,580	\$ —	\$ —
Debt securities available for sale	1,804,228	1,804,228	—	1,804,228	—
Debt securities held to maturity	36,591	31,425	—	31,425	—
Common equities and mutual funds <sup>(1)</sup>	3,378	3,378	3,378	—	—
Non-marketable equity securities <sup>(1)(2)</sup>	20,453	20,453	—	12,064	—
Loans held for sale	77,779	77,779	—	77,779	—
Loans and leases	4,359,681	4,223,010	—	—	4,223,010
Federal Reserve Bank and Federal Home Loan Bank stocks	28,210	28,210	—	28,210	—
Accrued interest receivable	23,282	23,282	23,282	—	—
<b>Financial liabilities</b>					
Deposits	6,589,182	6,589,065	6,583,648	5,417	—
Overnight federal funds purchased	13,000	13,000	13,000	—	—
Other short- and long-term borrowings	33,873	31,187	—	31,187	—
Accrued interest payable	247	247	247	—	—

<sup>(1)</sup> Equity securities at fair value are included within other assets on the Consolidated Statements of Financial Condition at September 30, 2023.

<sup>(2)</sup> Includes certain non-marketable equity securities that are measured at fair value using NAV per share (or its equivalent) as a practical expedient and are excluded from the fair value hierarchy.

## NOTE 15. SUBSEQUENT EVENTS

Management has evaluated subsequent events that occurred after **March 31, 2024** **June 30, 2024**. During this period, up to the filing date of this Quarterly Report on Form 10-Q, management did not identify any material subsequent events that would require recognition or disclosure in our Condensed Consolidated Financial Statements as of or for the quarter ended **March 31, 2024** **June 30, 2024**.

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

## FORWARD-LOOKING STATEMENTS

PATHWARD FINANCIAL, INC. ("Pathward Financial" or the "Company" or "us") and its wholly-owned subsidiary, Pathward®, National Association ("Pathward®, N.A" or "Pathward" or "the Bank") may from time to time make written or oral "forward-looking statements," including statements contained in this Quarterly Report on Form 10-Q, the Company's other filings with the Securities and Exchange Commission (the "SEC"), the Company's reports to stockholders, and other communications by the Company and Pathward, N.A, which are made in good faith by the Company pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995.

You can identify forward-looking statements by words such as "may," "hope," "will," "should," "expect," "plan," "anticipate," "intend," "believe," "estimate," "predict," "potential," "continue," "could," "future," "target," or the negative of those terms, or other words of similar meaning or similar expressions. You should carefully read statements that contain these words because they discuss our future expectations or state other "forward-looking" information. These forward-looking statements are based on information currently available to us and assumptions about future events, and include statements with respect to the Company's beliefs, expectations, estimates, and intentions, which are subject to significant risks and uncertainties, and are subject to change based on various factors, some of which are beyond the Company's control. Such risks, uncertainties and other factors may cause our actual growth, results of operations, financial condition, cash flows, performance and business prospects and opportunities to differ materially from those expressed in, or implied by, these forward-looking statements. Such statements address, among others, the following subjects: future operating results including our performance expectations; progress on key strategic initiatives; expected results of our partnerships; impacts of our improved data analytics, underwriting, and monitoring processes; expected nonperforming loan resolutions and net charge-off rates; the performance of our securities portfolio; future effective tax rate; the impact of card balances related to government stimulus programs; progress on key initiatives; expected results of our partnerships; customer retention; loan and other product demand; new products and services; credit quality; the level of net charge-offs and the adequacy of the allowance for credit losses; and technology. The following factors, among others, could cause the Company's financial performance and results of operations to differ materially from the expectations, estimates, and intentions expressed in such forward-looking statements: maintaining our executive management team; expected growth opportunities may not be realized or may take longer to realize than expected; the potential adverse effects of unusual and infrequently occurring events, including the impact on financial markets from geopolitical conflicts such as the military conflicts in Ukraine and the Middle East, weather-related disasters, or public health events, such as pandemics, and any governmental or societal responses thereto; our ability to successfully implement measures designed to reduce expenses and increase efficiencies; changes in trade, monetary, and fiscal policies and laws, including actual changes in interest rates and the Fed Funds rate, and their related impacts on macroeconomic conditions, customer behavior, funding costs and loan and securities portfolios; changes in tax laws; the strength of the United States' economy, and the local economies in which the Company operates; adverse developments in the financial services industry generally such as bank failures, responsive measures to mitigate and manage such developments, related supervisory and regulatory actions and costs, and related impacts on customer behavior; inflation, market, and monetary fluctuations; our liquidity and capital positions, including the sufficiency of our liquidity; the timely and efficient development of new products and services offered by the Company or its strategic partners, as well as risks (including reputational and litigation) attendant thereto, and the perceived overall value and acceptance of these products and services by users; Pathward's ability to maintain its Durbin Amendment exemption; the risks of dealing with or utilizing third parties, including, in connection with the Company's prepaid card and tax refund advance businesses, the risk of reduced volume of refund advance loans as a result of reduced customer demand for or usage of Pathward's strategic partners' refund advance products; our relationship with, and any actions which may be initiated by, our regulators; changes in financial services laws and regulations, including laws and regulations relating to the tax refund industry and the insurance premium finance industry; technological changes, including, but not limited to, the protection of our electronic systems and information; the impact of acquisitions and divestitures; litigation risk; the growth of the Company's business, as well as expenses related thereto; continued maintenance by Pathward of its status as a well-capitalized institution; changes in consumer borrowing, spending, and saving habits; losses from fraudulent or illegal activity; technological risks and developments and cyber threats, attacks, or events; and the success of the Company at maintaining its high quality asset level and managing and collecting assets of borrowers in default should problem assets increase.

The foregoing list of factors is not exclusive. We caution you not to place undue reliance on these forward-looking statements. The forward-looking statements included in this Quarterly Report on Form 10-Q speak only as of the date hereof. All subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in its entirety by the cautionary statements contained or referred to in this section. Additional discussions of factors affecting the Company's business and prospects are reflected under the caption "Risk Factors" and in other sections of the Company's Annual Report on Form 10-K for the Company's fiscal year ended September 30, 2023, and in the Company's other filings made with the SEC. The Company expressly disclaims any intent or obligation to update, revise, or clarify any forward-looking statements, whether written or oral, that may be made from time to time by or on behalf of the Company or its subsidiaries, whether as a result of new information, changed circumstances, or future events or for any other reason.

## GENERAL

The Company, a registered bank holding company that has elected to be a financial holding company, is a Delaware corporation, the principal assets of which are all the issued and outstanding shares of the Bank, a chartered national bank, the accounts of which are insured up to applicable limits by the FDIC as administrator of the Deposit Insurance Fund. Unless the context otherwise requires, references herein to the Company include Pathward Financial and the Bank, and all direct or indirect subsidiaries of Pathward Financial on a consolidated basis.

The Company's common stock trades on the NASDAQ Global Select Market under the symbol "CASH."

The following discussion focuses on the consolidated financial condition of the Company at March 31, 2024 June 30, 2024, compared to September 30, 2023, and the consolidated results of operations for the three and six nine months ended March 31, 2024 June 30, 2024 and 2023. This discussion should be read in conjunction with the Company's consolidated financial statements, and notes thereto, for the fiscal year ended September 30, 2023 and the related management's discussion and analysis of financial condition and results of operations contained in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2023.

## EXECUTIVE SUMMARY

### Company Highlights

- On February 27, 2024, the Board of Directors (the "Board") of April 30, 2024, Pathward Financial appointed Neeraj Mehta was recognized on Keefe, Bruyette & Woods, Inc.'s (also known as a member "KBW") honor roll list of the Board, top banks producing "industry-leading and consistent earnings growth for investors."
- On April 3, 2024, Pathward®, N.A. During the quarter, Pathward announced it became Certified™ by Great Place the expansion and transformation of its Solutions for Financial Institutions, which previously only provided prepaid cards to Work® banks and credit unions. With this expansion, Pathward can now also provide Commercial Finance Solutions to their business clients that do not qualify for traditional financing or when a product is not offered. Pathward also provides financial institutions the second year in a row. Great Place ability to Work describes itself as the global authority on workplace culture, employee experience, and the leadership behaviors proven offer merchant services to deliver market-leading revenue, employee retention and increased innovation, business clients.

## Financial Highlights for the 2024 Fiscal Second Third Quarter

- Total revenue for the second third quarter was \$247.2 million \$176.7 million, an increase of \$18.8 million \$11.5 million, or 8% 7%, compared to the same quarter in fiscal 2023, driven by an increase in both net interest income, and partially offset by a reduction in noninterest income.
- Net interest margin ("NIM") increased 11 38 basis points to 6.23% 6.56% for the second third quarter from 6.12% 6.18% during the same period of last year, primarily driven by increased yields on earning assets and an improved earnings earning asset mix from the continued optimization of the portfolio.
- Total gross loans and leases at March 31, 2024 June 30, 2024 increased \$683.8 million \$539.7 million to \$4.41 billion \$4.61 billion compared to March 31, 2023 June 30, 2023 and decreased \$16.9 million increased \$203.2 million when compared to December March 31, 2023, 2024. The increase compared to the prior year quarter was primarily due to growth across all the commercial finance, consumer finance, and warehouse finance loan portfolios, partially offset by a slight reduction in the seasonal tax services portfolio. The primary driver for the sequential decrease increase was a reduction growth in the commercial and consumer warehouse finance loan portfolios, partially offset by growth a reduction in the warehouse consumer finance and seasonal tax services loan portfolios.
- During the 2024 fiscal second third quarter, the Company repurchased 764,185 286,920 shares of common stock at an average share price of \$51.20. \$52.24.

## Tax Season

For the six nine months ended March 31, 2024 June 30, 2024, total tax services product revenue was \$72.9 million \$82.0 million, an increase of 1% 3% compared to the same period of the prior year. Total tax services product revenue was primarily driven by an increase in refund advance fee income, increased marginally compared to the prior year, while total tax services product expense and partially offset by decreases in net interest income on tax services loans decreased.

and refund transfer product fees. Provision for credit losses for the tax services portfolio decreased \$6.5 million \$9.5 million for the six nine months ended March 31, 2024 June 30, 2024 when compared to the same period of the prior year, due to improvements in data analytics, underwriting and monitoring which helped lead to net recoveries of \$4.9 million recognized in the tax services portfolio during the first six months of 2024. monitoring.

Total tax services product income, net of losses and direct product expenses, increased 24% 33% to \$36.9 million \$47.1 million from \$29.7 million \$35.3 million, when comparing the first six nine months of fiscal 2024 to the same period of the prior fiscal year.

For the 2024 tax season through March 31, 2024, Pathward originated \$1.56 billion in refund advance loans compared to \$1.46 billion during the 2023 tax season.

## FINANCIAL CONDITION

At March 31, 2024 June 30, 2024, the Company's total assets decreased slightly to \$7.44 billion \$7.53 billion compared to \$7.54 billion at September 30, 2023, primarily due to reductions of \$51.8 million \$78.8 million in loans held for sale, \$27.7 million securities AFS, \$76.7 million in cash and cash equivalents, and \$24.8 million \$48.4 million in securities AFS. loans held for sale, partially offset by growth of \$246.4 million in loans and leases.

Total cash and cash equivalents were \$347.9 million \$298.9 million at March 31, 2024 June 30, 2024, decreasing from \$375.6 million at September 30, 2023. The Company maintains its cash investments primarily in interest-bearing overnight deposits with the FHLB of Des Moines and the FRB. At March 31, 2024 June 30, 2024, the Company did not have any federal funds sold.

The total investment portfolio decreased \$26.7 million \$81.3 million, or 1% 4%, to \$1.81 billion \$1.76 billion at March 31, 2024 June 30, 2024, compared to \$1.84 billion at September 30, 2023. The Company's portfolio of securities customarily consists primarily of MBS, which have expected lives much shorter than the stated final maturity, non-bank qualified obligations of states and political subdivisions, which mature in approximately 15 years or less, and other tax exempt municipal mortgage related pass through securities which have average lives much shorter than their stated final maturities. During the six nine months ended March 31, 2024 June 30, 2024, the Company made no purchases of investment securities.

Through the Bank, the Company owns stock in the FHLB due to the Bank's membership and participation in this banking system as well as stock in the FRB. The FHLB requires a level of stock investment based on a pre-determined formula. The Company's investment in these stocks was \$25.8 million \$24.4 million at March 31, 2024 June 30, 2024 and \$28.2 million at September 30, 2023, as redemptions were partially offset by purchases of FHLB membership stock during the six nine months ended March 31, 2024 June 30, 2024.

Loans held for sale at March 31, 2024 June 30, 2024 totaled \$25.9 million \$29.4 million, decreasing from \$77.8 million at September 30, 2023. This decrease was primarily driven by a reduction in consumer credit products held for sale at March 31, 2024 June 30, 2024 compared to September 30, 2023.

Total gross loans and leases totaled \$4.41 billion \$4.61 billion at March 31, 2024 June 30, 2024, as compared to \$4.37 billion at September 30, 2023. The increase was due to growth in the consumer commercial finance, seasonal tax services, and warehouse finance loan portfolios, partially offset by a reduction in the commercial consumer loan portfolio. See Note 4 to the "Notes to Condensed Consolidated Financial Statements" of this Quarterly Report on Form 10-Q.

Commercial finance loans, which comprised 83% 84% of the Company's gross loan and lease portfolio, totaled \$3.66 billion \$3.86 billion at March 31, June 30, 2024, reflecting a decrease an increase of \$67.1 million \$137.0 million from September 30, 2023. The decrease increase in commercial finance loans was primarily driven by a \$277.2 million decrease

in the insurance premium finance portfolio and a \$21.9 million decrease in the factoring portfolio, partially offset by a \$180.9 million \$225.6 million increase in the term lending portfolio and a \$47.2 million \$90.9 million increase in the asset-based lending portfolio, partially offset by a \$183.0 million decrease in the insurance premium finance portfolio.

Total end-of-period deposits decreased 3% 2% to \$6.37 billion \$6.43 billion at March 31, 2024 June 30, 2024, compared to \$6.59 billion at September 30, 2023, primarily driven by a decrease decreases in noninterest-bearing deposits of \$320.9 million \$176.3 million and money market deposits of \$15.4 million, partially offset by an increase in wholesale deposits of \$96.0 million \$37.4 million.

As of March 31, 2024 June 30, 2024, the Company had \$740.8 \$575.7 million in deposits related to government stimulus programs. Of the total amount of government stimulus program deposits, \$323.3 \$236.9 million are on activated cards while \$417.5 \$338.8 million are on inactivated cards. During the remainder of fiscal year 2024, the inactive deposit balances are expected to decline by approximately \$219 \$180 million as the Company actively returns unclaimed balances to the U.S. Treasury.

The Company's total borrowings increased \$17.5 million decreased \$13.6 million from \$46.9 million at September 30, 2023 to \$64.4 million \$33.3 million at March 31, 2024 June 30, 2024, primarily driven by an increase a decrease in short-term borrowings of \$18.0 million \$13.0 million.

At March 31, 2024 June 30, 2024, the Company's stockholders' equity totaled \$739.5 million \$765.2 million, an increase of \$88.8 million \$114.6 million, from \$650.6 million at September 30, 2023. The increase was primarily attributable to an increase in accumulated other comprehensive income and retained earnings. The Company and Bank remained above the federal regulatory minimum capital requirements at March 31, 2024 June 30, 2024, and continued to be classified as well-capitalized, and in good standing with the regulatory agencies. See "Liquidity and Capital Resources" for further information.

*Noninterest-bearing Checking Deposits.* The Company may hold negative balances associated with cardholder programs in the BaaS business line that are included within noninterest-bearing deposits on the Company's Condensed Consolidated Statements of Financial Condition. Negative balances can relate to any of the following payments functions:

- Prefundings: The Company deploys funds to cards prior to receiving cash (typically 2-3 days) where the prefunding balance is netted at a pooled partner level utilizing ASC 210-20.
- Discount fundings: The Company funds cards in alignment to expected breakage values on the card. Consumers may spend more than is estimated. These discounts are netted at a pooled partner level using ASC 210-20. The majority of these discount fundings relate to a small number of partners and are analyzed on an ongoing basis.
- Demand Deposit Account ("DDA") overdrafts: Certain programs offered allow cardholders traditional DDA overdraft protection services whereby cardholders can spend a limited amount in excess of their available card balance. When overdrawn, these accounts are re-classed as loans on the balance sheet within the Consumer Finance category.

The Company meets the Right of Set off criteria in ASC 210-20, Balance Sheet - Offsetting, for all payments negative deposit balances with the exception of DDA overdrafts. The following table summarizes the Company's negative deposit balances within the BaaS business line:

(Dollars in thousands)	(Dollars in thousands)	March 31, 2024	September 30, 2023	(Dollars in thousands)	June 30, 2024	September 30, 2023
Noninterest-bearing deposits						
Prefunding						
Discount funding						
DDA overdrafts						
Noninterest-bearing checking, net						

*Custodial Off-Balance Sheet Custodial Deposits.* The Bank utilizes a custodial deposit transference structure for certain prepaid and deposit programs whereby the Bank, acting as custodian of cardholder funds, places a portion of such cardholder funds that are not needed to support near term settlement at one or more third-party banks insured by the FDIC (each, a "Program Bank"). Accounts opened at Program Banks are established in the Bank's name as custodian, for the benefit of the Bank's cardholders. The Bank remains the issuer of all cards and holder of all accounts under the applicable cardholder agreements and has sole custodial control and transaction authority over the accounts opened at Program Banks.

The Bank maintains the records of each cardholder's deposits maintained at Program Banks. Program Banks undergo robust due diligence prior to becoming a Program Bank and are also subject to continuous monitoring.

As of March 31, 2024 June 30, 2024, the Company managed \$1.2 billion \$352.8 million of customer deposits at other banks in its capacity as custodian. These deposits provide the Company with excess deposits that can earn servicing fee income, typically reflective of the EFFR.

RESULTS OF OPERATIONS

The following table presents, for the periods indicated, the Company's total dollar amount of interest income from average interest-earning assets and the resulting yields, as well as the interest expense on average interest-bearing liabilities, expressed both in dollars and rates. The balances presented in the table below are calculated on a daily average balance. Tax-equivalent adjustments have been made in yields on interest-bearing assets and NIM. Nonaccruing loans and leases have been included in the table as loans or leases carrying a zero yield.

Three Months Ended March 31,																		
		2024					2024							2023				
(Dollars in thousands)	(Dollars in thousands)	Average Outstanding Balance	Interest Earned / Paid	Yield / Rate <sup>(1)</sup>			Average Outstanding Balance	Interest Earned / Paid	Yield / Rate <sup>(1)</sup>			(Dollars in thousands)	Average Outstanding Balance	Interest Earned / Paid	Yield / Rate <sup>(1)</sup>			
Interest-earning assets:	Interest-earning assets:											Interest-earning assets:						
Cash and fed funds sold	Cash and fed funds sold	\$ 616,288	\$ 7,422	4.84	4.84 %		\$ 564,656	\$ 5,843	4.20	4.20 %		Cash and fed funds sold	\$ 224,987	\$ 2,053	3.67	3.67 %		
Mortgage-backed securities	Mortgage-backed securities	1,464,530	9,998	9,998	2.75	2.75 %	1,549,240	10,326	10,326	2.70	2.70 %	Mortgage-backed securities	1,438,683	9,748	9,748	2.73	2.73 %	
Tax exempt investment securities	Tax exempt investment securities	132,733	932	932	3.57	3.57 %	149,912	990	990	3.39	3.39 %	Tax exempt investment securities	128,117	911	911	3.62	3.62 %	
Asset-backed securities	Asset-backed securities	237,421	3,368	3,368	5.71	5.71 %	141,968	1,273	1,273	3.64	3.64 %	Asset-backed securities	220,461	3,148	3,148	5.74	5.74 %	
Other investment securities	Other investment securities	281,695	2,291	2,291	3.27	3.27 %	298,030	2,376	2,376	3.23	3.23 %	Other investment securities	282,966	2,211	2,211	3.14	3.14 %	
Total investments	Total investments	2,116,379	16,589	16,589	3.20	3.20 %	2,139,150	14,965	14,965	2.89	2.89 %	Total investments	2,070,227	16,018	16,018	3.16	3.16 %	
Commercial finance	Commercial finance	3,650,845	74,330	74,330	8.19	8.19 %	3,056,293	60,765	60,765	8.06	8.06 %	Commercial finance	3,756,152	78,353	78,353	8.39	8.39 %	
Consumer finance	Consumer finance	351,459	9,144	9,144	10.46	10.46 %	187,826	6,301	6,301	13.60	13.60 %	Consumer finance	286,476	6,865	6,865	9.64	9.64 %	
Tax services	Tax services	493,168	9,014	9,014	7.35	7.35 %	448,659	10,555	10,555	9.54	9.54 %	Tax services	56,836	55	55	0.39	0.39 %	
Warehouse finance	Warehouse finance	407,703	10,262	10,262	10.12	10.12 %	321,334	6,258	6,258	7.90	7.90 %	Warehouse finance	407,210	10,598	10,598	10.47	10.47 %	
Total loans and leases	Total loans and leases	4,903,175	102,750	102,750	8.43	8.43 %	4,014,112	83,879	83,879	8.47	8.47 %	Total loans and leases	4,506,674	95,871	95,871	8.56	8.56 %	
Total interest-earning assets	Total interest-earning assets	7,635,842	\$ 126,761	6.69	6.69 %		6,717,918	\$ 104,687	6.34	6.34 %		Total interest-earning assets	6,801,888	\$ 113,942	6.75	6.75 %		
Noninterest-earning assets																		
Total assets	Total assets																	
Total assets	Total assets																	
Total assets	Total assets																	
Interest-bearing liabilities:																		
Interest-bearing liabilities:																		
Interest-bearing liabilities:																		
Interest-bearing checking	Interest-bearing checking	\$ 266	\$ —	0.31	0.31 %		\$ 267	\$ —	0.33	0.33 %		\$ 684	\$ —	0.14	0.14 %			
Savings	Savings	59,914	5	5	0.04	0.04 %	70,024	6	6	0.03	0.03 %	Savings	56,565	3	3	0.02	0.02 %	
Money markets	Money markets	190,143	598	598	1.26	1.26 %	125,193	71	71	0.23	0.23 %	Money markets	178,255	584	584	1.32	1.32 %	

Time deposits	Time deposits	5,027	4	4	0.29	0.29 %	6,948	2	2	0.11	0.11 %	Time deposits	4,265	3	3	0.32	0.32 %
Wholesale deposits	Wholesale deposits	439,785	6,078	6,078	5.56	5.56 %	186,421	2,017	2,017	4.39	4.39 %	Wholesale deposits	74,167	1,099	1,099	5.96	5.96 %
Total interest-bearing deposits (a)	Total interest-bearing deposits (a)	695,135	6,685	6,685	3.87	3.87 %	388,853	2,096	2,096	2.19	2.19 %	Total interest-bearing deposits (a)	313,936	1,689	1,689	2.16	2.16 %
Overnight fed funds purchased	Overnight fed funds purchased	79,484	1,107	1,107	5.60	5.60 %	46,735	543	543	4.71	4.71 %	Overnight fed funds purchased	52,374	730	730	5.61	5.61 %
Subordinated debentures	Subordinated debentures																
Subordinated debentures	Subordinated debentures	19,625	355	355	7.27	7.27 %	19,523	354	354	7.34	7.34 %	Subordinated debentures	19,651	355	355	7.26	7.26 %
Other borrowings	Other borrowings	13,901	313	313	9.07	9.07 %	15,283	289	289	7.68	7.68 %	Other borrowings	13,705	309	309	9.07	9.07 %
Total borrowings	Total borrowings	113,010	1,775	1,775	6.32	6.32 %	81,541	1,186	1,186	5.90	5.90 %	Total borrowings	85,730	1,394	1,394	6.54	6.54 %
Total interest-bearing liabilities	Total interest-bearing liabilities	808,145	8,460	8,460	4.21	4.21 %	470,394	3,282	3,282	2.83	2.83 %	Total interest-bearing liabilities	399,666	3,083	3,083	3.10	3.10 %
Noninterest-bearing deposits (b)	Noninterest-bearing deposits (b)	6,473,538	—	—	—	— %	5,997,739	—	—	—	— %	Noninterest-bearing deposits (b)	5,947,054	—	—	—	— %
Total deposits and interest-bearing liabilities	Total deposits and interest-bearing liabilities	7,281,683	\$	8,460	0.47	0.47 %	6,468,133	\$	3,282	0.21	0.21 %	Total deposits and interest-bearing liabilities	6,346,720	\$	3,083	0.20	0.20 %
Other noninterest-bearing liabilities	Other noninterest-bearing liabilities																
Total liabilities	Total liabilities																
Total liabilities	Total liabilities																
Total liabilities	Total liabilities																
Shareholders' equity	Shareholders' equity																
Shareholders' equity	Shareholders' equity																
Shareholders' equity	Shareholders' equity																
Total liabilities and shareholders' equity	Total liabilities and shareholders' equity																
Total liabilities and shareholders' equity	Total liabilities and shareholders' equity																
Total liabilities and shareholders' equity	Total liabilities and shareholders' equity																
Net interest income and net interest rate spread including noninterest-bearing deposits	Net interest income and net interest rate spread including noninterest-bearing deposits																
Net interest income and net interest rate spread including noninterest-bearing deposits	Net interest income and net interest rate spread including noninterest-bearing deposits																
Net interest income and net interest rate spread including noninterest-bearing deposits	Net interest income and net interest rate spread including noninterest-bearing deposits																
Net interest income and net interest rate spread including noninterest-bearing deposits	Net interest income and net interest rate spread including noninterest-bearing deposits																
Net interest margin	Net interest margin																
Net interest margin	Net interest margin																
Net interest margin	Net interest margin																

Tax-equivalent effect	Tax-equivalent effect	0.01 %	Tax-equivalent effect	0.02 %
Net interest margin, tax-equivalent <sup>(2)</sup>	Net interest margin, tax-equivalent <sup>(2)</sup>	6.24 %	Net interest margin, tax-equivalent <sup>(2)</sup>	6.14 %

<sup>(1)</sup> Tax rate used to arrive at the TEY for the three months ended March 31, 2024 and 2023 was 21%.

Total cost of deposits (a+b)

Total cost of deposits (a+b)

Total cost of deposits (a+b)	6,260,990	1,689	0.11 %	5,895,242	164	0.01 %
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<sup>(2)</sup> Net interest margin expressed on a fully-taxable-equivalent basis ("net interest margin, tax-equivalent") recognizes the estimated income tax savings when comparing taxable and tax-exempt assets. This is a standard practice in the banking industry to present net interest margin expressed on a fully-taxable-equivalent basis, which may be useful for peer comparison purposes.

<sup>(1)</sup> Tax rate used to arrive at the TEY for the three months ended June 30, 2024 and 2023 was 21%.

Six Months Ended March 31,													
		2024				2024				2023			
(Dollars in thousands)	(Dollars in thousands)	Average Outstanding Balance	Interest Earned / Paid	Yield / Rate <sup>(1)</sup>		Average Outstanding Balance	Interest Earned / Paid	Yield / Rate <sup>(1)</sup>		(Dollars in thousands)	Average Outstanding Balance	Interest Earned / Paid	Yield / Rate <sup>(1)</sup>
Interest-earning assets:	Interest-earning assets:									Interest-earning assets:			
Cash and fed funds sold	Cash and fed funds sold	\$ 476,371	\$ 11,525	4.84 %		\$ 393,469	\$ 7,559	3.85 %		Cash and fed funds sold	\$ 392,882	\$ 13,578	4.62 %
Mortgage-backed securities	Mortgage-backed securities	1,475,753	20,047	2.72 %		1,560,251	20,738	2.67 %		Mortgage-backed securities	1,463,441	29,795	2.72 %
Tax exempt investment securities	Tax exempt investment securities	134,612	1,862	3.50 %		152,359	1,970	3.28 %		Tax exempt investment securities	132,455	2,773	3.54 %
Asset-backed securities	Asset-backed securities	243,831	6,933	5.69 %		149,055	2,422	3.26 %		Asset-backed securities	236,070	10,081	5.70 %
Other investment securities	Other investment securities	283,168	4,579	3.23 %		299,905	4,783	3.20 %		Other investment securities	287,659	6,790	3.15 %
Total investments	Total investments	2,137,364	33,421	3.17 %		2,161,570	29,913	2.82 %		Total investments	2,119,625	49,439	3.16 %
Commercial finance	Commercial finance	3,707,184	149,675	8.07 %		3,033,331	118,865	7.86 %		Commercial finance	3,723,447	228,028	8.18 %
Consumer finance	Consumer finance	357,228	19,729	11.05 %		193,157	10,614	11.02 %		Consumer finance	333,730	26,595	10.64 %
Tax services	Tax services	259,338	9,003	6.94 %		234,619	10,612	9.07 %		Tax services	192,084	9,057	6.30 %
Warehouse finance	Warehouse finance	394,747	19,306	9.78 %		305,724	12,184	7.99 %		Warehouse finance	398,886	29,904	10.01 %
Total loans and leases	Total loans and leases	4,718,497	197,713	8.38 %		3,766,831	152,275	8.11 %		Total loans and leases	4,648,147	293,584	8.44 %
Total interest-earning assets	Total interest-earning assets	7,332,232	\$ 242,659	6.63 %		6,321,870	\$ 189,747	6.04 %		Total interest-earning assets	7,160,654	\$ 356,601	6.67 %
Noninterest-earning assets	Noninterest-earning assets									Noninterest-earning assets			

Total assets																										
Total assets																										
Total assets																										
Interest-bearing liabilities:																										
Interest-bearing liabilities:																										
Interest-bearing liabilities:																										
Interest-bearing checking																										
Interest-bearing checking																										
Interest-bearing checking		\$	346	\$		1	0.33	0.33	%		\$	358	\$		1	0.33	0.33	%	\$	458	\$		1	0.23	0.23	%
Savings	Savings	57,334	11	11	0.04	0.04	%			66,275	12	12	0.04	0.04	%					Savings	57,079	14	14	0.03	0.03	%
Money markets	Money markets	186,681	1,173	1,173	1.26	1.26	%			132,108	148	148	0.23	0.23	%					Money markets	183,882	1,757	1,757	1.28	1.28	%
Time deposits	Time deposits	5,273	7	7	0.27	0.27	%			7,075	4	4	0.11	0.11	%					Time deposits	4,939	10	10	0.28	0.28	%
Wholesale deposits	Wholesale deposits	324,909	9,019	9,019	5.55	5.55	%			95,074	2,073	2,073	4.37	4.37	%					Wholesale deposits	241,633	10,118	10,118	5.59	5.59	%
Total interest-bearing deposits (a)	Total interest-bearing deposits (a)	574,543	10,211	10,211	3.55	3.55	%			300,890	2,238	2,238	1.49	1.49	%					Total interest-bearing deposits (a)	487,991	11,900	11,900	3.26	3.26	%
Overnight fed funds purchased	Overnight fed funds purchased	98,421	2,763	2,763	5.61	5.61	%			35,638	787	787	4.43	4.43	%					Overnight fed funds purchased	83,128	3,493	3,493	5.61	5.61	%
Subordinated debentures																										
Subordinated debentures																										
Subordinated debentures		19,613	711	711	7.25	7.25	%			19,558	711	711	7.28	7.28	%					19,625	1,066	1,066	7.26	7.26	%	
Other borrowings	Other borrowings	14,040	637	637	9.07	9.07	%			15,553	549	549	7.09	7.09	%					Other borrowings	13,930	946	946	9.07	9.07	%
Total borrowings	Total borrowings	132,074	4,111	4,111	6.23	6.23	%			70,749	2,047	2,047	5.80	5.80	%					Total borrowings	116,683	5,505	5,505	6.30	6.30	%
Total interest-bearing liabilities	Total interest-bearing liabilities	706,617	14,322	14,322	4.05	4.05	%			371,639	4,285	4,285	2.31	2.31	%					Total interest-bearing liabilities	604,674	17,405	17,405	3.84	3.84	%
Noninterest-bearing deposits (b)	Noninterest-bearing deposits (b)	6,287,220	—	—	—	—	%			5,706,615	—	—	—	—	%					Noninterest-bearing deposits (b)	6,174,245	—	—	—	—	%
Total deposits and interest-bearing liabilities	Total deposits and interest-bearing liabilities	6,993,837	\$	14,322	0.41	0.41	%			6,078,254	\$	4,285	0.14	0.14	%					Total deposits and interest-bearing liabilities	6,778,919	\$	17,405	0.34	0.34	%
Other noninterest-bearing liabilities																										
Total liabilities																										
Total liabilities																										
Total liabilities																										
Shareholders' equity																										
Shareholders' equity																										
Shareholders' equity																										
Total liabilities and shareholders' equity																										
Total liabilities and shareholders' equity																										
Total liabilities and shareholders' equity																										



		2019		2018		2017	
Net interest income and net interest rate spread including noninterest-bearing deposits							
Net interest income and net interest rate spread including noninterest-bearing deposits							
Net interest income and net interest rate spread including noninterest-bearing deposits							
Net interest income and net interest rate spread including noninterest-bearing deposits							
Net interest margin							
Net interest margin							
Net interest margin							
Tax-equivalent effect							
Net interest margin, tax-equivalent <sup>(2)</sup>							
Total cost of deposits (a+b)							
Total cost of deposits (a+b)							
Total cost of deposits (a+b)							

## General

The Company recorded net income of **\$92.9 million** **\$134.8 million**, or **\$3.61** **\$5.27** per diluted share, for the **six** **nine** months ended **March 31, 2024** **June 30, 2024**, compared to net income of **\$82.6 million** **\$127.7 million**, or **\$2.95** **\$4.62** per diluted share, for the **six** **nine** months ended **March 31, 2023** **June 30, 2023**.

Net interest income for the **second third** quarter of fiscal 2024 was **\$118.3 million** **\$110.9 million**, an increase of **17%** **14%** from the same quarter in fiscal 2023. The increase was mainly attributable to increased yields, higher average interest-earning asset balances and an improved earning asset mix. For the **six nine** months ended **March 31, 2024** **June 30, 2024**, net interest income was **\$228.3 million** **\$339.2 million**, an increase of **23%** **20%**, from **\$185.5 million** **\$282.9 million** compared to the same period in the prior fiscal year.

Fiscal 2024 **second****third** quarter NIM increased to **6.23%****6.56%** from **6.12%****6.18%** in the **second****third** fiscal quarter of last year. The overall reported tax-equivalent yield ("TEY") on average earning asset yields increased **35****44** basis points to **6.69%****6.75%** compared to the prior year quarter, driven by an improved earning asset mix. The yield on the loan and lease portfolio was **8.43%****8.56%** compared to **8.47%****8.31%** for the comparable period last year and the TEY on the securities portfolio was **3.20%****3.16%** compared to **2.89%****2.96%** over that same period.

The Company's cost of funds for all deposits and borrowings averaged 0.47% 0.20% during the fiscal 2024 second third quarter, as compared to 0.21% 0.13% during the prior year quarter. The Company's overall cost of deposits was 0.38% 0.11% in the fiscal second third quarter of 2024, as compared to 0.13% 0.01% during the prior year quarter.

The Company recognized a provision for credit loss of **\$26.1 million** **\$5.9 million** for the three months ended **March 31, 2024** **June 30, 2024**, compared to **\$36.8 million** **\$1.8 million** for the comparable period in the prior fiscal year. The period-over-period **decrease** **increase** in provision for credit **loss** **losses** was **primarily** due to **improvements in the Company's data analytics, underwriting and monitoring within the tax services portfolio along with a decrease** **an increase** in provision for credit losses in the commercial finance portfolio primarily

du of \$6.5 million to , partially offset by a mix shift decrease of \$3.1 million in the loan tax services portfolio and a benign credit environment. The Company recognized net recoveries charge-offs of \$1.1 million \$6.6 million for the quarter ended March 31, 2024 June 30, 2024, compared to net charge-offs of \$5.0 million \$4.2 million for the quarter ended March 31, 2023 June 30, 2023. Net charge-offs attributable to the commercial finance portfolio for the current quarter were \$4.7 million \$7.0 million, while net recoveries of \$5.8 million \$0.4 million were recognized in the tax services portfolio. Net charge-offs attributable to the consumer finance portfolio for the current quarter were insignificant. Net charge-offs attributable to the commercial finance and consumer finance portfolios for the same quarter of the prior year were \$2.6 million and \$1.9 million, respectively, while a net recovery of \$0.3 million was recognized in the tax services portfolio.

The Company recognized a provision for credit loss of \$41.8 million for the nine months ended June 30, 2024, compared to \$48.3 million for the comparable period in the prior fiscal year. The period-over-period decrease in provision for credit losses was primarily due to a decrease in provision for credit losses in the tax services portfolio of \$9.5 million, partially offset by increases in the commercial finance portfolio of \$1.4 million, the consumer finance portfolio of \$0.8 million and unfunded commitment reserves of \$0.8 million. The Company recognized net charge-offs of \$11.0 million for the nine months ended June 30, 2024, compared to net charge-offs of \$12.4 million for the same period of the prior year. Net charge-offs attributable to the commercial finance portfolio and consumer finance portfolio for the nine months ended June 30, 2024, were \$16.2 million and \$0.1 million, respectively, while net recoveries of \$5.4 million were recognized in the tax services portfolio. Net charge-offs attributable to the commercial finance and consumer finance portfolios for the same quarter period of the prior year were \$5.9 million \$10.5 million and \$0.2 million \$2.2 million, respectively, while a recovery net recoveries of \$1.1 million \$0.3 million was recognized in the tax services portfolio.

The Company recognized a provision for credit loss of \$35.9 million for the six months ended March 31, 2024, compared to \$46.5 million for the comparable period in the prior fiscal year. The decrease was primarily due to reductions in the tax services and commercial finance portfolios. The Company recognized net charge-offs of \$4.4 million for the six months ended March 31, 2024, compared to net charge-offs of \$8.2 million for the six months ended March 31, 2023. Net charge-offs attributable to the commercial finance portfolio for the current six months were \$9.3 million, while net recoveries of \$4.9 million were recognized in the tax services portfolio. Net charge-offs attributable to the commercial finance portfolio were \$7.9 million for the same six months of the prior year, while net recoveries in the tax services portfolio were insignificant.

#### Noninterest Income

Fiscal 2024 second third quarter noninterest income increased 2% decreased 3% to \$128.9 million \$65.9 million, compared to \$127.0 million \$67.7 million for the same period of the prior year. The increase decrease was primarily driven by an increase a decrease in refund advance fee income, card and deposit fees. The period-over-period increase decrease was partially offset by a decrease an increase in card gain on sale of other and deposits tax services product fees.

The period-over-period decrease in card and deposit fee income was primarily related to lower servicing fee income on off-balance sheet deposits, which due to a reduction in custodial deposits. Servicing fee income totaled \$10.4 million \$8.6 million during the 2024 fiscal second third quarter, compared to \$18.2 14.6 million for the same period of the prior year. The decrease in servicing fee income when compared to the prior year period was due to a reduction in off-balance sheet deposits.

Noninterest income for the six nine months ended March 31, June 30, 2024 decreased to \$181.7 \$247.6 million from \$192.8 \$260.5 million for the same period of the prior year. The period-over-period decrease was primarily driven by a decrease in card and deposit fees and the gain on sale of trademarks recognized in the prior period, partially offset by increases in gain on sale of other, tax services product fees, other income, and rental income.

#### Noninterest Expense

Noninterest expense increased 10% 8% to \$140.4 million \$123.7 million for the fiscal 2024 second third quarter, from \$127.1 million \$114.6 million for the same quarter last year. The increase was primarily attributable to increases in card processing expense, other expense and compensation and benefits expense, impairment expense, legal and consulting expense, and occupancy and equipment expense, benefits. The period-over-period increase was partially offset by decreases a decrease in operating lease equipment depreciation, other expense, refund transfer product expense, and intangible amortization impairment expense.

The card processing expense increase was due to rate-related agreements with BaaS partners. The amount of expense paid under those agreements is based on an agreed upon rate index that varies depending on the deposit levels, floor rates, market conditions, and other performance conditions. Generally, this rate index is based on a percentage of the Effective Federal Funds Rate ("EFFR") and reprices immediately upon a change in the EFFR. Approximately 56% 57% of the deposit portfolio was subject to these rate-related processing expenses during the 2024 fiscal second third quarter. For the fiscal quarter ended March 31, 2024 June 30, 2024, contractual, rate-related processing expenses were \$30.1 million \$27.6 million, as compared to \$26.8 \$30.1 million for the fiscal quarter ended December 31, 2023 March 31, 2024 and \$20.4 \$20.5 million for the fiscal quarter ended March 31, 2023 June 30, 2023.

Noninterest expense for the six nine months ended March 31, June 30, 2024 increased to \$259.7 \$383.4 million from \$232.2 \$346.8 million for the same period of the prior year. The period-over-period increase was primarily driven by an increase in card processing expense and compensation and benefits expense.

#### Income Tax Expense

The Company recorded an income tax expense of \$15.2 million \$5.1 million, representing an effective tax rate of 18.9% 10.9%, for the fiscal 2024 second third quarter, compared to \$9.2 million \$3.2 million, representing an effective tax rate of 14.2% 6.6%, for the second third quarter last fiscal year. The current quarter increase in income tax expense compared to the prior year quarter was primarily due to increased earnings and also a decrease in investment tax credits recognized ratably when compared to the prior year quarter.

The Company originated \$25.9 \$4.3 million in renewable energy leases during the fiscal 2024 second third quarter, resulting in \$7.0 \$1.2 million in total net investment tax credits. During the second third quarter of fiscal 2023, the Company originated \$18.1 \$21.4 million in renewable energy leases resulting in \$4.9 million \$5.8 million in total net investment tax credits. For the six nine months ended March 31, 2024 June 30, 2024, the Company originated \$38.1 million \$42.4 million in renewable energy leases, compared to \$29.5 million \$50.9 million for the comparable prior year period. Investment tax credits related to renewable energy leases are recognized ratably based on income throughout each fiscal year.

## Asset Quality

Generally, when a loan or lease becomes delinquent 90 days or more or when the collection of principal or interest becomes doubtful, the Company will place the loan or lease on a nonaccrual status and, as a result, previously accrued interest income on the loan or lease is reversed against current income. The loan or lease will generally remain on a nonaccrual status until six months of good payment history has been established or management believes the financial status of the borrower has been significantly restored. Certain relationships in the table below are over 90 days past due and still accruing. The Company considers these relationships as being in the process of collection. Insurance premium finance loans, consumer finance and tax services loans are generally not placed on nonaccrual status, but are instead written off when the collection of principal and interest become doubtful.

Loans and leases, or portions thereof, are generally charged-off when collection of principal becomes doubtful. Typically, this is associated with a delay or shortfall in payments of 210 days or more for insurance premium finance, 120 days or more for consumer credit products and leases, and 90 days or more for commercial finance loans. Action is taken to charge off ERO loans if such loans have not been collected by the end of June and refund advance loans if such loans have not been collected by the end of the calendar year. The Company individually evaluates loans and leases that do not share similar risk characteristics with other financial assets, which generally means loans and leases identified as modifications or loans and leases on nonaccrual status.

The Company believes that the level of allowance for credit losses at **March 31, 2024** **June 30, 2024** was appropriate and reflected probable losses related to these loans and leases; however, there can be no assurance that all loans and leases will be fully collectible or that the present level of the allowance will be adequate in the future. See the section below titled "Allowance for Credit Losses" for further information.

The table below sets forth the amounts and categories of the Company's nonperforming assets.

(Dollars in thousands)	(Dollars in thousands)	March 31, 2024	September 30, 2023	(Dollars in thousands)	June 30, 2024	September 30, 2023
<b>Nonperforming Loans and Leases</b>						
<u>Nonaccruing loans and leases:</u>						
<u>Nonaccruing loans and leases:</u>						
<u>Nonaccruing loans and leases:</u>						
<b>Commercial finance</b>						
Total nonaccruing loans and leases						
Total nonaccruing loans and leases						
Total nonaccruing loans and leases						
<u>Accruing loans and leases delinquent 90 days or more:</u>						
<u>Accruing loans and leases delinquent 90 days or more:</u>						
<u>Accruing loans and leases delinquent 90 days or more:</u>						
<b>Loans held for sale</b>						
<b>Commercial finance</b>						
<b>Commercial finance</b>						
<b>Commercial finance</b>						
<b>Consumer finance</b>						
<b>Tax services<sup>(1)</sup></b>						
Total accruing loans and leases delinquent 90 days or more						
Total accruing loans and leases delinquent 90 days or more						
Total accruing loans and leases delinquent 90 days or more						
<b>Total nonperforming loans and leases</b>						
<b>Other Assets</b>						
<b>Other Assets</b>						
<b>Other Assets</b>						
<b>Nonperforming operating leases</b>						
<b>Total other assets</b>						
<b>Total other assets</b>						
<b>Total other assets</b>						
<b>Total nonperforming assets</b>						
<b>Total as a percentage of total assets</b>	<b>Total as a percentage of total assets</b>	<b>0.50 %</b>	<b>0.77 %</b>	<b>Total as a percentage of total assets</b>	<b>0.61 %</b>	<b>0.77 %</b>

(3) Certain tax services loans do not bear interest.

The Company's nonperforming assets at **March 31, 2024** **June 30, 2024** were **\$37.2 million** **\$46.3 million**, representing **0.50%** **0.61%** of total assets, compared to \$58.0 million, or 0.77% of total assets at September 30, 2023. The decrease in the nonperforming assets as a percentage of total assets at **March 31, 2024** **June 30, 2024** compared to September 30, 2023, was primarily driven by a decrease in nonperforming loans in the **tax services portfolio** and commercial **finance portfolio**, partially offset by an increase in the consumer finance portfolio.

The Company's nonperforming loans and leases at **March 31, 2024** **June 30, 2024** were **\$34.4 million** **\$44.6 million**, representing **0.78%** **0.96%** of total gross loans and leases, compared to \$56.2 million, or 1.26% of total gross loans and leases at September 30, 2023.

**Classified Assets.** Federal regulations provide for the classification of certain loans, leases, and other assets such as debt and equity securities considered by the Bank's primary regulator, the OCC, to be of lesser quality as "substandard," "doubtful" or "loss," with each such classification dependent on the facts and circumstances surrounding the assets in question. 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 Bank will sustain "some loss" if the deficiencies are not corrected. Assets classified as "doubtful" have all of the weaknesses inherent 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 minimal value that their continuance as assets without the establishment of a specific loss reserve is not warranted.

General allowances represent loss allowances which have been established to recognize the inherent risk associated with lending activities, but which, unlike specific allowances, have not been allocated to particular problem assets. When assets are classified as "loss," the Bank is required either to establish a specific allowance for losses equal to 100% of that portion of the asset so classified or to charge off such amount. The Bank's determinations as to the classification of its assets and the amount of its valuation allowances are subject to review by its regulatory authorities, which may order the establishment of additional general or specific loss allowances.

On the basis of management's review of its loans, leases, and other assets, at **March 31, 2024** **June 30, 2024**, the Company had classified loans and leases of **\$218.1 million** **\$192.5 million** as substandard, **\$9.3 million** **\$8.2 million** as doubtful and none as loss. At September 30, 2023, the Company classified loans and leases of \$208.2 million as substandard, \$8.2 million as doubtful and none as loss.

**Allowance for Credit Losses.** The ACL represents management's estimate of current credit losses expected to be incurred by the loan and lease portfolio over the life of each financial asset as of the balance sheet date. The Company individually evaluates loans and leases that do not share similar risk characteristics with other financial assets, which generally means loans and leases identified as modifications or loans and leases on nonaccrual status. All other loans and leases are evaluated collectively for credit loss. A reserve for unfunded credit commitments such as letters of credit and binding unfunded loan commitments is recorded in other liabilities on the Condensed Consolidated Statements of Financial Condition.

Individually evaluated loans and leases are a key component of the ACL. Generally, the Company measures credit loss on individually evaluated loans based on the fair value of the collateral less estimated selling costs, as the Company considers these financial assets to be collateral dependent. If an individually evaluated loan or lease is not collateral dependent, credit loss is measured at the present value of expected future cash flows discounted at the loan or lease initial effective interest rate.

The Company's ACL totaled **\$80.8 million** **\$79.8 million** at **March 31, 2024** **June 30, 2024**, an increase compared to \$49.7 million at September 30, 2023. The increase in the ACL at **March 31, 2024** **June 30, 2024**, when compared to September 30, 2023, was primarily due to a **\$31.5 million** **\$28.7 million** increase in the allowance related to the seasonal tax services portfolio.

The following table presents the Company's ACL as a percentage of its total loans and leases.

		As of the Period Ended										
		March 31, 2024		December 31, 2023		September 30, 2023		June 30, 2023		March 31, 2023		
		June 30, 2024		December 31, March 31, 2024		September 30, 2023		June 30, 2023				
Commercial finance	Commercial finance	1.21 %	1.30 %	1.26 %	1.35 %	1.53 %	Commercial finance	1.17 %	1.21 %	1.30 %	1.26 %	1.35 %
Consumer finance	Consumer finance	1.71 %	1.45 %	0.92 %	0.92 %	1.99 %	Consumer finance	2.23 %	1.71 %	1.45 %	0.92 %	0.92 %
Tax services	Tax services	37.31 %	1.52 %	0.04 %	70.20 %	53.77 %	Tax services	66.35 %	37.31 %	1.52 %	0.04 %	70.20 %
Warehouse finance	Warehouse finance	0.10 %	0.10 %	0.10 %	0.10 %	0.10 %	Warehouse finance	0.10 %	0.10 %	0.10 %	0.10 %	0.10 %
Total loans and leases	Total loans and leases	1.83 %	1.22 %	1.14 %	2.01 %	2.27 %	Total loans and leases	1.73 %	1.83 %	1.22 %	1.14 %	2.01 %
Total loans and leases excluding tax services	Total loans and leases excluding tax services	1.14 %	1.21 %	1.14 %	1.21 %	1.40 %	Total loans and leases excluding tax services	1.12 %	1.14 %	1.21 %	1.14 %	1.21 %

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

LIQUIDITY AND CAPITAL RESOURCES

	2022	2023	2024	2025
Common equity Tier 1 capital ratio	8.11 %	8.32 %	4.00 %	5.00 %
Tier 1 capital ratio	8.11 %	8.32 %	4.00 %	5.00 %
Total capital ratio	12.15 %	12.48 %	6.00 %	7.00 %
At September 30, 2023				
Tier 1 leverage capital ratio	8.11 %	8.32 %	4.00 %	5.00 %
Tier 1 leverage capital ratio	8.11 %	8.32 %	4.00 %	5.00 %
Tier 1 leverage capital ratio	8.11 %	8.32 %	4.00 %	5.00 %
Common equity Tier 1 capital ratio	8.11 %	8.32 %	4.00 %	5.00 %
Tier 1 capital ratio	8.11 %	8.32 %	4.00 %	5.00 %
Total capital ratio	12.15 %	12.48 %	6.00 %	7.00 %

	Standardized Approach <sup>(1)</sup>				
(Dollars in thousands)	(Dollars in thousands)	March 31, 2024	September 30, 2023	(Dollars in thousands)	September 30, 2023
Total stockholders' equity					
Adjustments:					
LESS: Goodwill, net of associated deferred tax liabilities					
LESS: Goodwill, net of associated deferred tax liabilities					
LESS: Goodwill, net of associated deferred tax liabilities					
LESS: Certain other intangible assets					
LESS: Net deferred tax assets from operating loss and tax credit carry-forwards					
LESS: Net unrealized (losses) on available for sale securities					
LESS: Noncontrolling interest					
ADD: Adoption of Accounting Standards Update 2016-13					
Common Equity Tier 1 <sup>(1)</sup>					
Long-term borrowings and other instruments qualifying as Tier 1					
Tier 1 minority interest not included in common equity Tier 1 capital					
Total Tier 1 capital					
Allowance for credit losses					
Subordinated debentures, net of issuance costs					
Total capital					

The Company and the Bank have been required to maintain a capital conservation buffer above the minimum risk-based capital requirements in order to avoid certain limitations on capital distributions, stock repurchases and discretionary bonus payments to executive officers. The capital conservation buffer is exclusively composed of Common Equity Tier 1 capital, and it applies to each of the three risk-based capital ratios but not the leverage ratio. The required Common Equity Tier 1 risk-based, Tier 1 risk-based and total risk-based capital ratios with the buffer are currently 7.0%, 8.5% and 10.5%, respectively.

Based on current and expected continued profitability and subject to continued access to capital markets, we believe that the Company and the Bank will continue to meet the capital conservation buffer of 2.5% in addition to required minimum capital ratios.

## CONTRACTUAL OBLIGATIONS

See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations-Contractual Obligations" in the Company's Annual Report on Form 10-K for its fiscal year ended September 30, 2023 for a summary of our contractual obligations as of September 30, 2023. There were no material changes outside the ordinary course of our business in contractual obligations from September 30, 2023 through **March 31, 2024** **June 30, 2024**.

### Item 3. Quantitative and Qualitative Disclosures About Market Risk.

The Company derives a portion of its income from the excess of interest collected over interest paid. The rates of interest the Company earns on assets and pays on liabilities generally are established contractually for a period of time. Market interest rates change over time. Accordingly, the Company's results of operations, like those of most financial institutions, are impacted by changes in interest rates and the interest rate sensitivity of its assets and liabilities.

The Company monitors and measures its exposure to changes in interest rates in order to comply with applicable government regulations and risk policies established by the Board of Directors, and in order to preserve stockholder value. In monitoring interest rate risk, the Company analyzes assets and liabilities based on characteristics including size, coupon rate, repricing frequency, maturity date, likelihood of prepayment, and deposit behaviors.

The Company's primary objective for its investment portfolio is to provide a source of liquidity for the Company. In addition, the investment portfolio may be used in the management of the Company's interest rate risk profile. The investment policy generally calls for funds to be invested among various categories of security types and maturities based upon the Company's need for liquidity, desire to achieve a proper balance between minimizing risk while maximizing yield, the need to provide collateral for borrowings, and the need to fulfill the Company's asset/liability management goals.

The Company believes that its portfolio of longer duration deposits generated from its BaaS business line provides a stable and profitable funding vehicle, but also subjects the Company to greater risk in a falling interest rate environment than it would otherwise have without this portfolio. This risk is due to the fact that, while asset yields may decrease in a falling interest rate environment, the Company generally does not have an offsetting reduction as it does not pay interest on these deposits. However, a portion of the Company's deposit balances are subject to variable card processing expenses, derived from contractual agreements with certain BaaS partners tied to a rate index, typically the EFFR. These costs reprice immediately upon a change in the applicable rate index and would likely lower card processing expenses.

The Bank, acting as custodian of cardholder funds, places a portion of such cardholder funds at one or more third-party banks insured by the FDIC (each, a "Program Bank"). These custodial deposits earn recordkeeping service fee income, typically reflective of the EFFR.

The Board of Directors and relevant government regulations establish limits on the level of acceptable interest rate risk at the Company, to which management adheres. There can be no assurance, however, that, in the event of an adverse change in interest rates, the Company's efforts to limit interest rate risk will be successful.

### Interest Rate Risk ("IRR")

*Overview.* The Company actively manages interest rate risk, as changes in market interest rates can have a significant impact on reported earnings. The Company's IRR analysis is designed to compare income and economic valuation simulations in market scenarios designed to alter the direction, magnitude and speed of interest rate changes, as well as the slope of the yield curve. This analysis may not represent all impacts driven by changes in the interest rate environment, such as certain other card fee income and expense line items tied to card processing expense derived from contractual agreements with certain BaaS partners and servicing fees the Company recognizes from **custodial** off-balance sheet **custodial** deposits. The Company does not currently engage in trading activities to control interest rate risk although it may do so in the future, if deemed necessary, to help manage interest rate risk.

*Earnings at risk and economic value analysis.* As a continuing part of its financial strategy, the Bank considers methods of managing an asset/liability mismatch consistent with maintaining acceptable levels of net interest income. In order to monitor IRR, the Company has created an Asset/Liability Committee whose principal responsibilities are to assess the Bank's asset/liability mix and implement strategies that will enhance income while managing the Bank's vulnerability to changes in interest rates.

The Company uses two approaches to model interest rate risk: Earnings at Risk ("EAR analysis") and Economic Value of Equity ("EVE analysis"). Under EAR analysis, net interest income is calculated for each interest rate scenario and compared to the net interest income forecast in the base case. EAR analysis measures the sensitivity of interest-sensitive earnings over a one-year minimum time horizon. The results are affected by projected rates, prepayments, caps and floors. Management exercises its best judgment in making assumptions regarding events that management can influence, such as non-contractual deposit re-pricing, as well as events outside of management's control, such as customer behavior on loan and deposit activity and the effect that competition has on both lending and deposit pricing. These assumptions are subjective and, as a result, net interest income simulation results will differ from actual results due to the timing, magnitude, and frequency of interest rate changes, changes in market conditions, customer behavior and management strategies, among other factors. The Company performs various sensitivity analyses on assumptions of deposit attrition, loan prepayments, and asset re-pricing, as well as market-implied forward rates and various likely and extreme interest rate scenarios, including rapid and gradual interest rate ramps, rate shocks and yield curve twists.

The EAR analysis used in the following table reflects the required analysis used no less than quarterly by management. It models immediate basis point parallel shifts in market interest rates over the next one-year period. The following table shows the results of the scenarios as of **March 31, 2024** **June 30, 2024**:

Net Sensitive Earnings at Risk



	Change in Interest Income/Expense for a given change in interest rates										Change in Interest Income/Expense for a given change in interest rates									
	Over/(Under) Base Case Parallel Shift																			
(Dollars in Thousands)	(Dollars in Thousands)	Book Value	-200	-100	Base	+100	+200	+300	+400	(Dollars in Thousands)	Book Value	-200	-100	Base	+100	+200	+300	+400		
Total interest-sensitive income																				
Total interest-sensitive expense																				
Net interest-sensitive income																				
Percentage change from base																				
Percentage change from base																				
Percentage change from base																				
Percentage change from base																				

The EAR analysis reported at **March 31, 2024** **June 30, 2024**, shows that total interest-sensitive income will change more rapidly than total interest-sensitive expense over the next year. IRR is a snapshot in time. The Company's business and deposits are predictably cyclical on a weekly, monthly and yearly basis. The Company's static IRR results could vary depending on which day of the week the month ends, primarily related to payroll processing and timing of when certain programs are prefunded and when the funds are received. Under EVE analysis, the economic value of financial assets, liabilities and off-balance sheet instruments is derived under each rate scenario. The economic value of equity is calculated as the difference between the estimated market value of assets and liabilities, net of the impact of off-balance sheet instruments.

The EVE analysis used in the following table reflects the required analysis used no less than quarterly by management. It models immediate basis point parallel shifts in market interest rates. The following table shows the results of the scenarios as **March 31, 2024** **June 30, 2024**:

#### Economic Value Sensitivity

		Standard (Parallel Shift)													
		Standard (Parallel Shift)													
		Standard (Parallel Shift)													
		Economic Value of Equity at Risk %							Economic Value of Equity at Risk %						
		-200	-100	+100	+200	+300	+400		-200	-100	+100	+200	+300	+400	
Percentage change from base	Percentage change from base	-7.6 %	-3.1 %	2.2 %	3.7 %	4.9 %	6.7 %	Percentage change from base	-8.2 %	-3.5 %	2.5 %	4.4 %	6.0 %	8.0 %	

The EVE at risk reported at **March 31, 2024** **June 30, 2024** shows that the economic value of equity position is expected to benefit from rising interest rates due to the large amount of noninterest-bearing funding.

#### Item 4. Controls and Procedures.

##### EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Management, under the direction of its Chief Executive Officer and Chief Financial Officer, is responsible for maintaining disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "1934 Act")) that are designed to ensure that information required to be disclosed in reports filed or submitted under the 1934 Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures.

In connection with the preparation of this Quarterly Report on Form 10-Q, management evaluated the Company's disclosure controls and procedures. The evaluation was performed under the direction of the Company's Chief Executive Officer and Chief Financial Officer to determine the effectiveness, as of **March 31, 2024** **June 30, 2024**, of the design and operation of the Company's disclosure controls and procedures. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of **March 31, 2024** **June 30, 2024**, the Company's disclosure controls and procedures were designed effectively to ensure timely alerting of material information relating to the Company required to be included in the Company's periodic SEC filings.

##### INHERENT LIMITATIONS ON THE EFFECTIVENESS OF CONTROLS

Any control system, no matter how well designed and operated, can provide only reasonable (not absolute) assurance that its objectives will be met. Furthermore, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in a cost-effective control system, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected.

##### CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING



Management conducted an evaluation of the Company's internal control over financial reporting to determine whether any changes occurred during the three months ended **March 31, 2024** **June 30, 2024** that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting. Based on this evaluation, management concluded that, as of the end of the period covered by this report, there were no changes in the Company's internal controls over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the 1934 Act) during the fiscal **second third** quarter to which this report relates that could have materially affected the Company's internal controls over financial reporting.

PATHWARD FINANCIAL, INC.  
PART II - OTHER INFORMATION

FORM 10-Q

Item 1. Legal Proceedings.

There are no material pending legal proceedings to which we are a party or to which any of our properties are subject. There are no material proceedings known to us to be contemplated by any governmental authority. We are involved in a variety of litigation matters in the ordinary course of our business and anticipate that we will become involved in new litigation matters in the future.

Item 1A. Risk Factors.

A description of our risk factors can be found in "Item 1A. Risk Factors" included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2023. There were no material changes to those risk factors during the **six nine** months ended **March 31, 2024** **June 30, 2024**.

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

(a) None.

(b) None.

(c) Issuer Purchases of Equity Securities.

On September 3, 2021, the Company's Board of Directors authorized a 6,000,000 share repurchase program that was publicly announced on September 7, 2021 and is scheduled to expire on September 30, 2024. The Company's Board of Directors authorized an additional 7,000,000 share repurchase program that was publicly announced on August 25, 2023 and is scheduled to expire September 30, 2028. The table below sets forth information regarding repurchases of our common stock during the fiscal 2024 **second third** quarter.

Period	Total Number of Shares Repurchased <sup>(1)</sup>	Average Price Paid per Share <sup>(2)</sup>	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
January 1 to 31	497,455	\$ 51.43	488,600	7,945,248
February 1 to 29	199,412	50.55	197,670	7,747,578
March 1 to 31	86,129	51.19	77,915	7,669,663
Total	782,996		764,185	

Period	Total Number of Shares Repurchased <sup>(1)</sup>	Average Price Paid per Share <sup>(2)</sup>	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
April 1 to 30	100,990	\$ 49.47	100,990	7,568,673
May 1 to 31	92,652	53.93	92,652	7,476,021
June 1 to 30	93,278	53.56	93,278	7,382,743
Total	286,920		286,920	

<sup>(1)</sup> All shares not purchased as part of the Company's publicly announced repurchase program were acquired in satisfaction of the tax withholding obligations of holders of restricted stock unit awards, which vested during the quarter.

<sup>(2)</sup> The average price paid per share is calculated on a trade date basis for all open market transactions and excludes commissions and other transaction expenses.

Item 5. Other Information

Adoption or Termination of Trading Arrangements by Directors and Executive Officers

During the fiscal quarter ended **March 31, 2024** **June 30, 2024**, none of our directors or officers (as defined in Rule 16a-1(f) of the 1934 Act) informed us of the adoption or termination of any "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as those terms are defined in Item 408 of Regulation S-K.

Item 6. Exhibits.

Exhibit Number	Description
<del>10.1</del>	Pathward Financial, Inc. 2023 Omnibus Incentive Plan, filed on February 28, 2024 as an exhibit to the Registrant's Current Report on Form 8-K, is incorporated herein by reference.
<a href="#">31.1</a>	Section 302 certification of Chief Executive Officer.
<a href="#">31.2</a>	Section 302 certification of Chief Financial Officer.
<a href="#">32.1</a>	Section 906 certification of Chief Executive Officer.
<a href="#">32.2</a>	Section 906 certification of Chief Financial Officer.
101	The following financial information from the Company's Quarterly Report on Form 10-Q for the quarter ended <b>March 31, 2024</b> <b>June 30, 2024</b> formatted in Inline Extensible Business Reporting Language (iXBRL) includes: (i) Cover Page, (ii) Condensed Consolidated Statements of Financial Condition, (iii) Condensed Consolidated Statements of Operations, (iv) Condensed Consolidated Statements of Comprehensive Income, (v) Condensed Consolidated Statements of Changes in Stockholders' Equity, (vi) Condensed Consolidated Statements of Cash Flows, and (vii) Notes to Condensed Consolidated Financial Statements, tagged in summary and in detail.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

~~\*Management contract or compensatory plan or agreement.~~

PATHWARD FINANCIAL, INC.

SIGNATURES

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

PATHWARD FINANCIAL, INC.

Date: **May 7, August 6, 2024**

By: /s/ Brett L. Pharr  
Brett L. Pharr,  
Chief Executive Officer and Director

Date: **May 7, August 6, 2024**

By: /s/ Gregory A. Sigrist  
Gregory A. Sigrist,  
Executive Vice President and Chief Financial Officer

Exhibit 31.1

CERTIFICATION PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Brett L. Pharr, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Pathward Financial, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report), that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, August 6, 2024

/s/ Brett L. Pharr

Chief Executive Officer and Director

Exhibit 31.2

CERTIFICATION PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Gregory A. Sigrist, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Pathward Financial, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report), that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, August 6, 2024

/s/ Gregory A. Sigrist

Executive Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Pathward Financial, Inc. (the "Company") for the quarterly period ended March 31, 2024 June 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brett L. Pharr, the Chief Executive Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

By: /s/ Brett L. Pharr

Name: Brett L. Pharr

Chief Executive Officer and Director

May 7, August 6, 2024

Exhibit 32.2

CERTIFICATION PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Pathward Financial, Inc. (the "Company") for the quarterly period ended March 31, 2024 June 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gregory A. Sigrist, Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

By: /s/ Gregory A. Sigrist

Name: Gregory A. Sigrist

Executive Vice President and Chief Financial Officer

May 7, August 6, 2024

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