

REFINITIV

DELTA REPORT

10-Q

TFSL - TFS FINANCIAL CORP

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - DECEMBER 31, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	1101
CHANGES	538
DELETIONS	234
ADDITIONS	329

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 **December 31, 2023** **March 31, 2024**
or

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

For transition period from to
Commission File Number 001-33390

TFS FINANCIAL CORPORATION

(Exact Name of Registrant as Specified in its Charter)

United States of America
(State or Other Jurisdiction of
Incorporation or Organization)
7007 Broadway Avenue
Cleveland, Ohio
(Address of Principal Executive Offices)

52-2054948
(I.R.S. Employer
Identification No.)
44105
(Zip Code)

(216) 441-6000
Registrant's telephone number, including area code:
Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange in which registered
Common Stock, par value \$0.01 per share	TFSL	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 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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller Reporting Company	<input type="checkbox"/>
Emerging Growth Company	<input type="checkbox"/>		

If an emerging 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 ☒

As of **February 5, 2024** **May 7, 2024**, there were 280,710,854 shares of the Registrant's common stock, par value \$0.01 per share, outstanding, of which 227,119,132 shares, or 80.9% of the Registrant's common stock, were held by Third Federal Savings and Loan Association of Cleveland, MHC, the Registrant's mutual holding company.

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GLOSSARY OF TERMS

TFS Financial Corporation provides the following list of acronyms and defined terms as a tool for the reader. The acronyms and defined terms identified below are used throughout the document.

ACL: Allowance for Credit Losses	FICO: Fair Isaac Corporation
ACT: Tax Cuts and Jobs Act	FRB-Cleveland: Federal Reserve Bank of Cleveland
AOCl: Accumulated Other Comprehensive Income	Freddie Mac: Federal Home Loan Mortgage Corporation
ARM: Adjustable Rate Mortgage	FRS: Board of Governors of the Federal Reserve System
ASC: Accounting Standards Codification	GAAP: Generally Accepted Accounting Principles
ASU: Accounting Standards Update	Ginnie Mae: Government National Mortgage Association
Association: Third Federal Savings and Loan Association of Cleveland	GVA: General Valuation Allowances
BOLI: Bank Owned Life Insurance	HPI: Home Price Index
BTFP: Bank Term Funding Program	IRR: Interest Rate Risk
CDs: Certificates of Deposit	IRS: Internal Revenue Service
CECL: Current Expected Credit Losses	IVA: Individual Valuation Allowance
CET1: Common Equity Tier 1	LIBOR: London Interbank Offer Rate
CFPB: Consumer Financial Protection Bureau	LIHTC: Low Income Housing Tax Credit
CLTV: Combined Loan-to-Value	LIP: Loans-in-Process
Company: TFS Financial Corporation and its subsidiaries	LTV: Loan-to-Value
DFA: Dodd-Frank Wall Street Reform and Consumer Protection Act	MMK: Money Market Account
DIF: Deposit Insurance Fund	OCC: Office of the Comptroller of the Currency
EaR: Earnings at Risk	OCI: Other Comprehensive Income
EPS: Earnings per Share	OTS: Office of Thrift Supervision
ESOP: Third Federal Employee (Associate) Stock Ownership Plan	PCAOB: Public Company Accounting Oversight Board
EVE: Economic Value of Equity	PMI: Private Mortgage Insurance
Fannie Mae: Federal National Mortgage Association	PMIC: PMI Mortgage Insurance Co.
FASB: Financial Accounting Standards Board	QTL: Qualified Thrift Lender
FDIC: Federal Deposit Insurance Corporation	REMICs: Real Estate Mortgage Investment Conduits
FHFA: Federal Housing Finance Agency	REO: Real Estate Owned
FHLB: Federal Home Loan Bank	SEC: United States Securities and Exchange Commission
	SOFR: Secured Overnight Financing Rate
	TDR: Troubled Debt Restructuring
	Third Federal Savings, MHC: Third Federal Savings and Loan Association of Cleveland, MHC

Item 1. Financial Statements

TFS FINANCIAL CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CONDITION (unaudited) (In thousands, except share data)

	December 31, 2023	September 30, 2023
	March 31, 2024	September 30, 2023
ASSETS		
Cash and due from banks		
Cash and due from banks		
Cash and due from banks		
Other interest-earning cash equivalents		
Cash and cash equivalents		
Investment securities available for sale (amortized cost \$563,451 and \$561,715, respectively)		
Investment securities available for sale (amortized cost \$561,806 and \$561,715, respectively)		
Mortgage loans held for sale (\$0 and \$3,260 measured at fair value, respectively)		

Mortgage loans held for sale (\$9,698 and \$3,260 measured at fair value, respectively)		
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Mortgage loans held for sale (\$0 and \$3,260 measured at fair value, respectively)		
Mortgage loans held for sale (\$9,698 and \$3,260 measured at fair value, respectively)		
Loans held for investment, net:		
Mortgage loans		
Mortgage loans		
Mortgage loans		
Other loans		
Deferred loan expenses, net		
Allowance for credit losses on loans		
Loans, net		
Mortgage loan servicing rights, net		
Federal Home Loan Bank stock, at cost		
Real estate owned, net		
Premises, equipment, and software, net		
Accrued interest receivable		
Bank owned life insurance contracts		
Other assets		
TOTAL ASSETS		
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits		
Deposits		
Deposits		
Borrowed funds		
Borrowers' advances for insurance and taxes		
Principal, interest, and related escrow owed on loans serviced		
Accrued expenses and other liabilities		
Total liabilities		
Commitments and contingent liabilities	Commitments and contingent liabilities	Commitments and contingent liabilities
Preferred stock, \$0.01 par value, 100,000,000 shares authorized, none issued and outstanding		
Common stock, \$0.01 par value, 700,000,000 shares authorized; 332,318,750 shares issued; 280,710,854 and 280,359,173 outstanding at December 31, 2023 and September 30, 2023, respectively		
Common stock, \$0.01 par value, 700,000,000 shares authorized; 332,318,750 shares issued; 280,710,854 and 280,359,173 outstanding at March 31, 2024 and September 30, 2023, respectively		
Paid-in capital		
Treasury stock, at cost; 51,607,896 and 51,959,577 shares at December 31, 2023 and September 30, 2023, respectively		
Treasury stock, at cost; 51,607,896 and 51,959,577 shares at March 31, 2024 and September 30, 2023, respectively		
Unallocated ESOP shares		
Retained earnings—substantially restricted		
Accumulated other comprehensive income		
Total shareholders' equity		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		

See accompanying notes to unaudited interim consolidated financial statements.

TFS FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (unaudited)
(In thousands, except share and per share data)

For the Three Months Ended

For the Six Months Ended

	For the Three Months Ended		December 31,		March 31,	
	2023		2022	2024	2023	2024
INTEREST AND DIVIDEND INCOME:						
Loans, including fees						
Loans, including fees						
Loans, including fees						
Investment securities available for sale						
Other interest and dividend earning assets						
Other interest and dividend earning assets						
Other interest and dividend earning assets						
Total interest and dividend income						
INTEREST EXPENSE:						
Deposits						
Deposits						
Deposits						
Borrowed funds						
Total interest expense						
NET INTEREST INCOME						
PROVISION (RELEASE) FOR CREDIT LOSSES						
NET INTEREST INCOME AFTER PROVISION (RELEASE) FOR CREDIT LOSSES						
NON-INTEREST INCOME:						
Fees and service charges, net of amortization						
Fees and service charges, net of amortization						
Fees and service charges, net of amortization						
Net gain on the sale of loans						
Increase in and death benefits from bank owned life insurance contracts						
Other						
Other						
Other						
Total non-interest income						
NON-INTEREST EXPENSE:						
Salaries and employee benefits						
Salaries and employee benefits						
Salaries and employee benefits						
Marketing services						
Office property, equipment and software						
Federal insurance premium and assessments						
State franchise tax						
Other expenses						
Total non-interest expense						
INCOME BEFORE INCOME TAXES						
INCOME TAX EXPENSE						
NET INCOME						
Earnings per share—basic and diluted						
Weighted average shares outstanding						
Basic						
Basic						
Basic						
Diluted						

See accompanying notes to unaudited interim consolidated financial statements.

TFS FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (unaudited)
(In thousands)

	For the Three Months Ended	For the Three Months Ended	For the Six Months Ended
	For the Three Months Ended		
	For the Three Months Ended		
		December 31,	
		2023	2022
		March 31,	
	2024	2023	2024
	2024	2023	2023
Net income			
Other comprehensive income (loss), net of tax:			
Net change in unrealized gain (loss) on securities available for sale			
Net change in unrealized gain (loss) on securities available for sale			
Net change in unrealized gain (loss) on securities available for sale			
Net change in cash flow hedges			
Net change in defined benefit plan obligation			
Total other comprehensive income (loss)			
Total comprehensive income (loss)			

See accompanying notes to unaudited interim consolidated financial statements.

TFS FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (unaudited)
(In thousands, except share and per share data)

	For the Three Months Ended March 31, 2023						
	Common stock	Paid-in capital	Treasury stock	Unallocated common stock held by ESOP	Retained earnings	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balance at December 31, 2022	\$ 3,323	\$ 1,751,020	\$ (775,154)	\$ (30,334)	\$ 877,713	\$ 23,021	\$ 1,849,589
Net income	—	—	—	—	15,908	—	15,908
Other comprehensive income (loss), net of tax	—	—	—	—	—	(18,320)	(18,320)
ESOP shares allocated or committed to be released	—	435	—	1,084	—	—	1,519
Compensation costs for equity incentive plans	—	1,068	—	—	—	—	1,068
Purchase of treasury stock (46,869 shares)	—	—	(684)	—	—	—	(684)
Treasury stock allocated to equity incentive plan	—	(15)	(14)	—	—	—	(29)
Dividends declared to common shareholders (\$0.2825 per common share)	—	—	—	—	(14,575)	—	(14,575)
Balance at March 31, 2023	\$ 3,323	\$ 1,752,508	\$ (775,852)	\$ (29,250)	\$ 879,046	\$ 4,701	\$ 1,834,476
	For the Three Months Ended March 31, 2024						
	Common stock	Paid-in capital	Treasury stock	Unallocated common stock held by ESOP	Retained earnings	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balance at December 31, 2023	\$ 3,323	\$ 1,750,440	\$ (772,195)	\$ (26,000)	\$ 900,973	\$ 10,186	\$ 1,866,727
Net income	—	—	—	—	20,713	—	20,713
Other comprehensive income, net of tax	—	—	—	—	—	32,232	32,232
ESOP shares allocated or committed to be released	—	349	—	1,083	—	—	1,432

Compensation costs for equity incentive plans	—	1,171	—	—	—	—	1,171
Dividends declared to common shareholders (\$0.2825 per common share)	—	—	—	—	(14,778)	—	(14,778)
Balance at March 31, 2024	<u>\$ 3,323</u>	<u>\$ 1,751,960</u>	<u>\$ (772,195)</u>	<u>\$ (24,917)</u>	<u>\$ 906,908</u>	<u>\$ 42,418</u>	<u>\$ 1,907,497</u>

For the Three Months Ended December 31, 2022							
	Common stock	Paid-in capital	Treasury stock	Unallocated common stock held by ESOP	Retained earnings	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balance at September 30, 2022	\$ 3,323	\$ 1,751,223	\$ (771,986)	\$ (31,417)	\$ 870,047	\$ 23,149	\$ 1,844,339
Net income	—	—	—	—	22,193	—	22,193
Other comprehensive income (loss), net of tax	—	—	—	—	—	(128)	(128)
ESOP shares allocated or committed to be released	—	397	—	1,083	—	—	1,480
Compensation costs for equity incentive plans	—	1,151	—	—	—	—	1,151
Purchase of treasury stock (315,000 shares)	—	—	(4,316)	—	—	—	(4,316)
Treasury stock allocated to equity incentive plan	—	(1,751)	1,148	—	—	—	(603)
Dividends declared to common shareholders (\$0.2825 per common share)	—	—	—	—	(14,527)	—	(14,527)
Balance at December 31, 2022	<u>\$ 3,323</u>	<u>\$ 1,751,020</u>	<u>\$ (775,154)</u>	<u>\$ (30,334)</u>	<u>\$ 877,713</u>	<u>\$ 23,021</u>	<u>\$ 1,849,589</u>

For the Three Months Ended December 31, 2023							
	Common stock	Paid-in capital	Treasury stock	Unallocated common stock held by ESOP	Retained earnings	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balance at September 30, 2023	\$ 3,323	\$ 1,755,027	\$ (776,101)	\$ (27,084)	\$ 886,984	\$ 85,212	\$ 1,927,361
Cumulative effect from changes in accounting principle, net of tax ¹	—	—	—	—	7,898	—	7,898
Net income	—	—	—	—	20,707	—	20,707
Other comprehensive income (loss), net of tax	—	—	—	—	—	(75,026)	(75,026)
ESOP shares allocated or committed to be released	—	322	—	1,084	—	—	1,406
Compensation costs for equity incentive plans	—	915	—	—	—	—	915
Treasury stock allocated to equity incentive plan	—	(5,824)	3,906	—	—	—	(1,918)
Dividends declared to common shareholders (\$0.2825 per common share)	—	—	—	—	(14,616)	—	(14,616)
Balance at December 31, 2023	<u>\$ 3,323</u>	<u>\$ 1,750,440</u>	<u>\$ (772,195)</u>	<u>\$ (26,000)</u>	<u>\$ 900,973</u>	<u>\$ 10,186</u>	<u>\$ 1,866,727</u>

¹Related to ASU 2022-02 adopted October 1, 2023.

For the Six Months Ended March 31, 2023							
	Common stock	Paid-in capital	Treasury stock	Unallocated common stock held by ESOP	Retained earnings	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balance at September 30, 2022	\$ 3,323	\$ 1,751,223	\$ (771,986)	\$ (31,417)	\$ 870,047	\$ 23,149	\$ 1,844,339
Net income	—	—	—	—	38,101	—	38,101
Other comprehensive income (loss), net of tax	—	—	—	—	—	(18,448)	(18,448)
ESOP shares allocated or committed to be released	—	832	—	2,167	—	—	2,999
Compensation costs for equity incentive plans	—	2,219	—	—	—	—	2,219
Purchase of treasury stock (361,869 shares)	—	—	(5,000)	—	—	—	(5,000)
Treasury stock allocated to equity incentive plan	—	(1,766)	1,134	—	—	—	(632)
Dividends declared to common shareholders (\$0.5650 per common share)	—	—	—	—	(29,102)	—	(29,102)
Balance at March 31, 2023	<u>\$ 3,323</u>	<u>\$ 1,752,508</u>	<u>\$ (775,852)</u>	<u>\$ (29,250)</u>	<u>\$ 879,046</u>	<u>\$ 4,701</u>	<u>\$ 1,834,476</u>

For the Six Months Ended March 31, 2024							
	Common stock	Paid-in capital	Treasury stock	Unallocated common stock held by ESOP	Retained earnings	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balance at September 30, 2023	\$ 3,323	\$ 1,755,027	\$ (776,101)	\$ (27,084)	\$ 886,984	\$ 85,212	\$ 1,927,361
Cumulative effect from changes in accounting principle, net of tax ¹	—	—	—	—	7,898	—	7,898
Net income	—	—	—	—	41,420	—	41,420
Other comprehensive income (loss), net of tax	—	—	—	—	—	(42,794)	(42,794)
ESOP shares allocated or committed to be released	—	671	—	2,167	—	—	2,838
Compensation costs for equity incentive plans	—	2,086	—	—	—	—	2,086
Treasury stock allocated to equity incentive plan	—	(5,824)	3,906	—	—	—	(1,918)
Dividends declared to common shareholders (\$0.5650 per common share)	—	—	—	—	(29,394)	—	(29,394)
Balance at March 31, 2024	<u>\$ 3,323</u>	<u>\$ 1,751,960</u>	<u>\$ (772,195)</u>	<u>\$ (24,917)</u>	<u>\$ 906,908</u>	<u>\$ 42,418</u>	<u>\$ 1,907,497</u>

¹Related to ASU 2022-02 adopted October 1, 2023.

See accompanying notes to unaudited interim consolidated financial statements.

TFS FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited) (In thousands)

	For the Three Months Ended December 31,		For the Six Months Ended March 31,	
	2023	2022	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income				
Net income				
Net income				
Adjustments to reconcile net income to net cash provided by operating activities:				
ESOP and stock-based compensation expense				
ESOP and stock-based compensation expense				
ESOP and stock-based compensation expense				
Depreciation and amortization				
Deferred income taxes				
Provision (release) for credit losses				
Net gain on the sale of loans				
Other net (gains) losses				
Proceeds from sales of loans held for sale				
Loans originated and principal repayments on loans for sale				
Increase in bank owned life insurance contracts				
Net decrease (increase) in interest receivable and other assets				
Net increase in accrued expenses and other liabilities				
Net cash provided by operating activities				
Net cash provided by operating activities				
Net cash provided by operating activities				
CASH FLOWS FROM INVESTING ACTIVITIES:				
Loans originated				
Loans originated				
Loans originated				
Principal repayments on loans				
Proceeds from sales, principal repayments and maturities of:				
Securities available for sale				

Securities available for sale
Securities available for sale
Proceeds from sale of:
Proceeds from sale of:
Proceeds from sale of:
Loans
Loans
Loans
Real estate owned
FHLB stock
Purchases of:
Purchases of:
Purchases of:
FHLB stock
FHLB stock
FHLB stock
Securities available for sale
Premises and equipment
Other
Net cash used in investing activities
Net cash provided by (used in) investing activities
CASH FLOWS FROM FINANCING ACTIVITIES:
Net increase in deposits
Net increase in deposits
Net increase in deposits
Net decrease in borrowers' advances for insurance and taxes
Net decrease in principal and interest owed on loans serviced
Net increase in short-term borrowed funds
Net increase (decrease) in Fed Funds purchased
Proceeds from long-term borrowed funds
Repayment of long-term borrowed funds
Cash collateral/settlements received from (provided to) derivative counterparties
Acquisition of treasury shares
Dividends paid to common shareholders
Net cash provided by financing activities
NET INCREASE IN CASH AND CASH EQUIVALENTS
CASH AND CASH EQUIVALENTS—Beginning of period
CASH AND CASH EQUIVALENTS—End of period
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:
Cash paid for interest on deposits
Cash paid for interest on deposits
Cash paid for interest on deposits
Cash paid for interest on borrowed funds
Cash paid (received) for interest on interest rate swaps
Cash paid for income taxes
SUPPLEMENTAL SCHEDULES OF NONCASH INVESTING AND FINANCING ACTIVITIES:
Transfer of loans to real estate owned
Transfer of loans to real estate owned
Transfer of loans to real estate owned
Transfer of loans from held for investment to held for sale
Transfer of loans from held for sale to held for investment

Treasury stock issued for stock benefit plans

Treasury stock issued for stock benefit plans

Treasury stock issued for stock benefit plans

See accompanying notes to unaudited interim consolidated financial statements.

TFS FINANCIAL CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands unless otherwise indicated)

1. BASIS OF PRESENTATION

TFS Financial Corporation, a federally chartered stock holding company, conducts its principal activities through its wholly owned subsidiaries. The principal line of business of the Company is retail consumer banking, including mortgage lending, deposit gathering and, to a much lesser extent, other financial services. As of **December 31, 2023** **March 31, 2024**, approximately 80.9% of the Company's outstanding shares were owned by the federally chartered mutual holding company, Third Federal Savings and Loan Association of Cleveland, MHC. The thrift subsidiary of TFS Financial Corporation is Third Federal Savings and Loan Association of Cleveland.

The accounting and financial reporting policies followed by the Company conform in all material respects to U.S. GAAP and to general practices in the financial services industry. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates. The allowance for credit losses, the valuation of deferred tax assets, and the determination of pension obligations are particularly subject to change.

The unaudited interim consolidated financial statements reflect all adjustments of a normal recurring nature which, in the opinion of management, are necessary to present fairly the consolidated financial condition of the Company at **December 31, 2023** **March 31, 2024**, and its consolidated results of operations and cash flows for the periods presented. Such adjustments are the only adjustments reflected in the unaudited interim financial statements.

In accordance with SEC Regulation S-X for interim financial information, these financial statements do not include certain information and footnote disclosures required for complete audited financial statements. The Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2023, contains audited consolidated financial statements and related notes, which should be read in conjunction with the accompanying interim consolidated financial statements. The results of operations for the interim periods disclosed herein are not necessarily indicative of the results that may be expected for the fiscal year ending September 30, 2024, or for any other period.

Effective October 1, 2023, the Company adopted ASU 2022-02, *Financial Instruments - Credit Losses (Topic 326)*, eliminating the accounting guidance for TDR by creditors in Subtopic 310-40. Refer to Note 4. *LOANS AND ALLOWANCE FOR CREDIT LOSSES* and Note 14. *RECENT ACCOUNTING PRONOUNCEMENTS* for additional details related to the adoption.

Per ASC 606, *Revenue from Contracts with Customers*, an entity is required to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to receive in exchange for those goods or services. Three of the Company's revenue streams within scope of Topic 606 are the sales of REO, interchange income, and deposit account and other transaction-based service fee income. Those streams are not material to the Company's consolidated financial statements and therefore quantitative information regarding these streams is not disclosed.

2. EARNINGS PER SHARE

Basic earnings per share is the amount of earnings available to each share of common stock outstanding during the reporting period. Diluted earnings per share is the amount of earnings available to each share of common stock outstanding during the reporting period adjusted to include the effect of potentially dilutive common shares. For purposes of computing earnings per share amounts, outstanding shares include shares held by the public, shares held by the ESOP that have been allocated to participants or committed to be released for allocation to participants, and the 227,119,132 shares held by Third Federal Savings, MHC. For purposes of computing dilutive earnings per share, stock options and restricted and performance share units with a dilutive impact are added to the outstanding shares used in the basic earnings per share calculation. Unvested shares awarded pursuant to the Company's restricted stock plans are treated as participating securities in the computation of EPS pursuant to the two-class method as they contain nonforfeitable rights to dividends. The two-class method is an earnings allocation that determines EPS for each class of common stock and participating security. Performance share units, determined to be contingently issuable and not participating securities, are excluded from the calculation of basic EPS. At **December 31, 2023** **March 31, 2024** and **2022**, **2023**, the ESOP held **2,600,036** **2,491,701** and **3,033,376** **2,925,041** shares, respectively, that were neither allocated to participants nor committed to be released to participants.

The following is a summary of the Company's earnings per share calculations.

For the Three Months Ended March 31,					
2024			2023		
Income	Shares	Per share	Income	Shares	Per share
		amount			amount

(Dollars in thousands, except per share data)						
Net income	\$	20,713		\$	15,908	
Less: income allocated to restricted stock units		342			385	
Basic earnings per share:						
Income available to common shareholders		20,371	278,183,041	\$	0.07	15,523
Diluted earnings per share:						
Effect of dilutive potential common shares			863,796			1,137,852
Income available to common shareholders	\$	20,371	279,046,837	\$	0.07	15,523

For the Three Months Ended December 31,						For the Six Months Ended March 31,					
2023			2022			2024			2023		
Income	Shares	Per share amount	Income	Shares	Per share amount	Income	Shares	Per share amount	Income	Shares	Per share amount
(Dollars in thousands, except per share data)						(Dollars in thousands, except per share data)					

Net income
Less: income allocated to restricted stock units
Less: income allocated to restricted stock units
Less: income allocated to restricted stock units
Basic earnings per share:
Basic earnings per share:
Basic earnings per share:
Income available to common shareholders
Income available to common shareholders
Income available to common shareholders
Diluted earnings per share:
Effect of dilutive potential common shares
Effect of dilutive potential common shares
Effect of dilutive potential common shares
Income available to common shareholders
Income available to common shareholders
Income available to common shareholders

The following is a summary of outstanding stock options and restricted and performance share units that are excluded from the computation of diluted earnings per share because their inclusion would be anti-dilutive.

For the Three Months Ended December 31,			For the Three Months Ended March 31,			For the Six Months Ended March 31,		
2023			2022			2024		

Options to purchase shares
Restricted and performance stock units

3. INVESTMENT SECURITIES

Investments available for sale are summarized in the tables below.

	December 31, 2023			March 31, 2024		
	Amortized Cost	Gross Unrealized	Fair Value	Amortized Cost	Gross Unrealized	Fair Value
REMICs						
REMICs						
REMICs						
Fannie Mae certificates						
Freddie Mac certificates						
U.S. government and agency obligations						
Total						

September 30, 2023				
	Amortized Cost	Gross Unrealized		Fair Value
		Gains	Losses	
REMICs	\$ 495,874	\$ —	\$ (52,867)	\$ 443,007
Fannie Mae certificates	834	1	(21)	814
Freddie Mac certificates	1,141	—	(97)	1,044
U.S. government and agency obligations	63,866	—	(407)	63,459
Total	\$ 561,715	\$ 1	\$ (53,392)	\$ 508,324

At December 31, 2023 March 31, 2024 and September 30, 2023, investment securities included \$68,257 \$68,335 and \$59,813, respectively, of U.S. government obligations pledged as collateral on our open swap positions to meet margin requirements established by the

clearing organization. Accrued interest on investment securities is \$1,730 \$2,355 and \$1,907 at December 31, 2023 March 31, 2024 and September 30, 2023, respectively, and is reported in accrued interest receivable on the CONSOLIDATED STATEMENTS OF CONDITION.

The following is a summary of our securities portfolio by the period remaining until contractual maturity and yield at December 31, 2023 March 31, 2024. Maturities are based on the final contractual payment dates, and do not reflect the impact of prepayments or early redemptions that may occur. Weighted average yields are not presented on a tax-equivalent basis and are calculated by multiplying each carry value by its yield and dividing the sum of these results by the total carry values. We did not hold any tax-exempt securities. securities at March 31, 2024 or September 30, 2023.

December 31, 2023										September 30, 2023									
March 31, 2024										September 30, 2023									
	Amortized Cost		Amortized Cost	Fair Value	Weighted Average Yield			Amortized Cost		Fair Value	Weighted Average Yield			Amortized Cost		Fair Value			
Due in one year or less	Due in one year or less	\$ 68,082	\$ 68,303	5.26	5.26 %	\$ 59,948	\$ 59,936	5.13	5.13 %	Due in one year or less	\$ 68,556	\$ 68,569	5.25	5.25 %					
Due after one to five years																			
Due after five to ten years																			
Ten years or greater																			
Total	Total	\$563,451	\$525,175	3.20	3.20 %	\$561,715	\$508,324	3.03	3.03 %	Total	\$561,806	\$520,172	3.28	3.28 %					

Gross unrealized losses on available for sale securities and the estimated fair value of the related securities, aggregated by the length of time the securities have been in a continuous loss position, at December 31, 2023 March 31, 2024 and September 30, 2023, were as follows:

December 31, 2023					March 31, 2024				
Less Than 12 Months	Less Than 12 Months	12 Months or More	Total		Less Than 12 Months	12 Months or More	Total		

	Estimated Fair Value	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss
Available for sale—													
REMICs													
REMICs													
REMICs													
Fannie Mae certificates													
Freddie Mac certificates													
U.S. government and agency obligations													
Total													

	September 30, 2023					
	Less Than 12 Months		12 Months or More		Total	
	Estimated Fair		Estimated Fair		Estimated Fair	
	Value	Unrealized Loss	Value	Unrealized Loss	Value	Unrealized Loss
Available for sale—						
REMICs	\$ 80,452	\$ 1,749	\$ 362,555	\$ 51,118	\$ 443,007	\$ 52,867
Fannie Mae certificates	578	21	—	—	578	21
Freddie Mac certificates	1,045	97	—	—	1,045	97
U.S. government and agency obligations	59,813	11	3,646	396	63,459	407
Total	\$ 141,888	\$ 1,878	\$ 366,201	\$ 51,514	\$ 508,089	\$ 53,392

The unrealized losses on investment securities were attributable to an increase in market interest rates. The investment portfolio is comprised entirely of securities issued by U.S. government entities and agencies, which supports an expectation of no credit loss estimates since principal and interest payments due on these securities carry the full faith and credit guaranty of the U.S. government. In addition, the U.S. Treasury Department established financing agreements in 2008 to ensure Fannie Mae and Freddie Mac meet their obligations to holders of mortgage-backed securities that they have issued or guaranteed.

Since the decline in value is primarily attributable to an increase in market interest rates and not credit quality deterioration and because the Company has neither the intent to sell the securities nor is it more likely than not the Company

will be required to sell the securities prior to recovery of the amortized cost, the Company did not record an allowance for credit losses as of **December 31, 2023** **March 31, 2024** or **September 30, 2023**.

4. LOANS AND ALLOWANCE FOR CREDIT LOSSES

LOAN PORTFOLIOS

Loans held for investment consist of the following:

	December 31, 2023	September 30, 2023
	March 31, 2024	September 30, 2023
Real estate loans:		
Residential Core		
Residential Core		
Residential Core		
Residential Home Today		
Home equity loans and lines of credit		
Construction		

Real estate loans

Other loans

Add (deduct):

Deferred loan expenses, net

Deferred loan expenses, net

Deferred loan expenses, net

Loans in process

Allowance for credit losses on loans

Loans held for investment, net

Loans held for investment are carried at amortized cost, which includes outstanding principal balance adjusted for any unamortized premiums or discounts, net of deferred fees and expenses and any applicable loans-in-process. Accrued interest is \$53,878 \$54,514 and \$51,989 as of December 31, 2023 March 31, 2024 and September 30, 2023, respectively, and is reported in accrued interest receivable on the CONSOLIDATED STATEMENTS OF CONDITION.

A large concentration of the Company's lending is in Ohio and Florida. As of December 31, 2023 March 31, 2024 and September 30, 2023, the percentage of aggregate Residential Core, Home Today and Construction loans secured by properties in Ohio was 58% and 57%, respectively, and the percentage of loans secured by properties in Florida was 18% as of both dates. As of December 31, 2023 March 31, 2024 and September 30, 2023, home equity loans and lines of credit were concentrated in Ohio (25% and 26%, respectively), Florida (23% and 22%, respectively), and California (17% as of both dates).

Residential Core mortgage loans represent the largest portion of the residential real estate portfolio. The Company believes overall credit risk is low based on the nature, composition, collateral, products, lien position and performance of the portfolio. The portfolio does not include loan types or structures that have experienced severe performance problems at other financial institutions (sub-prime, no documentation or pay-option adjustable-rate mortgages). The portfolio contains "Smart Rate" adjustable-rate mortgage loans whereby the interest rate is locked initially for three or five years then resets annually, subject to periodic rate adjustments caps and various re-lock options available to the borrower. Although the borrower is qualified for its loan at a higher rate than the initial rate offered, the adjustable-rate feature may impact a borrower's ability to afford the higher payments upon rate reset during periods of rising interest rates while this repayment risk may be reduced in a declining or low rate environment. With limited historical loss experience compared to other types of loans in the portfolio, judgment is required by management in assessing the allowance required on adjustable-rate mortgage loans. The principal amount of adjustable-rate mortgage loans included in the Residential Core portfolio was \$4,706,373 \$4,621,146 and \$4,760,843 at December 31, 2023 March 31, 2024 and September 30, 2023, respectively.

Home Today was an affordable housing program targeted to benefit low- and moderate-income home buyers. Most loans under the program were originated prior to 2009. No new loans were originated under the Home Today program after 2016. Home Today loans have greater credit risk than traditional residential real estate mortgage loans.

Home equity loans and lines of credit, which are comprised primarily of home equity lines of credit, represent a significant portion of the residential real estate portfolio and include monthly principal and interest payments throughout the entire term. Once the draw period on lines of credit has expired, the accounts are included in the home equity loan balance. The full credit exposure on home equity lines of credit is secured by the value of the collateral real estate at the time of origination.

The Company originates construction loans to individuals for the construction of their personal single-family residence by a qualified builder (construction/permanent loans). The Company's construction/permanent loans generally provide for disbursements to the builder or sub-contractors during the construction phase as work progresses. During the construction phase, the borrower only pays interest on the drawn balance. Upon completion of construction, the loan converts to a permanent amortizing loan without the expense of a second closing. The Company offers construction/permanent loans with fixed or adjustable-rates, and a current maximum loan-to-completed-appraised value ratio of 85%.

Other loans are comprised of loans secured by certificate of deposit accounts, which are fully recoverable in the event of non-payment, and forgivable down payment assistance loans, which are unsecured loans used as down payment assistance to borrowers qualified through partner housing agencies. The Company records a liability for the down payment assistance loans which are forgiven in equal increments over a pre-determined term, subject to residency requirements.

Loans held for sale include loans originated with the intent to sell which are generally priced in alignment with secondary market pricing and may be subject to loan level pricing adjustments. Additionally, loans originated or purchased for the held for investment portfolio may later be identified for sale and transferred to the held for sale portfolio, which may include loans originated or purchased within the parameters of programs established by Fannie Mae. During the three and six months ended December 31, 2023 March 31, 2024 and December 31, 2022 March 31, 2023, reclassifications to the held for sale portfolio included loans that were sold during the period, including those in contracts pending settlement at the end of the period, and loans originated for the held for investment portfolio that were later identified for sale. At December 31, 2023 March 31, 2024 and September 30, 2023, mortgage loans held for sale totaled \$1,095 \$9,698 and \$3,260, respectively. During the three and six months ended December 31, 2023 March 31, 2024, the principal balance of loans sold was \$87,843 \$33,477 and \$121,320 (including loans in contracts pending settlement) compared to \$19,182 \$15,381 and \$34,563 (including contracts pending settlement) during the three and six months ended December 31, 2022 March 31, 2023. During the three and six months ended December 31, 2023 and December 31, 2022 March 31, 2024, there the amortized cost of loans originated as held for sale that were no transfers subsequently transferred to the held for investment portfolio, portfolio was \$0, compared to \$8,433 during the three and six months ended March 31, 2023.

DELINQUENCY and NON-ACCRUAL

An aging analysis of the amortized cost in loan receivables that are past due at **December 31, 2023**, **March 31, 2024** and September 30, 2023 is summarized in the following tables. When a loan is more than one month past due on its scheduled payments, the loan is considered 30 days or more past due, regardless of the number of days in each month.

	30-59 Days Past Due	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total
December 31, 2023													
March 31, 2024													
Real estate loans:													
Real estate loans:													
Real estate loans:													
Residential Core													
Residential Core													
Residential Core													
Residential Home Today													
Home equity loans and lines of credit													
Construction													
Total real estate loans													
Other loans													
Total													

	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total
September 30, 2023						
Real estate loans:						
Residential Core	\$ 3,680	\$ 1,763	\$ 8,268	\$ 13,711	\$ 12,089,228	\$ 12,102,939
Residential Home Today	666	323	855	1,844	44,186	46,030
Home equity loans and lines of credit	3,271	690	3,876	7,837	3,059,444	3,067,281
Construction	—	—	—	—	22,401	22,401
Total real estate loans	7,617	2,776	12,999	23,392	15,215,259	15,238,651
Other loans	—	—	—	—	4,411	4,411
Total	\$ 7,617	\$ 2,776	\$ 12,999	\$ 23,392	\$ 15,219,670	\$ 15,243,062

Loans are placed in non-accrual status when they are contractually 90 days or more past due. The number of days past due is determined by the number of scheduled payments that remain unpaid, assuming a period of 30 days between each scheduled payment. Loans with a partial charge-off are placed in non-accrual and will remain in non-accrual status until, at a minimum, the loss is recovered. Loans modified that were in non-accrual status prior to modification and loans with forbearance plans that were subsequently modified, are reported in non-accrual status for a minimum of six months after modification. Loans modified with a high debt-to-income ratio at the time of modification are placed in non-accrual status for a minimum of 12 months. Additionally, home equity loans and lines of credit where the customer has a severely delinquent first mortgage loan and loans in Chapter 7 bankruptcy status where all borrowers have filed, and not reaffirmed or been dismissed, are placed in non-accrual status.

The amortized cost of loan receivables in non-accrual status is summarized in the following table. Non-accrual with no ACL describes non-accrual loans which have no quantitative allowance, primarily because they have already been collaterally reviewed and any required charge-offs have been taken, but may be included in consideration of qualitative allowance factors. Balances are adjusted for deferred loan fees and expenses. There are no loans 90 or more days past due and still accruing at **December 31, 2023**, **March 31, 2024** or September 30, 2023.

December 31, 2023	September 30, 2023
March 31, 2024	September 30, 2023

	Non-accrual with No ACL	Non-accrual with No ACL	Total Non- accrual	Non-accrual with No ACL	Total Non- accrual	Non-accrual with No ACL	Total Non- accrual	Non-accrual with No ACL	Total Non- accrual
Real estate loans:									
Residential Core									
Residential Core									
Residential Core									
Residential Home Today									
Home equity loans and lines of credit									
Total non-accrual loans									
Total non-accrual loans									
Total non-accrual loans									

At December 31, 2023 March 31, 2024 and September 30, 2023, respectively, the amortized cost in non-accrual loans includes \$18,633 \$21,028 and \$18,915 which are performing according to the terms of their agreement, of which \$11,611 \$11,610 and \$11,508 are loans in Chapter 7 bankruptcy status, primarily where all borrowers have filed, and have not reaffirmed or been dismissed. At December 31, 2023 March 31, 2024 and September 30, 2023, real estate loans include \$10,041 \$10,483 and \$9,144, respectively, of loans that were in the process of foreclosure.

Interest on loans in accrual status is recognized in interest income as it accrues, on a daily basis. Accrued interest on loans in non-accrual status is reversed by a charge to interest income and income is subsequently recognized only to the extent cash payments are received. The Company has elected not to measure an allowance for credit losses on accrued interest receivable amounts since amounts are written off timely. Cash payments on loans in non-accrual status are applied to the oldest scheduled, unpaid payment first. The amount of interest income recognized on non-accrual loans was \$162 and \$324 for both the three and six months ended December 31, 2023 March 31, 2024, and December 31, 2022 \$196 and \$359 for the three and six months ended March 31, 2023. Cash payments on loans with a partial charge-off are applied fully to principal, then to recovery of the charged off amount prior to interest income being recognized, except cash payments may be applied to interest capitalized in a modification when collection of remaining amounts due is considered probable. A non-accrual loan is generally returned to accrual status when contractual payments are less than 90 days past due. However, a loan may remain in non-accrual status when collectability is uncertain, such as a modification that has not met minimum payment requirements, a loan with a partial charge-off, a home equity loan or line of credit with a delinquent first mortgage greater than 90 days past due, or a loan in Chapter 7 bankruptcy status where all borrowers have filed, and have not reaffirmed or been dismissed.

ALLOWANCE FOR CREDIT LOSSES

For all classes of loans, a loan is considered collateral-dependent when, based on current information and events, the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the sale of the collateral or foreclosure is probable. Factors considered in determining that a loan is collateral-dependent may include the deteriorating financial condition of the borrower indicated by missed or delinquent payments, a pending legal action, such as bankruptcy or foreclosure, or the absence of adequate security for the loan.

Partial or full charge-offs are recognized for the amount of credit losses on loans when the borrower is experiencing financial difficulty as described by meeting the conditions below.

- For residential mortgage loans, payments are greater than 180 days delinquent;
- For home equity loans and lines of credit, and modified residential loans, payments are greater than 90 days delinquent;
- For all classes of loan modifications with a high debt-to-income ratio at time of modification;
- For all classes of loans, a sheriff sale is scheduled within 60 days to sell the collateral securing the loan;
- For all classes of loans, all borrowers have been discharged of their obligation through a Chapter 7 bankruptcy;
- For all classes of loans, within 60 days of notification, all borrowers obligated on the loan have filed Chapter 7 bankruptcy and have not reaffirmed or been dismissed;
- For all classes of loans, a borrower obligated on a loan has filed bankruptcy and the loan is greater than 30 days delinquent; and
- For all classes of loans, it becomes evident that a loss is probable.

Charge-offs on residential mortgage loans, home equity loans and lines of credit, and construction loans are also recognized when triggering events, such as foreclosure actions, short sales, or deeds accepted in lieu of repayment, result in less than full repayment of the amortized cost in the loans.

Collateral-dependent residential mortgage loans and construction loans are charged-off to the extent the amortized cost in the loan, net of anticipated mortgage insurance claims, exceeds the fair value, less estimated costs to dispose of the underlying property. Management can determine if the loan is uncollectible for reasons such as foreclosures exceeding a reasonable time frame and recommend a full charge-off. Home equity loans or lines of credit are charged-off to the extent the amortized cost in the loan plus the balance of any senior liens exceeds the fair value, less estimated costs to dispose of the underlying property, or management determines the collateral is not sufficient to satisfy the loan. A loan in any portfolio identified as collateral-dependent will continue to be reported as such until it is no longer considered collateral-dependent, is less than 30 days past due and does not have a prior charge-off. A loan in any portfolio that has a partial charge-off will continue to be individually evaluated for credit loss until, at a minimum, the loss has been recovered.

The allowance for credit losses represents the estimate of lifetime losses in the loan portfolio and unfunded loan commitments. The allowance is estimated at each reporting date using relevant available information relating to past events, current conditions and reasonable and supportable forecasts. The Company utilizes loan level regression models

with forecasted economic data to derive the probability of default and loss given default factors. These factors are used to calculate the loan level credit loss over a 24-month period with an immediate reversion to historical mean loss rates for the remaining life of the loans.

The Company adopted ASU 2022-02 on October 1, 2023, which eliminated the accounting for TDRs. As such, at **December 31, 2023** **March 31, 2024**, there was no allowance for individually reviewed TDRs (IVAs), based on the present value of cash flows, as compared to September 30, 2023, when there was \$9,546. Effective with this adoption, losses on loans with modifications to borrowers experiencing financial difficulties, previously identified as TDRs, will be estimated as described above, in the same manner as loans that have not been subject to such modifications.

Historical credit loss experience provides the basis for the estimation of expected credit losses. Qualitative adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency status or likely recovery of previous loan charge-offs. Qualitative adjustments for expected changes in environmental conditions, such as changes in unemployment rates, property values or other relevant factors, are recognized when forecasted economic data used in the model differs from management's view or contains significant unobservable changes within a short period, particularly when those changes are directionally positive. Identifiable model limitations may also lead to qualitative adjustments, such as those made to reflect the expected recovery of loan amounts previously charged-off, beyond what the model is able to project. The qualitative adjustments resulted in a negative ending balance on the allowance for credit losses for the Home Today portfolio, where recoveries are expected to exceed charge-offs over the remaining life of that portfolio. The net qualitative adjustment at **December 31, 2023** **March 31, 2024**, was a reduction to the allowance for credit losses of **\$7,419** **\$6,598**, compared to a reduction of \$13,425 at September 30, 2023. During the **quarter**, **fiscal year**, a portion of the loss estimate that had previously been measured qualitatively was **reclassified** **reclassified** to the model-driven quantitative estimate due to enhancements in the accessibility of certain data. Adjustments are evaluated quarterly based on current facts and circumstances.

Partial or full charge-offs are recognized for the amount of credit losses on loans when the borrower is experiencing financial difficulty as described by meeting the conditions below.

- For residential mortgage loans, payments are greater than 180 days delinquent;
- For home equity loans and lines of credit, and modified residential loans, payments are greater than 90 days delinquent;
- For all classes of loan modifications with a high debt-to-income ratio at time of modification;
- For all classes of loans, a sheriff sale is scheduled within 60 days to sell the collateral securing the loan;
- For all classes of loans, all borrowers have been discharged of their obligation through a Chapter 7 bankruptcy;
- For all classes of loans, within 60 days of notification, all borrowers obligated on the loan have filed Chapter 7 bankruptcy and have not reaffirmed or been dismissed;
- For all classes of loans, a borrower obligated on a loan has filed bankruptcy and the loan is greater than 30 days delinquent; and
- For all classes of loans, it becomes evident that a loss is probable.

Charge-offs on residential mortgage loans, home equity loans and lines of credit, and construction loans are also recognized when triggering events, such as foreclosure actions, short sales, or deeds accepted in lieu of repayment, result in less than full repayment of the amortized cost in the loans.

For all classes of loans, a loan is considered collateral-dependent when, based on current information and events, the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the sale of the collateral or foreclosure is probable. Factors considered in determining that a loan is collateral-dependent may include the deteriorating financial condition of the borrower indicated by missed or delinquent payments, a pending legal action, such as bankruptcy or foreclosure, or the absence of adequate security for the loan.

Collateral-dependent residential mortgage loans and construction loans are charged-off to the extent the amortized cost in the loan, net of anticipated mortgage insurance claims, exceeds the fair value, less estimated costs to dispose of the underlying property. Management can determine if the loan is uncollectible for reasons such as foreclosures exceeding a reasonable time frame and recommend a full charge-off. Home equity loans or lines of credit are charged-off to the extent the amortized cost in the loan plus the balance of any senior liens exceeds the fair value, less estimated costs to dispose of the underlying property, or management determines the collateral is not sufficient to satisfy the loan. A loan in any portfolio identified as collateral-dependent will continue to be reported as such until it is no longer considered collateral-dependent, is less than 30 days past due and does not have a prior charge-off. A loan in any portfolio that has a partial charge-off will continue to be individually evaluated for credit loss until, at a minimum, the loss has been recovered.

Activity in the allowance for credit losses by portfolio segment is summarized as follows. See Note 11. *LOAN COMMITMENTS AND CONTINGENT LIABILITIES* for further details on the allowance for unfunded commitments.

	For the Three Months Ended December 31, 2023				For the Three Months Ended March 31, 2024						
	Beginning Balance	Adoption of ASU 2022-02	Provisions (Releases)	Charge-offs	Recoveries	Ending Balance	Beginning Balance	Provisions (Releases)	Charge-offs	Recoveries	Ending Balance
Real estate loans:											
Residential Core											
Residential Core											
Residential Core											
Residential Home Today											
Home equity loans and lines of credit											
Construction											
Total real estate loans											
Total Unfunded Loan Commitments											
(1)											

Total Allowance for Credit Losses

(1) For all periods presented, the total allowance for unfunded loan commitments is recorded in other liabilities on the *CONSOLIDATED STATEMENTS OF CONDITION* and primarily relates to undrawn home equity lines of credit.

	For the Three Months Ended March 31, 2023				
	Beginning Balance	Provisions (Releases)	Charge-offs	Recoveries	Ending Balance
Real estate loans:					
Residential Core	\$ 54,498	\$ (924)	\$ (92)	\$ 290	\$ 53,772
Residential Home Today	(985)	(738)	(71)	582	(1,212)
Home equity loans and lines of credit	20,583	154	(431)	926	21,232
Construction	381	(35)	—	—	346
Total real estate loans	\$ 74,477	\$ (1,543)	\$ (594)	\$ 1,798	\$ 74,138
Total Unfunded Loan Commitments ⁽¹⁾	\$ 26,110	\$ 543	\$ —	\$ —	\$ 26,653
Total Allowance for Credit Losses	\$ 100,587	\$ (1,000)	\$ (594)	\$ 1,798	\$ 100,791

(1) For all periods presented, the total allowance for unfunded loan commitments is recorded in other liabilities on the *CONSOLIDATED STATEMENTS OF CONDITION* and primarily relates to undrawn home equity lines of credit.

	For the Three Months Ended December 31, 2022				For the Six Months Ended March 31, 2024						
	Beginning Balance	Provisions (Releases)	Charge-offs	Recoveries	Ending Balance	Beginning Balance	Adoption of ASU 2022-02	Provisions (Releases)	Charge-offs	Recoveries	Ending Balance
Real estate loans:											
Residential Core											
Residential Core											
Residential Core											
Residential Home Today											
Home equity loans and lines of credit											
Construction											
Total real estate loans											
Total Unfunded Loan Commitments											
(1)											
Total Allowance for Credit Losses											

(1) For all periods presented, the total allowance for unfunded loan commitments is recorded in other liabilities on the *CONSOLIDATED STATEMENTS OF CONDITION* and primarily relates to undrawn home equity lines of credit.

	For the Six Months Ended March 31, 2023				
	Beginning Balance	Provisions (Releases)	Charge-offs	Recoveries	Ending Balance
Real estate loans:					
Residential Core	\$ 53,506	\$ (132)	\$ (206)	\$ 604	\$ 53,772
Residential Home Today	(997)	(1,244)	(244)	1,273	(1,212)
Home equity loans and lines of credit	20,032	(248)	(558)	2,006	21,232
Construction	354	(8)	—	—	346
Total real estate loans	\$ 72,895	\$ (1,632)	\$ (1,008)	\$ 3,883	\$ 74,138
Total Unfunded Loan Commitments ⁽¹⁾	\$ 27,021	\$ (368)	\$ —	\$ —	\$ 26,653
Total Allowance for Credit Losses	\$ 99,916	\$ (2,000)	\$ (1,008)	\$ 3,883	\$ 100,791

(1) For all periods presented, the total allowance for unfunded loan commitments is recorded in other liabilities on the *CONSOLIDATED STATEMENTS OF CONDITION* and primarily relates to undrawn home equity lines of credit.

CLASSIFIED LOANS

The following tables provides the amortized cost and information about the credit quality of residential loan receivables by an internally assigned grade as of the dates presented. Revolving loans reported at amortized cost include home equity lines of credit currently in their draw period. Revolving loans converted to term are home equity lines of credit that are in repayment. Home equity loans and bridge loans are segregated by origination year. Loans, or the portions of loans, classified as loss are fully charged-off in the period in which they are determined to be uncollectible; therefore they are not included in the following table. No Home Today loans are classified Special Mention and all construction loans are classified Pass for both periods presented.

Revolving Loans Amortized Cost Basis		Revolving Loans Amortized Cost Basis	
By fiscal year of origination		Revolving Loans Amortized Cost Basis	
By fiscal year of origination			
By fiscal year of origination			
2024			
2024			
2024			
December 31, 2023			
December 31, 2023			
December 31, 2023			
March 31, 2024			
March 31, 2024			
March 31, 2024			
Real estate loans:			
Real estate loans:			
Real estate loans:			
Residential Core			
Residential Core			
Residential Core			
Pass			
Pass			
Pass			
Special Mention			
Special Mention			
Special Mention			
Substandard			
Substandard			
Substandard			
Total Residential Core			
Total Residential Core			
Total Residential Core			
Residential Home Today ⁽¹⁾			
Residential Home Today ⁽¹⁾			
Residential Home Today ⁽¹⁾			
Pass			
Pass			
Pass			
Substandard			

Substandard
Substandard
Total Residential Home Today
Total Residential Home Today
Total Residential Home Today
Home equity loans and lines of credit
Home equity loans and lines of credit
Home equity loans and lines of credit
Pass
Pass
Pass
Special Mention
Special Mention
Special Mention
Substandard
Substandard
Substandard
Total Home equity loans and lines of credit
Total Home equity loans and lines of credit
Total Home equity loans and lines of credit
Total Construction
Total Construction
Total Construction
Total real estate loans
Total real estate loans
Total real estate loans
Pass
Pass
Pass
Special Mention
Special Mention
Special Mention
Substandard
Substandard
Substandard
Total real estate loans
Total real estate loans
Total real estate loans

(1) No new originations of Home Today loans since fiscal 2016.

	By fiscal year of origination						Revolving Loans	Revolving Loans	Total									
							Amortized Cost	Converted To										
	2023	2022	2021	2020	2019	Prior	Basis	Term										
<u>September 30, 2023</u>																		
Real estate loans:																		
Residential Core																		
Pass	\$	1,667,029	\$	3,169,609	\$	2,054,744	\$	1,342,854	\$	563,955	\$	3,275,978	\$	—	\$	—	\$	12,074,169

Special Mention	—	—	612	—	106	1,025	—	—	1,743
Substandard	185	823	1,285	1,806	721	22,207	—	—	27,027
Total Residential Core	1,667,214	3,170,432	2,056,641	1,344,660	564,782	3,299,210	—	—	12,102,939
Residential Home Today ⁽¹⁾									
Pass	—	—	—	—	—	40,335	—	—	40,335
Substandard	—	—	—	—	—	5,695	—	—	5,695
Total Residential Home Today	—	—	—	—	—	46,030	—	—	46,030
Home equity loans and lines of credit									
Pass	210,131	72,229	23,989	6,965	6,192	13,704	2,657,028	63,399	3,053,637
Special Mention	—	129	—	52	32	102	2,830	370	3,515
Substandard	—	—	140	96	—	120	4,849	4,924	10,129
Total Home equity loans and lines of credit	210,131	72,358	24,129	7,113	6,224	13,926	2,664,707	68,693	3,067,281
Total Construction	11,646	10,755	—	—	—	—	—	—	22,401
Total real estate loans									
Pass	1,888,806	3,252,593	2,078,733	1,349,819	570,147	3,330,017	2,657,028	63,399	15,190,542
Special Mention	—	129	612	52	138	1,127	2,830	370	5,258
Substandard	185	823	1,425	1,902	721	28,022	4,849	4,924	42,851
Total real estate loans	\$ 1,888,991	\$ 3,253,545	\$ 2,080,770	\$ 1,351,773	\$ 571,006	\$ 3,359,166	\$ 2,664,707	\$ 68,693	\$ 15,238,651

(1) No new originations of Home Today loans since fiscal 2016.

The following table provides information on the gross charge-offs of residential loan receivables for the period presented. There were no gross charge-offs in the construction loan portfolio for the period presented and there were no gross charge-offs in the non-revolving portfolios with origination years between 2020 and 2024 for the period presented. presented.

	For the Three Months Ended December 31, 2023			
	Origination year prior to fiscal 2020	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term Loans	Total
Real estate loans:				
Residential Core	\$ 150	\$ —	\$ —	\$ 150
Residential Home Today ⁽¹⁾	30	—	—	30
Home equity loans and lines of credit	—	163	167	330
Total real estate loans	\$ 180	\$ 163	\$ 167	\$ 510

	For the Six Months Ended March 31, 2024								
	By fiscal year of origination						Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
	2024	2023	2022	2021	2020	Prior			
Real estate loans:									
Residential Core	\$ —	\$ —	\$ 10	\$ —	\$ —	\$ 177	\$ —	\$ —	\$ 187
Residential Home Today ⁽¹⁾	—	—	—	—	—	30	—	—	30
Home equity loans and lines of credit	—	—	16	—	—	—	333	185	534
Total real estate loans	\$ —	\$ —	\$ 26	\$ —	\$ —	\$ 207	\$ 333	\$ 185	\$ 751

(1) No new originations of Home Today loans since fiscal 2016.

The home equity lines of credit converted from revolving to term loans during the three and six months ended December 31, 2023 March 31, 2024 totaled \$1,208 and December 31, 2022 \$2,294 and during the three and six months ended March 31, 2023, totaled \$1,135 \$562 and \$396, \$938, respectively. The amount of conversions to term loans is expected to remain relatively low for several years since the length of the draw period on new originations changed from five to ten years in 2016.

Residential loans are internally assigned a grade that complies with the guidelines outlined in the OCC's Handbook for Rating Credit Risk. Pass loans are assets well protected by the current paying capacity of the borrower. Special Mention loans have a potential weakness, as evaluated based on delinquency status or nature of the product, that the Company deems to deserve management's attention and may result in further deterioration in their repayment prospects and/or the Company's credit position. Substandard loans are inadequately protected by the current payment capacity of the borrower or the collateral pledged with a defined weakness that jeopardizes the liquidation of the debt. Also included in Substandard are performing home equity loans and lines of credit where the customer has a severely delinquent first mortgage to which the performing home equity loan or line of credit is subordinate and all loans in Chapter 7 bankruptcy status where all borrowers have filed,

and have not reaffirmed or been dismissed. Loss loans are considered uncollectible and are charged off when identified. Loss loans are of such little value that their continuance as bankable assets is not warranted even though partial recovery may be effected in the future.

Other loans are internally assigned a grade of non-performing when they become 90 days or more past due. At **December 31, 2023** **March 31, 2024** and September 30, 2023, no other loans were graded as non-performing.

MODIFICATIONS TO BORROWERS EXPERIENCING FINANCIAL DIFFICULTY

On October 1, 2023, the Company adopted ASU 2022-02, which eliminates the accounting guidance for TDRs by creditors and enhances the disclosure requirements for certain loan modifications when a borrower is experiencing financial difficulty. For additional information on the adoption, refer to Note 14. *RECENT ACCOUNTING PRONOUNCEMENTS*.

To mitigate losses, the Company works with borrowers who are experiencing financial difficulty to identify solutions the borrowers can afford by entering into agreements to modify their loans. These efforts often result in modifications to the payment terms of the loan, which vary by situation and may include interest rate reductions, term extensions (generally including capitalization of delinquent amounts), significant payment delays, other, or a combination thereof. The Company does not generally offer principal forgiveness as a type of modification. **The Other category includes loans that were modified multiple times during the period with different concessions.**

If a borrower is experiencing an income curtailment that temporarily has reduced their capacity to repay, such as loss of employment, reduction of work hours, non-paid leave or short-term disability, a temporary modification is considered. If a borrower lacks the capacity to repay the loan at the current terms due to a permanent condition, a permanent modification is considered. Loans may be modified more than once. Among other requirements, a subsequent modification may be available for a borrower upon the expiration of temporary modified terms if the borrower is unable to resume contractually scheduled loan payments. In evaluating the need for a subsequent modification, the borrower's ability to repay is generally assessed utilizing a debt-to-income and cash flow analysis.

The following table represents the amortized cost of modifications by type during the **period periods** presented. For the three **and six** months ended **December 31, 2023** **March 31, 2024**, there were no modifications made on construction loans.

For the Three Months Ended December 31, 2023													
For the Three Months Ended March 31, 2024													
For the Three Months Ended March 31, 2024													
	Interest Rate Reduction	Interest Rate Reduction	Term Extension	Significant Payment Delay	Other	Combination-Rate Reduction & Term Extension	Total	% of Total Class	Interest Rate Reduction	Term Extension			
Residential Core	Residential Core	\$—	\$2	\$851	\$—	\$124	\$977	0.01	0.01	Residential Core	\$—	\$235	\$2
Residential Home Today													
Home equity loans and lines of credit													
Total													
Total													
Total		\$—	\$2	\$1,373	\$48	\$339	\$1,762	0.01	0.01	\$—	\$	\$253	\$2,785

For the Six Months Ended March 31, 2024							
	Interest Rate Reduction	Term Extension	Significant Payment Delay	Combination-Rate Reduction & Term Extension	Other	Total	% of Total Class
Residential Core	\$—	\$349	\$2,390	\$826	\$477	\$4,042	0.03 %
Residential Home Today	—	48	196	187	—	431	1.00
Home equity loans and lines of credit	—	18	731	135	25	909	0.03
Total	\$—	\$415	\$3,317	\$1,148	\$502	\$5,382	0.04 %

The following table presents the financial **effect effects** of the loan modifications presented above to borrowers experiencing financial difficulty for the three **and six** months ended **December 31, 2023** **March 31, 2024**.

For the Three Months Ended March 31, 2024	
Interest Rate Reduction	Term Extension

	Weighted-Average Contractual Interest Rate		Weighted-Average Years Added to Life
	From	To	
Residential Core	3.61%	2.08%	11.3
Residential Home Today	2.03%	2.00%	16.3
Home equity loans and lines of credit	7.49%	2.00%	3.8

For the Three Months Ended December 31, 2023				For the Six Months Ended March 31, 2024			
	Interest Rate Reduction	Term Extension	Weighted-Average Contractual Interest Rate	From	Interest Rate Reduction	Term Extension	Weighted-Average Contractual Interest Rate
Residential Core							
Residential Core							
Residential Core	5.99%	2.00%	7.3	3.97%	2.07%	11.7	
Residential Home Today	4.26%	2.00%	20.0	3.58%	2.00%	16.6	
Home equity loans and lines of credit	4.24%	3.45%	17.4	5.36%	2.95%	11.7	

The performance of loans made to borrowers experiencing financial difficulty in which modifications were made is closely monitored by the Company to understand the effectiveness of modification efforts. Modifications made to borrowers experiencing financial difficulty that become 90 days or more past due under the modified terms are considered subsequently defaulted. There were no The table below summarizes information about modifications that had subsequently defaulted for the three and six months ending **December 31, 2023** March 31, 2024. No Residential Core or Home Today loans modified since October 1, 2023, the date of which the Company adopted ASU 2022-02, have subsequently defaulted during the periods presented.

For the Three Months Ended March 31, 2024								
	Interest Rate Reduction	Term Extension	Significant Payment Delay	Other	Capitalize and Extend	Combination-Rate Reduction & Term Extension	Total	
Home equity loans and lines of credit	\$ —	\$ —	\$ 208	\$ —	\$ —	\$ —	\$ 208	
Total	\$ —	\$ —	\$ 208	\$ —	\$ —	\$ —	\$ 208	

For the Six Months Ended March 31, 2024								
	Interest Rate Reduction	Term Extension	Significant Payment Delay	Other	Capitalize and Extend	Combination-Rate Reduction & Term Extension	Total	
Home equity loans and lines of credit	\$ —	\$ —	\$ 208	\$ —	\$ —	\$ —	\$ 208	
Total	\$ —	\$ —	\$ 208	\$ —	\$ —	\$ —	\$ 208	

The following table presents the performance by loan type for loans modified to borrowers experiencing financial difficulty, on or after October 1, 2023, the date of which the Company adopted ASU 2022-02, through **December 31, 2023** March 31, 2024. The loans in delinquency status primarily consisted of only significant payment delays, which are still reported delinquent even after modification.

<u>December 31, 2023</u>									
<u>December 31, 2023</u>									
				30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total
<u>December 31, 2023</u>									
<u>March 31, 2024</u>									
<u>March 31, 2024</u>									
				30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total
<u>March 31, 2024</u>									
Residential Core									
Residential Home Today									

Home equity loans and lines of credit

Total

TRBOULED DEBT RESTRUCTURINGS PRIOR TO THE ADOPTION OF ASU 2022-02

Prior to the adoption of ASU 2022-02 on October 1, 2023, initial concessions granted for loans restructured as TDRs include reduction of interest rate, extension of amortization period, capitalization of delinquent amounts, forbearance or other actions. Some TDRs have experienced a combination of concessions. TDRs also could occur as a result of bankruptcy proceedings. Loans discharged in Chapter 7 bankruptcy are classified as multiple restructurings if the loan's original terms had also been restructured by the Company. At September 30, 2023, \$73,172 of TDRs individually evaluated for credit loss have adequately performed under the terms of the restructuring and are classified as Pass loans.

The amortized cost in TDRs by category as of September 30, 2023 is shown in the table below.

	September 30, 2023			
	Initial Restructuring	Multiple Restructurings	Bankruptcy	Total
Residential Core	\$ 28,546	\$ 15,730	\$ 9,577	\$ 53,853
Residential Home Today	9,390	10,114	1,691	21,195
Home equity loans and lines of credit	21,063	2,460	879	24,402
Total	\$ 58,999	\$ 28,304	\$ 12,147	\$ 99,450

The following table sets forth the amortized cost in TDRs restructured during the period presented. For all loans modified during the three and six months ended December 31, 2022 March 31, 2023, the pre-modified outstanding amortized cost was not materially different from the post-modified outstanding amortized cost.

	For the Three Months Ended December 31, 2022				For the Three Months Ended March 31, 2023			
	Initial Restructuring	Multiple Restructurings	Bankruptcy	Total	Initial Restructuring	Multiple Restructurings	Bankruptcy	Total
Residential Core								
Residential Home Today								
Home equity loans and lines of credit								
Total								

	For the Six Months Ended March 31, 2023			
	Initial Restructuring	Multiple Restructurings	Bankruptcy	Total
Residential Core	\$ 2,030	\$ 981	\$ 626	\$ 3,637
Residential Home Today	182	365	29	576
Home equity loans and lines of credit	406	74	—	480
Total	\$ 2,618	\$ 1,420	\$ 655	\$ 4,693

The table below summarizes information about TDRs restructured within 12 months of the period presented for which there was a subsequent payment default, at least 30 days past due on one scheduled payment, during the period presented.

	TDRs That Subsequently Defaulted	For the Three Months Ended December 31, 2022		TDRs That Subsequently Defaulted	For the Three Months Ended March 31, 2023	
		Number of Contracts	Amortized Cost		Number of Contracts	Amortized Cost
Residential Core						
Residential Home Today						
Home equity loans and lines of credit						
Total						

	For the Six Months Ended March 31, 2023	
	Number of Contracts	Amortized Cost
TDRs That Subsequently Defaulted		
Residential Core	2	\$ 214
Residential Home Today	4	100
Home equity loans and lines of credit	1	58
Total	7	\$ 372

5. DEPOSITS

Deposit account balances are summarized as follows:

	December 31, 2023	September 30, 2023
	March 31, 2024	September 30, 2023
Checking accounts		
Savings accounts, excluding money market accounts		
Money market accounts		
Certificates of deposit		
	9,903,007	
	9,914,754	
Accrued interest		
Total deposits		

The aggregate amount of CDs in denominations of more than \$250 was \$975,375 \$1,106,203 and \$845,375 at December 31, 2023, March 31, 2024 and September 30, 2023, respectively. In accordance with the DFA, the maximum amount of federal deposit insurance is \$250 per depositor for each account ownership category.

Brokered CDs (exclusive of acquisition costs and subsequent amortization), which are used as a cost effective funding alternative, totaled \$1,485,226 \$1,261,663 and \$1,162,601 at December 31, 2023 March 31, 2024 and September 30, 2023, respectively, of which \$875,000 \$725,000 and \$665,000 were aligned with interest rate swaps discussed in Note 13. *DERIVATIVE INSTRUMENTS*. The FDIC places restrictions on banks with regard to issuing brokered deposits based on the bank's capital classification. As a well-capitalized well capitalized institution at December 31, 2023 March 31, 2024 and September 30, 2023, the Association may accept brokered deposits without FDIC restrictions.

6. BORROWED FUNDS

At December 31, 2023 March 31, 2024, the Association had a maximum borrowing capacity of \$8,041,072 \$8,085,306, of which \$5,030,561 \$4,955,438 was outstanding. Borrowings from the FHLB of Cincinnati are secured by the Association's investment in the common stock of the FHLB of Cincinnati, as well as by a blanket pledge of its mortgage portfolio not otherwise pledged. The Association also has the ability to purchase Fed Funds through arrangements with other institutions. Additionally, the ability to borrow from the FRB-Cleveland Discount Window is available to the Association and is secured by a pledge of specific loans in the Association's mortgage portfolio.

Total borrowings at December 31, 2023 March 31, 2024, are summarized in the table below:

	Borrowing Capacity	Borrowing Capacity	Borrowings Available	Borrowings Outstanding	Borrowing Capacity	Borrowings Available	Borrowings Outstanding
FHLB							
FRB Cleveland							
Fed Funds Purchased							
Subtotal							
Accrued Interest							
Total Borrowings							

Maturities of borrowings at December 31, 2023 March 31, 2024, are summarized in the table below. below:

	Amount		Amount	Weighted Average Rate		Amount	Weighted Average Rate
Maturing in:							
12 months or less							
12 months or less							
12 months or less	\$ 900,000	1.78	1.78 %	\$ 900,000	2.15	2.15 %	
13 to 24 months							
25 to 36 months							
37 to 48 months							
49 to 60 months							
Over 60 months							

Total Advances	Total Advances	5,008,055	2.97	2.97	% Total Advances	4,932,532	3.07	3.07	%
Accrued interest									
Total									
Total									
Total									

All borrowings have fixed rates during their term ranging up to 240 months. The table above reflects the effective maturities and fixed interest rates of the \$3,025,000 \$3,100,000 of short-term FHLB advances that are tied to interest rate swaps discussed in Note 13. *DERIVATIVE INSTRUMENTS*. Interest is payable monthly for long-term advances and at maturity for FHLB swap based three-month and overnight advances.

For the three month periods and six months ended December 31, 2023 March 31, 2024 and December 31, 2022 March 31, 2023, net interest expense related to short-term borrowings was \$32,973 \$23,067 and \$38,636, \$56,040, and \$28,677 and \$53,275, respectively.

7. OTHER COMPREHENSIVE INCOME (LOSS)

The change in accumulated other comprehensive income (loss) by component is as follows:

	For the Three Months Ended				For the Three Months Ended			
	December 31, 2023				December 31, 2022			
	Unrealized Gains (Losses) on				Unrealized Gains (Losses) on			
	Securities Available for Sale	Cash Flow Hedges	Defined Benefit Plan	Total	Securities Available for Sale	Cash Flow Hedges	Defined Benefit Plan	Total
Balance at beginning of period	\$ (41,173)	\$ 135,532	\$ (9,147)	\$ 85,212	\$ (33,899)	\$ 68,883	\$ (11,835)	\$ 23,149
Other comprehensive income (loss) before reclassifications, net of tax expense (benefit) of \$(17,193) and \$1,574	11,655	(69,974)	418	(57,901)	(1,961)	6,775	—	4,814
Amounts reclassified, net of tax expense (benefit) of \$(5,086) and \$(1,427)	—	(17,231)	106	(17,125)	—	(5,139)	197	(4,942)
Other comprehensive income (loss)	11,655	(87,205)	524	(75,026)	(1,961)	1,636	197	(128)
Balance at end of period	\$ (29,518)	\$ 48,327	\$ (8,623)	\$ 10,186	\$ (35,860)	\$ 70,519	\$ (11,638)	\$ 23,021

	For the Three Months Ended				For the Three Months Ended			
	March 31, 2024				March 31, 2023			
	Unrealized Gains (Losses) on				Unrealized Gains (Losses) on			
	Securities Available for Sale	Cash Flow Hedges	Defined Benefit Plan	Total	Securities Available for Sale	Cash Flow Hedges	Defined Benefit Plan	Total
Balance at beginning of period	\$ (29,518)	\$ 48,327	\$ (8,623)	\$ 10,186	\$ (35,860)	\$ 70,519	\$ (11,638)	\$ 23,021
Other comprehensive income (loss) before reclassifications, net of tax expense (benefit) of \$14,907 and \$(2,594)	(2,589)	52,786	—	50,197	4,173	(12,992)	—	(8,819)
Amounts reclassified, net of tax expense (benefit) of \$(5,333) and \$(2,795)	—	(18,069)	104	(17,965)	—	(9,696)	195	(9,501)
Other comprehensive income (loss)	(2,589)	34,717	104	32,232	4,173	(22,688)	195	(18,320)
Balance at end of period	\$ (32,107)	\$ 83,044	\$ (8,519)	\$ 42,418	\$ (31,687)	\$ 47,831	\$ (11,443)	\$ 4,701

	For the Six Months Ended				For the Six Months Ended			
	March 31, 2024				March 31, 2023			

	Unrealized Gains (Losses) on				Unrealized Gains (Losses) on			
	Securities		Defined Benefit		Securities		Defined Benefit	
	Available for Sale	Cash Flow Hedges	Plan	Total	Available for Sale	Cash Flow Hedges	Plan	Total
Balance at beginning of period	\$ (41,173)	\$ 135,532	\$ (9,147)	\$ 85,212	\$ (33,899)	\$ 68,883	\$ (11,835)	\$ 23,149
Other comprehensive income (loss) before reclassifications, net of tax expense (benefit) of \$(2,286) and \$(1,020)	9,066	(17,188)	418	(7,704)	2,212	(6,217)	—	(4,005)
Amounts reclassified, net of tax expense (benefit) of \$(10,419) and \$(4,222)	—	(35,300)	210	(35,090)	—	(14,835)	392	(14,443)
Other comprehensive income (loss)	9,066	(52,488)	628	(42,794)	2,212	(21,052)	392	(18,448)
Balance at end of period	\$ (32,107)	\$ 83,044	\$ (8,519)	\$ 42,418	\$ (31,687)	\$ 47,831	\$ (11,443)	\$ 4,701

The following table presents the reclassification **adjustment** **adjustments** out of accumulated other comprehensive income (loss) included in net income and the corresponding line item on the *CONSOLIDATED STATEMENTS OF INCOME* for the periods indicated:

	Amounts Reclassified from Accumulated Other Comprehensive Income
	Amounts Reclassified from Accumulated Other Comprehensive Income
	Amounts Reclassified from Accumulated Other Comprehensive Income

Details about Accumulated Other Comprehensive Income Components

Details about Accumulated Other Comprehensive Income Components	Details about Accumulated Other Comprehensive Income Components	For the Three Months Ended December 31,		Line Item in the Consolidated Statements of Income	Details about Accumulated Other Comprehensive Income Components	For the Three Months Ended March 31,	For the Six Months Ended March 31,
	Components						

Cash flow hedges:
Cash flow hedges:
Cash flow hedges:

Interest (income) expense
Interest (income) expense
Interest (income) expense

Interest (income) expense	\$ (22,348)	\$ (6,624)	Interest expense	Interest expense	\$ (23,435)	\$ (12,551)	\$ (45,783)	\$
Net income tax effect	5,117	1,485	1,485	Income tax expense	Income tax expense	5,366	2,855	2,855
Net of income tax expense								
Amortization of defined benefit plan:								

Interest cost
Interest cost
Expected return on plan assets
Amortization of net loss
Net periodic (benefit) cost
Net periodic (benefit) cost
Net periodic (benefit) cost

There were no required minimum employer contributions during the **three six** months ended **December 31, 2023** **March 31, 2024**. There are no required minimum employer contributions expected during the remainder of the fiscal year ending September 30, 2024.

10. EQUITY INCENTIVE PLAN

During the **three** quarter ended **March 31, 2024**, 231,750 restricted stock units, 61,000 performance share units, and 247,200 stock options were granted to directors, officers and certain managers of the Company. During the six months ended **December 31, 2023** **March 31, 2024**, performance share units granted in December 2021 were reduced by 2,655 units, according to the targeted performance formula. The awards were made pursuant to the Amended and Restated 2008 Equity Incentive Plan, which was approved at the annual meeting of shareholders held on February 22, 2018.

The following table presents share-based compensation expense recognized during the periods **presented**. There was no stock option expense for either period presented.

	For the Three Months Ended	
	December 31,	
	2023	2022
Restricted stock units expense	\$ 669	\$ 941
Performance share units expense	246	210
Total stock-based compensation expense	\$ 915	\$ 1,151

presented:

	For the Three Months Ended		For the Six Months Ended	
	March 31,		March 31,	
	2024	2023	2024	2023
Stock option expense	\$ 23	\$ —	\$ 23	\$ —
Restricted stock units expense	963	807	1,632	1,748
Performance share units expense	185	261	431	471
Total stock-based compensation expense	\$ 1,171	\$ 1,068	\$ 2,086	\$ 2,219

At **December 31, 2023** **March 31, 2024**, **1,991,975** **2,231,475** shares were subject to **vested** options, with a weighted average exercise price of **\$15.69** **\$15.39** per share and a weighted average grant date fair value of **\$2.42** **\$2.29** per share. Expected future expense, relating to the 247,200 non-vested options outstanding as of **March 31, 2024**, is **\$279** over a weighted average period of 2.6 years. At **December 31, 2023** **March 31, 2024**, **142,770** **374,491** restricted stock units and **152,445** **213,445** performance share units with a weighted average grant date fair value of **\$15.09** **\$13.78** and **\$15.05** **\$14.45** per unit, respectively, are unvested. Expected future compensation expense, relating to the **908,518** **1,140,239** restricted stock units and **152,445** **213,445** performance share units, outstanding as of **December 31, 2023** **March 31, 2024**, is **\$1,937** **\$3,979** over a weighted average period of **2.7** **2.3** years and **\$1,009** **\$1,455** over a weighted average period of **1.7** **2.0** years, respectively. Each unit is equivalent to one share of common stock.

11. COMMITMENTS AND CONTINGENT LIABILITIES

In the normal course of business, the Company enters into commitments with off-balance sheet risk to meet the financing needs of its customers. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments to originate or purchase loans generally have fixed expiration dates of 60 to 360 days or other termination clauses and may require payment of a fee. Unfunded commitments related to home equity lines of credit generally expire **from five to 10** years following the date that the line of credit was established, subject to various conditions, including compliance with payment obligations, adequacy of collateral securing the line and maintenance of a satisfactory credit profile by the borrower. Since some of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

Off-balance sheet commitments to extend credit involve elements of credit risk and interest rate risk in excess of the amount recognized in assets on the *CONSOLIDATED STATEMENTS OF CONDITION*. The Company's exposure to credit loss in the event of nonperformance by the other party to the commitment is represented by the contractual amount of the commitment. The Company generally uses the same credit policies in making commitments as it does for on-balance sheet instruments. The allowance related to off-balance sheet commitments is recorded in other liabilities in the *CONSOLIDATED STATEMENTS OF CONDITION*. Refer to Note 4. *LOANS AND ALLOWANCES FOR CREDIT LOSSES* for discussion on credit loss methodology. Interest rate risk on commitments to extend credit results from the possibility that interest rates may move unfavorably from the position of the Company since the time the commitment was made.

At **December 31, 2023** **March 31, 2024**, the Company had commitments to originate or purchase loans and related allowances as follows:

	Commitment	Commitment	Allowance	Commitment	Allowance
Fixed-rate mortgage loans					
Adjustable-rate mortgage loans					
Home equity loans and lines of credit					
Total					

At **December 31, 2023** **March 31, 2024**, the Company had unfunded commitments outstanding and related allowances as follows:

	Commitment	Commitment	Allowance	Commitment	Allowance
Home equity lines of credit					
Construction loans					
Total					

At **December 31, 2023** **March 31, 2024**, the unfunded commitment on home equity lines of credit, including commitments for accounts suspended as a result of material default or a decline in equity, was **\$4,785,036** **\$4,944,702**.

At **December 31, 2023** **March 31, 2024** and September 30, 2023, the Company had **\$5,991** **\$49,352** and \$2,094, respectively, in commitments to sell mortgage loans. At **December 31, 2023** **March 31, 2024** and September 30, 2023, the Company had **\$6,357** **\$10,183** and \$51,275, respectively, in commitments to purchase mortgage loans, which are included in mortgage loan commitments above.

The above commitments are expected to be funded through normal operations.

The Company is undergoing an escheat audit covering the states of Ohio, Kentucky and Florida. Any potential loss, or range of loss, that may result from this matter is not reasonably estimable at **December 31, 2023** **March 31, 2024**.

The Company and its subsidiaries are subject to various legal actions arising in the normal course of business. In the opinion of management, the resolution of these legal actions is not expected to have a material adverse effect on the Company's consolidated financial condition, results of operation, or statements of cash flows.

12. FAIR VALUE

Under U.S. GAAP, fair value is defined as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date under current market conditions. A fair value framework is established whereby assets and liabilities measured at fair value are grouped into three levels of a fair value hierarchy, based on the transparency of inputs and the reliability of assumptions used to estimate fair value.

As permitted under the fair value guidance in U.S. GAAP, the Company elects to measure at fair value mortgage loans classified as held for sale that are subject to pending agency contracts to securitize and sell loans. This election is expected to reduce volatility in earnings related to market fluctuations between the contract trade and settlement dates. At **December 31, 2023** **March 31, 2024** and September 30, 2023, there were **no pending agency contracts held for sale**. During the three months ended **December 31, 2023** **\$6,038** and **December 31, 2022**, there was **no change in fair value related to \$0 loans held for sale, that were respectively, with unpaid principal balances of \$5,917 and \$0, in pending agency contracts for which the fair value was elected. Changes in fair value on loans held for sale subject to pending agency contracts. contracts are included in the net gain on sale of loans, which included a net gain of \$68 and \$0 for both three and six months ended March 31, 2024 and March 31, 2023.**

Presented below is a discussion of the methods and significant assumptions used by the Company to estimate fair value.

Investment Securities Available for Sale—Investment securities available for sale are recorded at fair value on a recurring basis. At **December 31, 2023** **March 31, 2024** and September 30, 2023, this includes **\$525,175** **\$520,172** and \$508,324, respectively, of investments in U.S. government and agency obligations including U.S. Treasury notes and investments in highly liquid collateralized mortgage obligations, that can include items issued by Fannie Mae, Freddie Mac and Ginnie Mae, measured using the market approach. The fair values of investment securities represent unadjusted price estimates obtained from independent third-party nationally recognized pricing services using pricing models or quoted prices of securities with similar characteristics and are included in Level 2 of the hierarchy. Third-party pricing is reviewed on a monthly basis for reasonableness based on the market knowledge and experience of company personnel that interact daily with the markets for these types of securities.

Mortgage Loans Held for Sale—The fair value of mortgage loans held for sale is estimated on an aggregate basis using a market approach based on quoted secondary market pricing for loan portfolios with similar characteristics. Loans held for sale

are carried at the lower of cost or fair value except, as described above, the Company elects the fair value measurement option for mortgage loans held for sale subject to pending agency contracts to securitize and sell loans. Loans held for sale are included in Level 2 of the hierarchy. At **December 31, 2023** **March 31, 2024** and September 30, 2023, there

were \$0 \$9,698 and \$3,260, respectively, of loans held for sale measured at fair value. At December 31, 2023 March 31, 2024 and September 30, 2023, there were \$1,095 and \$0 respectively, of loans held for sale carried at cost. Interest income on mortgage loans held for sale is recorded in interest income on loans.

Collateral-Dependent Loans—Collateral-dependent loans represent certain loans held for investment that are subject to a fair value measurement under U.S. GAAP because they are individually evaluated using a fair value measurement, such as the fair value of the underlying collateral. Credit loss is measured using a market approach based on the fair value of the collateral, less estimated costs to dispose, for loans the Company considers to be collateral-dependent due to a delinquency status or other adverse condition severe enough to indicate that the borrower can no longer be relied upon as the continued source of repayment. These conditions are described more fully in Note 4. *LOANS AND ALLOWANCES FOR CREDIT LOSSES*. To calculate the credit loss of collateral-dependent loans, the fair market values of the collateral, estimated using third-party appraisals in the majority of instances, are reduced by calculated estimated costs to dispose, derived from historical experience and recent market conditions. Any indicated credit loss is recognized by a charge to the allowance for credit losses. Subsequent increases in collateral values or principal pay downs on loans with recognized credit loss could result in a collateral-dependent loan being carried below its fair value. When no credit loss is indicated, the carrying amount is considered to approximate the fair value of that loan to the Company because contractually that is the maximum recovery the Company can expect. The amortized cost of loans individually evaluated for credit loss based on the fair value of the collateral are included in Level 3 of the hierarchy with assets measured at fair value on a non-recurring basis. The range and weighted average impact of estimated costs to dispose on fair values is determined at the time of credit loss or when additional credit loss is recognized and is included in quantitative information about significant unobservable inputs later in this note.

Real Estate Owned—Real estate owned includes real estate acquired as a result of foreclosure or by deed in lieu of foreclosure and is carried at the lower of the cost basis or fair value, less estimated costs to dispose. The carrying amounts of real estate owned at December 31, 2023 March 31, 2024 and September 30, 2023, were \$1,070 \$230 and \$1,444, respectively. Fair value is estimated under the market approach using independent third party appraisals. As these properties are actively marketed, estimated fair values may be adjusted by management to reflect current economic and market conditions. At December 31, 2023 March 31, 2024 and September 30, 2023, these adjustments were not significant to reported fair values. At December 31, 2023 March 31, 2024 and September 30, 2023, \$795 \$250 and \$1,413, respectively, of real estate owned is included in Level 3 of the hierarchy with assets measured at fair value on a non-recurring basis, where the cost basis equals or exceeds the estimated fair values, less estimated costs to dispose, of \$64 \$20 and \$163,

\$163, respectively. Real estate owned includes \$339 \$0 and \$194 of properties carried at their original or adjusted cost basis at December 31, 2023 March 31, 2024 and September 30, 2023, respectively.

Derivatives—Derivative instruments include interest rate locks on commitments to originate or purchase loans for the held for sale portfolio, forward commitments on contracts to deliver mortgage loans and interest rate swaps designated as cash flow hedges. Derivatives not designated as cash flow hedges are reported at fair value in Other assets or Other liabilities on the *CONSOLIDATED STATEMENTS OF CONDITION* with changes in value recorded in current earnings. Derivatives qualifying as cash flow hedges are settled daily, bringing the fair value to \$0. Refer to Note 13. *DERIVATIVE INSTRUMENTS* for additional information on cash flow hedges and other derivative instruments. The fair value of interest rate lock commitments is adjusted by a closure rate based on the estimated percentage of commitments that will result in closed loans. The range and weighted average impact of the closure rate is included in quantitative information about significant unobservable inputs later in this note. A significant change in the closure rate may result in a significant change in the ending fair value measurement of these derivatives relative to their total fair value. Because the closure rate is a significantly unobservable assumption, interest rate lock commitments are included in Level 3 of the hierarchy. Forward commitments on contracts to deliver mortgage loans are included in Level 2 of the hierarchy.

Assets and liabilities carried at fair value on a recurring basis in the *CONSOLIDATED STATEMENTS OF CONDITION* at December 31, 2023 March 31, 2024 and September 30, 2023, are summarized below.

	Recurring Fair Value Measurements at Reporting Date Using			
	December 31, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Investment securities available for sale:				
REMICs	\$ 451,088	\$ —	\$ 451,088	\$ —
Fannie Mae certificates	977	—	977	—
Freddie Mac securities	1,109	—	1,109	—
U.S. government and agency obligations	72,001	—	72,001	—
Derivatives:				
Interest rate lock commitments	55	—	—	55
Total	\$ 525,230	\$ —	\$ 525,175	\$ 55

Liabilities				
Derivatives:				
Forward commitments for the sale of mortgage loans	115	—	115	—
Total	\$ 115	\$ —	\$ 115	\$ —

	Recurring Fair Value Measurements at Reporting Date Using					Recurring Fair Value Measurements at Reporting Date Using				
	Quoted Prices in Active Markets for Identical Assets		Significant Other Observable Inputs		Significant Unobservable Inputs	Quoted Prices in Active Markets for Identical Assets		Significant Other Observable Inputs		Significant Unobservable Inputs
	September 30, 2023	(Level 1)	(Level 1)	(Level 2)	(Level 3)	March 31, 2024	(Level 1)	(Level 1)	(Level 2)	(Level 3)
Assets										
Investment securities available for sale:										
Investment securities available for sale:										
Investment securities available for sale:										
REMICs										
REMICs										
REMICs										
Fannie Mae certificates										
Freddie Mac certificates										
Freddie Mac securities										
U.S. government and agency obligations										
Mortgage loans held for sale										
Derivatives:										
Interest rate lock commitments										
Interest rate lock commitments										
Interest rate lock commitments										
Total										
Total										
Total										
Liabilities										
Derivatives:										
Derivatives:										

Derivatives:
Forward commitments for the sale of mortgage loans
Forward commitments for the sale of mortgage loans
Forward commitments for the sale of mortgage loans
Total
Total
Total
Liabilities
Liabilities
Liabilities
Derivatives:
Derivatives:
Derivatives:
Interest rate lock commitments
Interest rate lock commitments
Interest rate lock commitments
Total
Total
Total

	Recurring Fair Value Measurements at Reporting Date Using			
	September 30, 2023	Quoted Prices in	Significant Other	Significant
		Active Markets for	Observable Inputs	Unobservable
		Identical Assets (Level 1)	(Level 2)	Inputs (Level 3)
Assets				
Investment securities available for sale:				
REMICs	\$ 443,007	\$ —	\$ 443,007	\$ —
Fannie Mae certificates	814	—	814	—
Freddie Mac certificates	1,044	—	1,044	—
U.S. government and agency obligations	63,459	—	63,459	—
Derivatives:				
Forward commitments for the sale of mortgage loans	11	—	11	—
Total	<u>\$ 508,335</u>	<u>\$ —</u>	<u>\$ 508,335</u>	<u>\$ —</u>
Liabilities				

Derivatives:				
Interest rate lock commitments	1	—	—	1
Total	\$ 1	\$ —	\$ —	\$ 1

The table below presents a reconciliation of the beginning and ending balances and the location within the *CONSOLIDATED STATEMENTS OF INCOME* where gains (losses) due to changes in fair value are recognized on interest rate lock commitments which are measured at fair value on a recurring basis using significant unobservable inputs (Level 3).

				Three Months Ended December 31,	
				Three Months Ended December 31,	
				Three Months Ended December 31,	
				2023	2022
				Three Months Ended March 31,	
				2024	2023
				Six Months Ended March 31,	
				2024	2023
Beginning balance					
Gain during the period due to changes in fair value:					
Included in other non-interest income					
Included in other non-interest income					
Included in other non-interest income					
Ending balance					
Change in unrealized gains for the period included in earnings for assets held at end of the reporting date					

Summarized in the tables below are those assets measured at fair value on a nonrecurring basis.

	Nonrecurring Fair Value Measurements at Reporting Date					Nonrecurring Fair Value Measurements at Reporting Date				
	Using					Using				
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs			Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs		
December 31, 2023	(Level 1)	(Level 1)	(Level 2)	March 31, 2024	(Level 3)	(Level 1)	(Level 1)	(Level 3)	March 31, 2024	(Level 3)
Collateral-dependent loans, net of allowance										
Real estate owned ⁽¹⁾										
Real estate owned ⁽¹⁾										
Mortgage loans held for sale										
Real estate owned ⁽¹⁾										
Total										

	Nonrecurring Fair Value Measurements at Reporting Date Using			
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	
	(Level 1)	(Level 2)	(Level 3)	
September 30, 2023				
Collateral-dependent loans, net of allowance	\$ 38,289	\$ —	\$ —	\$ 38,289
Mortgage loans held for sale	3,260	—	3,260	—
Real estate owned ⁽¹⁾	1,413	—	—	1,413
Total	\$ 42,962	\$ —	\$ 3,260	\$ 39,702

The following provides quantitative information about significant unobservable inputs categorized within Level 3 of the Fair Value Hierarchy. The interest rate lock commitments include mortgage origination applications.

Collateral-
dependent loans,
net of allowance

Interest rate lock
commitments

Interest rate lock
commitments

	\$55	Quoted Secondary Market pricing	Closure rate	0 - 100%	86.3%	\$358	Quoted Secondary Market pricing	Closure rate	0 - 100%	91.7%
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	Fair Value			Sensitivity Analysis			Weighted Average
	September 30, 2023	Valuation Technique(s)	Unobservable Input	Range			
Collateral-dependent loans, net of allowance	\$38,289	Market comparables of collateral discounted to estimated net proceeds	Discount appraised value to estimated net proceeds based on historical experience: • Residential Properties	0	-	30%	4.8%
Interest rate lock commitments	\$(1)	Quoted Secondary Market pricing	Closure rate	0	-	100%	99.5%

	Fair Value					
	September 30, 2023	Valuation Technique(s)	Unobservable Input	Range		Weighted Average
Collateral-dependent loans, net of allowance	\$38,289	Market comparables of collateral discounted to estimated net proceeds	Discount appraised value to estimated net proceeds based on historical experience: • Residential Properties	0	- 30%	4.8%
Interest rate lock commitments	\$(1)	Quoted Secondary Market pricing	Closure rate	0	- 100%	99.5%

The following tables present the estimated fair value of the Company's financial instruments and their carrying amounts as reported in the *CONSOLIDATED STATEMENTS OF CONDITION*.

	December 31, 2023						March 31, 2024					
	Carrying Amount	Carrying	Fair	Level 1	Level 2	Level 3	Carrying	Fair	Level 1	Level 2	Level 3	
Assets:												
Assets:												
Assets:												
Cash and due from banks												
Cash and due from banks												
Cash and due from banks												
Interest-earning cash equivalents												
Investment securities available for sale												
Mortgage loans held for sale												
Loans, net:												
Mortgage loans held for investment												
Mortgage loans held for investment												
Mortgage loans held for investment												
Other loans												
Federal Home Loan Bank stock												
Accrued interest receivable												
Cash collateral received from or held by counterparty												
Cash collateral received from or held by counterparty												
Cash collateral received from or held by counterparty												
Derivatives												
Liabilities:												
Liabilities:												
Liabilities:												
Checking and passbook accounts												
Checking and passbook accounts												
Checking and passbook accounts												
Certificates of deposit												
Borrowed funds												
Borrowers' advances for insurance and taxes												
Principal, interest and escrow owed on loans serviced												
Derivatives												

	September 30, 2023				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Assets:					
Cash and due from banks	\$ 29,134	\$ 29,134	\$ 29,134	\$ —	\$ —
Interest-earning cash equivalents	437,612	437,612	437,612	—	—
Investment securities available for sale	508,324	508,324	—	508,324	—
Mortgage loans held for sale	3,260	3,260	—	3,260	—
Loans, net:					
Mortgage loans held for investment	15,161,336	13,262,711	—	—	13,262,711
Other loans	4,411	4,411	—	—	4,411
Federal Home Loan Bank stock	247,098	247,098	N/A	—	—

Derivatives not designated as hedging instruments

Derivatives not designated as hedging instruments

Interest rate lock commitments

Interest rate lock commitments

Interest rate lock commitments

Forward commitments for the sale of mortgage loans

The Company estimates that \$66,228 \$66,586 of the amounts reported in AOCI will be reclassified as a reduction to interest expense during the twelve months ending December 31, 2024 March 31, 2025.

Derivatives contain an element of credit risk which arises from the possibility that the Company will incur a loss because a counterparty fails to meet its contractual obligations. The Company's exposure is limited to the replacement value of the contracts rather than the notional or principal amounts. Credit risk is minimized through counterparty margin payments, transaction limits and monitoring procedures. All of the Company's swap transactions are cleared through a registered clearing broker to a central clearing organization. The clearing organization establishes daily cash and upfront cash or securities margin requirements to cover potential exposure in the event of default. This process shifts the risk away from the counterparty, since the clearing organization acts as an intermediary on each cleared transaction. At December 31, 2023 March 31, 2024 and September 30, 2023, there was \$9,595 \$6,656 and \$24,887, respectively, of cash collateral included in other assets, and \$68,257 \$68,335 and \$59,813, respectively, included in investment securities related to initial margin requirements that are held by the central clearing organization. For derivative transactions cleared through certain clearing parties, variation margin payments are recognized as settlements on a daily basis. The fair value of derivative instruments are presented on a gross basis, even when the derivative instruments are subject to master netting arrangements.

14. RECENT ACCOUNTING PRONOUNCEMENTS

Adopted as of December 31, 2023 March 31, 2024

In March 2022, the FASB issued ASU 2022-02, *Financial Instruments - Credit Losses (Topic 326)*. The amendments in this update eliminate the accounting guidance for TDR by creditors in Subtopic 310-40, while enhancing disclosure requirements for certain loan refinancings and modifications by creditors when the borrower is experiencing financial difficulty. Additionally, this amendment requires that an entity disclose current-period gross write-offs by year of origination for financing receivables and net investments in leases within the scope of Subtopic 326. This update is effective for fiscal years beginning after December 15, 2022, with early adoption permitted. The Company adopted this guidance as of October 1, 2023, and applied the modified retrospective transition method that evaluates loans previously identified as TDRs for credit loss under the Company's current ACL policy. Upon adoption, we recognized an increase in retained earnings of \$7,898, net of income taxes, resulting from a pretax decrease to the allowance for credit losses on loans and unfunded commitments of \$10,262. The enhanced disclosure requirements provided for by the ASU have been adopted on a prospective basis. The required disclosures are included in Note 4. *LOANS AND ALLOWANCES FOR CREDIT LOSSES*.

Issued but not yet adopted as of December 31, 2023 March 31, 2024

In November 2023, The Company has determined that the FASB accounting pronouncements issued ASU 2023-07, *Segment Reporting (Topic 280)*. The amendments in this update improve disclosures about since the last filing for the quarter ended December 31, 2023, will not have a public entity's reportable segments and addresses request from investors and other allocators of capital for additional information about a reportable segment's expenses. While the Company only has one reportable segment, the update requires public entities with a single segment to provide all segment disclosures under ASC 280. This update is effective for fiscal years beginning after December 15, 2023, with early adoption permitted. Retrospective application is required for all prior periods presented in the financial statements. We are currently evaluating this ASU to determine its material impact on the Company's disclosures.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740)*. The ASU requires disaggregated information about a reporting entity's effective tax rate reconciliation as well as information on income tax paid. The update is effective for fiscal years beginning after December 15, 2024. We are currently evaluating the impact of the ASU on our income tax disclosures within the Company's consolidated financial statements. statements or do not apply to its operations.

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

Forward Looking Statements

This report contains forward-looking statements, which can be identified by the use of such words as estimate, project, believe, intend, anticipate, plan, seek, expect and similar expressions. These forward-looking statements include, among other things:

- statements of our goals, intentions and expectations;
- statements regarding our business plans and prospects and growth and operating strategies;
- statements concerning trends in our provision for credit losses and charge-offs on loans and off-balance sheet exposures;
- statements regarding the trends in factors affecting our financial condition and results of operations, including credit quality of our loan and investment portfolios; and
- estimates of our risks and future costs and benefits.

These forward-looking statements are subject to significant risks, assumptions and uncertainties, including, among other things, the following important factors that could affect the actual outcome of future events:

- significantly increased competition among depository and other financial institutions, including with respect to our ability to charge overdraft fees;
 - inflation and changes in the interest rate environment that reduce our interest margins or reduce the fair value of financial instruments, or our ability to originate loans;
 - general economic conditions, either globally, nationally or in our market areas, including employment prospects, real estate values and conditions that are worse than expected;
 - the strength or weakness of the real estate markets and of the consumer and commercial credit sectors and its impact on the credit quality of our loans and other assets, and changes in estimates of the allowance for credit losses;
 - decreased demand for our products and services and lower revenue and earnings because of a recession or other events;
 - changes in consumer spending, borrowing and savings **habits; habits, including repayment speeds on loans;**
 - adverse changes and volatility in the securities markets, credit markets or real estate markets;
 - our ability to manage market risk, credit risk, liquidity risk, reputational risk, regulatory risk and compliance risk;
 - our ability to access cost-effective funding;
 - legislative or regulatory changes that adversely affect our business, including changes in regulatory costs and capital requirements and changes related to our ability to pay dividends and the ability of Third Federal Savings, MHC to waive dividends;
 - changes in accounting policies and practices, as may be adopted by the bank regulatory agencies, the FASB or the PCAOB;
 - the adoption of implementing regulations by a number of different regulatory bodies, and uncertainty in the exact nature, extent and timing of such regulations and the impact they will have on us;
 - our ability to enter new markets successfully and take advantage of growth opportunities;
 - the continuing governmental efforts to restructure the U.S. financial and regulatory system;
 - future adverse developments concerning Fannie Mae or Freddie Mac;
 - changes in monetary and fiscal policy of the U.S. Government, including policies of the U.S. Treasury, the Federal Reserve System, Fannie Mae, the OCC, FDIC, and others;
 - the ability of the U.S. Government to remain open, function properly and manage federal debt limits;
 - changes in policy and/or assessment rates of taxing authorities that adversely affect us or our customers;
 - changes in accounting and tax estimates;
 - changes in our organization and changes in expense trends, including but not limited to trends affecting non-performing assets, charge-offs and provisions for credit losses;
 - changes in liquidity, including the size and composition of our deposit portfolio, and the percentage of uninsured deposits in the portfolio;
 - the inability of third-party providers to perform their obligations to us;
 - our ability to retain key employees;
 - the effects of global or national war, conflict or acts of terrorism;
-
- civil unrest;
 - cyber-attacks, computer viruses and other technological risks that may breach the security of our websites or other systems to obtain unauthorized access to confidential information, destroy data or disable our systems; and
 - the impact of wide-spread pandemic, including COVID-19, and related government action, on our business and the economy.

Because of these and other uncertainties, our actual future results may be materially different from the results indicated by any forward-looking statements. Any forward-looking statement made by us in this report speaks only as of the date on which it is made. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future developments or otherwise, except as may be required by law. Please see Part II *Other Information* Item 1A. *Risk Factors* for a discussion of certain risks related to our business.

Overview

The business strategy of TFS Financial Corporation ("we," "us," or "our") is to operate as a well-capitalized well capitalized and profitable financial institution dedicated to providing exceptional personal service to our customers.

Since being organized in 1938, we grew to become, at the time of our initial public offering of stock in 2007, the nation's largest mutually-owned savings and loan association based on total assets. We credit our success to our continued emphasis on our primary values: "Love, Trust, Respect, and a Commitment to Excellence, along with Having Fun." Our values are reflected in the design and pricing of our loan and deposit products, as described below. Our values are further reflected in a long-term revitalization program encompassing the three-mile corridor of the Broadway-Slavic Village neighborhood in Cleveland, Ohio where our main office was established and continues to be located and where the educational programs we have established and/or support are located. We intend to continue to adhere to our primary values and to support our customers and the communities in which we operate as we pursue our mission to help people achieve the dream of home ownership and financial security while creating value for our customers, our communities, our associates and our shareholders.

The bank failures of three large domestic regional banks during the first half of 2023 negatively impacted consumer confidence and increased stress across the banking sector. The unprecedented implications of 2022 and 2023 fiscal policy coupled with geopolitics impacting energy markets and supply-chain constraints from global shutdowns culminated with high levels of inflation. The subsequent restrictive monetary policy approach has resulted in a heightened exposure of certain banking industry practices. Taking all of this into consideration, we remain confident that committed to our mission, business model, and strategic approach remain appropriate. approach. Specifically, (1) our capital ratios remain a primary source of financial strength; (2) our core deposits remain stable and the majority of our deposit accounts fall within FDIC insurance limits; (3) we maintain adequate access to contingent sources of liquidity; and (4) our risk management practices around an array of financial disciplines are robust and commensurate to an institution of our size and complexity.

Capital ratios remain a source of financial strength for the Company and the Association as all capital ratios, including the Company's Common Equity Tier 1 Capital ratio of 19.02% 19.05%, exceed the regulatory requirement to be considered "Well Capitalized". Additional details on our capital ratios are reported in the *Liquidity and Capital Resources* section of this Item 2.

The Company maintains high-quality core deposits characterized by a high level of FDIC insured deposit accounts distributed primarily across our Ohio and Florida branch network in products tailored toward consumers seeking non-transactional savings. As of December 31, 2023 March 31, 2024, 96.2% 96.1% of our \$8.44 billion \$8.68 billion retail deposit base consists of accounts structured under the FDIC insured limit of \$250,000. The Company has the ability to fund 100% of all uninsured deposit balances through sources described later in this Item 2 under the heading *Liquidity and Capital Resources*.

The Company retains ample and diverse sources of liquidity and funding, beyond deposits. At December 31, 2023 March 31, 2024, our combined additional borrowing capacity under the Association's blanket pledge arrangements with the FHLB of Cincinnati and the FRB Cleveland along with our ability to purchase Fed Funds through arrangements with other institutions exceeded \$3.03 billion \$3.15 billion. We also hold marketable securities that could be sold and converted to cash. Further details about liquidity and funding are described in the section labelled *Maintaining Access to Adequate Liquidity and Diverse Funding Sources to Support our Growth* of this Item 2.

We operate a multi-disciplined risk management program that emphasizes stress testing and scenario analysis in the realms of interest rate risk, credit risk, market risk and liquidity risk. Key risk indicators are proactively monitored and reported throughout the organization, up to and including the Board of Directors. The program is supported by a multi-line of defense approach in which internal oversight functions of risk management and internal audit grant their fully autonomous opinion of the process with an ability to issue findings for remediation if deemed necessary. The program is also regularly exposed to outside scrutiny in the form of regulatory oversight and from our outside audit firm. Management established the risk management framework with an appropriate level of sophistication such that it fully encapsulates all identified areas of risk, in conjunction with a necessary level of governance, to promote the program's intention of properly identifying and managing our risk profile.

Management believes that the following matters are those most critical to our success: (1) controlling our interest rate risk exposure; (2) monitoring and limiting our credit risk; (3) maintaining access to adequate liquidity and diverse funding sources to support our growth; and (4) monitoring and controlling our operating expenses.

Controlling Our Interest Rate Risk Exposure. Historically, our greatest risk has been our exposure to changes in interest rates. When we hold longer-term, fixed-rate assets, funded by liabilities with shorter-term re-pricing characteristics, we are exposed to potentially adverse impacts from changing interest rates, and most notably rising interest rates. Generally, and particularly over extended periods of time that encompass full economic cycles, interest rates associated with longer-term assets, like fixed-rate mortgages, have been higher than interest rates associated with shorter-term funding sources, like deposits. This difference has been an important component of our net interest income and is fundamental to our operations.

A challenge to our business model occurs when there is a rapid and substantial increase in short-term rates or there is an extended inverted yield curve, which have both occurred over recent periods. This economic environment has resulted in decreases in our net interest income and our net interest margin.

To mitigate our interest rate risk in general and to address the current rate environment specifically, we utilize a variety of strategies that include:

- Maintaining regulatory capital in excess of levels required to be considered well capitalized;
- Promoting adjustable-rate loans and shorter-term fixed-rate loans;
- Marketing home equity lines of credit, which carry an adjustable rate of interest, indexed to the prime rate;
- Opportunistically extending the duration of our funding sources;
- Utilizing interest rate swaps to convert short-term FHLB advances and brokered certificates of deposit into long-term, fixed rate borrowings; and
- Selectively selling a portion of our long-term, fixed-rate mortgage loans in the secondary market.

Levels of Regulatory Capital

At December 31, 2023 March 31, 2024, the Company's Tier 1 (leverage) capital totaled \$1.83 billion \$1.84 billion, or 10.78% 10.72% of net average assets and 19.02% 19.05% of risk-weighted assets, while the Association's Tier 1 (leverage) capital totaled \$1.66 billion \$1.68 billion, or 9.77% 9.79% of net average assets and 17.22% 17.40% of risk-weighted assets. Each of these measures is in excess of the requirements in effect for the Association at December 31, 2023 March 31, 2024, for designation as "well capitalized" under regulatory prompt corrective action provisions. Beginning this fiscal year, the Company entered into the final two years of the five-year transitional period, as provided by a final rule, after CECL was adopted in fiscal year 2021. Refer to the *Liquidity and Capital Resources* section of this Item 2 for additional discussion regarding regulatory capital requirements.

Promotion of Adjustable-Rate Loans and Shorter-Term Fixed-Rate Loans

We offer our "Smart Rate" adjustable-rate mortgage loan, which provides us with improved interest rate risk characteristics when compared to a 30-year, fixed-rate mortgage loan. Our "Smart Rate" adjustable-rate mortgage offers borrowers an interest rate lower than that of a 30-year, fixed-rate loan. The interest rate of the Smart Rate mortgage is locked for three or five years, then resets annually. The Smart Rate mortgage contains a feature to re-lock the rate an unlimited number of times at our then-current interest rate and fee schedule, for another three or five years (which must be the same as the original lock period) without having to complete a full refinance transaction. Re-lock eligibility is subject to a satisfactory payment performance history by the borrower (current at the time of re-lock, and no foreclosures or bankruptcies since the Smart Rate application was taken). In addition to a satisfactory payment history, re-lock eligibility requires that the property continues to be the borrower's primary residence. The loan term cannot be extended in connection with a re-lock, nor can new funds be advanced. All interest rate caps and floors remain as originated.

We also offer a 10-year, fully amortizing fixed-rate, first mortgage loan. The 10-year, fixed-rate loan has a more desirable interest rate risk profile when compared to loans with fixed-rate terms of 15 to 30 years and can help to more effectively manage interest rate risk exposure, yet provides our borrowers with the certainty of a fixed interest rate throughout the life of the obligation.

The following tables set forth our first mortgage loan production and balances segregated by loan structure at origination.

	For the Three Months Ended December 31, 2023			For the Three Months Ended December 31, 2022					
	Amount	Percent		Amount	Percent		Amount	Percent	
(Dollars in thousands)									
First Mortgage Loan Originations and Purchases:									
ARM (all Smart Rate) production									
ARM (all Smart Rate) production									
ARM (all Smart Rate) production	\$ 65,858	24.1	24.1 %	\$162,715	33.5	33.5 %	\$ 99,778	24.4	24.4 %
Fixed-rate production:									
Terms less than or equal to 10 years									
Terms less than or equal to 10 years									
Terms less than or equal to 10 years									
Terms greater than 10 years									
Total fixed-rate production									
Total First Mortgage Loan Originations and Purchases	\$272,953	100.0	100.0 %	\$485,469	100.0	100.0 %	\$408,842	100.0	100.0 %
December 31, 2023									
March 31, 2024									
September 30, 2023									
September 30, 2023									
Total First Mortgage Loan Originations and Purchases	\$272,953	100.0	100.0 %	\$485,469	100.0	100.0 %	\$408,842	100.0	100.0 %
December 31, 2023									
March 31, 2024									
September 30, 2023									
September 30, 2023									

Amount		Amount		Percent	Amount		Percent	Amount		Amount	Percent			
(Dollars in thousands)														
Balance of														
First														
Mortgage														
Loans Held														
For														
Investment:														
ARM (primarily Smart														
Rate) Loans														
ARM (primarily Smart														
Rate) Loans														
ARM (primarily Smart														
Rate) Loans														
	\$ 4,706,373	39.3	39.3	%	\$ 4,760,843	39.2	39.2	%	\$4,621,146	39.1	39.1	%	\$4,760,843	
Fixed-rate														
Loans:														
Terms less than or														
equal to 10 years														
Terms less than or														
equal to 10 years														
Terms less than or														
equal to 10 years														
Terms														
greater														
than														
10														
years														
Total														
fixed-														
rate														
loans														
Total First	Total First				Total First			Total First						
Mortgage	Mortgage				Mortgage			Mortgage						
Loans Held	Loans				Loans			Loans						
For	Held For				For			For						
Investment	Investment	\$11,994,414	100.0	100.0	%	\$12,124,666	100.0	100.0	%	Investment	\$11,814,437	100.0	100.0	%
														\$12,124,

The following table sets forth the balances as of **December 31, 2023** **March 31, 2024**, for all ARM loans segregated by the next scheduled interest rate reset **date, date**:

				Current Balance of ARM Loans Scheduled for			
				Interest Rate Reset			
During the Fiscal Years Ending	During the Fiscal Years Ending	(Dollars in	During the Fiscal Years Ending	(Dollars in thousands)			
September 30,	September 30,	thousands)	September 30,				
2024							
2025							
2026							
2027							
2028							
2029							
Total							

At **December 31, 2023** **March 31, 2024** and September 30, 2023, mortgage loans held for sale, all of which were long-term, fixed-rate first mortgage loans and all of which were held for sale to Fannie Mae, totaled **\$1.1 million** **\$9.7 million** and \$3.3 million, respectively.

Loan Portfolio Yield

The following tables set forth the principal balance and interest yield as of **December 31, 2023** **March 31, 2024**, for the portfolio of loans held for investment, by type of loan, structure and geographic **location**. **location**:

	December 31, 2023
	December 31, 2023
	December 31, 2023
	March 31, 2024
	March 31, 2024
	March 31, 2024
	Balance
	Balance
	Balance
	(Dollars in thousands)
	(Dollars in thousands)
	(Dollars in thousands)

Total Loans:
Total Loans:
Total Loans:

Fixed Rate
Fixed Rate
Fixed Rate

Terms less than or equal to 10 years
Terms less than or equal to 10 years
Terms less than or equal to 10 years

Terms greater than 10 years
Terms greater than 10 years
Terms greater than 10 years

Total Fixed-Rate loans
Total Fixed-Rate loans
Total Fixed-Rate loans
Total Fixed-Rate Residential Mortgage loans
Total Fixed-Rate Residential Mortgage loans
Total Fixed-Rate Residential Mortgage loans

ARMs
ARMs
ARMs

Home Equity Loans and Lines of Credit
Home Equity Loans and Lines of Credit
Home Equity Loans and Lines of Credit

Construction and Other Loans
Construction and Other Loans
Construction and Other Loans

Total Loans Receivable
Total Loans Receivable
Total Loans Receivable

December 31, 2023					March 31, 2024	
Balance		Balance	Fixed Rate	Percent	Yield	Balance
			Balance			
(Dollars in thousands)						

Residential
Mortgage
Loans

The Association **is a party uses swaps to interest rate swap agreements, extend the duration of its funding sources.** Each of the Association's swap agreements is registered on the Chicago Mercantile Exchange and involves the exchange of interest payment amounts based on a notional principal balance. No exchange of principal amounts occur and the notional principal amount does not appear on our balance sheet. **The Association uses swaps to extend the duration of its funding sources.** In each of the Association's agreements, interest paid is based on a fixed rate of interest throughout the term of each agreement while interest received is based on an interest rate that resets and compounds daily over a specified interval (generally three months) throughout the term of each agreement. On the initiation date of the swap, the agreed upon exchange interest rates reflect market conditions at that point in time. Swaps generally require counterparty collateral pledges that ensure the counterparties' ability to comply with the conditions of the agreement. Concurrent with the execution of each swap, the Association enters into a short-term borrowing in an amount equal to the notional amount of the swap and with interest rate resets aligned with the reset interval of the swap. Each individual swap agreement has been designated as a cash flow hedge of interest rate risk associated with either the Company's variable rate borrowings from the FHLB of Cincinnati or brokered **CD's, CDs.** In these challenging economic times with an extended inverted yield curve, the Association has found it financially beneficial to **increase the use of swaps to lower our borrowing costs and extend the duration of our liabilities, liabilities with a relatively lower borrowing cost.** For more details, refer to Notes 6. **BORROWED FUNDS** and 13. **DERIVATIVE INSTRUMENTS** to of the **unaudited consolidated financial statements. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.**

Each funding alternative is monitored and evaluated based on its effective interest payment rate, options exercisable by the creditor (early withdrawal, right to call, etc.), and collateral requirements. Refer to Notes 5. **DEPOSITS** and 6. **BORROWED FUNDS** for additional details on balances. The interest payment rate is a function of market influences that are specific to the nuances and market competitiveness/breadth of each funding source. Generally, early withdrawal options, subject to a fee, are available to our retail CD customers but not to holders of brokered CDs; issuer call options are not provided on our advances from the FHLB of Cincinnati; and we are not subject to early termination options with respect to our interest rate exchange contracts. Additionally, collateral pledges are not provided with respect to our retail CDs or our brokered CDs, but are required for our advances from the FHLB of Cincinnati as well as for our interest rate exchange contracts. We will continue to evaluate the structure of our funding sources based on current needs.

Selling Fixed Rate Loans into the Secondary Market

We also manage interest rate risk by selectively selling a portion of our long-term, fixed-rate mortgage loans in the secondary market. First mortgage loans (primarily fixed-rate mortgage refinances mortgages with terms of 15 years or more, Home Ready and some loans purchased through our correspondent lending partner) are originated under Fannie Mae procedures and are eligible for sale to Fannie Mae either as whole loans or within mortgage-backed securities. Currently, certain types of loans (i.e. our Smart Rate adjustable-rate loans, **home purchase 10-year fixed-rate loans, and 10-year fixed-rate loans**) **first mortgage loans secured by certain property types** are originated under our legacy procedures, which are not eligible for sale to Fannie Mae. We can also manage interest rate risk by selling non-Fannie Mae compliant mortgage loans to private investors, although those transactions may be limited to loans that have established payment histories, strong borrower credit profiles and are supported by adequate collateral. Additionally, sales to private investors are dependent upon favorable market conditions, including motivated buyers, and involve more complicated negotiations and longer settlement timelines. **Refer to the Liquidity and Capital Resources section of the Overview for information on loan sales.**

During the **three six months ended December 31, 2023 March 31, 2024, \$87.8 million \$121.3 million** of agency-compliant, long-term (15 to 30 years), fixed-rate mortgage loans were sold, or committed to be sold, to Fannie Mae on a servicing retained basis. Of these sold loans, **\$4.4 million \$5.1 million** were originated through our **more traditional mortgage banking activities also know brand, known as "Mortgage Passport", and \$83.4 million \$116.2 million** were originated or purchased as other agency-compliant first mortgage loans. At **December 31, 2023 March 31, 2024,** loans classified as held for sale totaled **\$1.1 million \$9.7 million.** At **December 31, 2023 March 31, 2024,** we serviced **\$1.97 billion \$1.95 billion** of loans we originated and later sold to investors.

We continue to consider liquidity and balance sheet management, as well as secondary market pricing, in evaluating the opportunity to sell loans. Additionally, **we are expanding we've expanded** our ability to sell certain **fixed rate fixed-rate** loans to Fannie through the use of more traditional mortgage banking activities, including a proprietary approach to risk-based pricing and loan-level pricing **adjustments. This approach is concentrated adjustments** in markets outside of Ohio and Florida. **Some additional startup and marketing costs have been incurred, but are This approach is** not expected to significantly impact our financial results in fiscal year 2024. Loan sales are discussed in more detail within the *Liquidity and Capital Resources* section of this Item 2.

Monitoring and Limiting Our Credit Risk. While, historically, we had been successful in limiting our credit risk exposure by generally imposing high credit standards with respect to lending, the memory of the 2008 housing market collapse

and financial crisis is a constant reminder to focus on credit risk. In response to the evolving economic landscape, we continuously revise and update our quarterly analysis and evaluation procedures, as needed, for each category of our lending with the objective of identifying and recognizing all appropriate credit losses. At **December 31, 2023 March 31, 2024,** 89% of our assets consisted of residential real estate loans (both "held for sale" and "held for investment") and home equity loans and lines of credit. Our analytic procedures and evaluations include specific reviews of all home equity loans and lines of credit that become 90 or more days past due, as well as specific reviews of all first mortgage loans that become 180 or more days past due. We transfer performing home equity lines of credit subordinate to first mortgages delinquent greater than 90 days to non-accrual status. We also charge-off performing loans to collateral value and classify those loans as non-accrual within 60 days of notification of all borrowers filing Chapter 7 bankruptcy, that have not reaffirmed or been dismissed, regardless of how long the loans have been performing.

In an effort to limit our credit risk exposure consistent with the low risk appetite approved by the Board of Directors, the credit eligibility criteria is evaluated to ensure a successful homeowner has the primary source of repayment, followed by a collateral position that allows for a secondary source of repayment, if needed. Products that do not result in an effective mix of repayment ability are not offered. We use stringent, conservative lending standards for underwriting to reduce our credit risk. For first mortgage loans originated during the current quarter, the average credit score was **776 775** and the average LTV was 71% at origination. Our current delinquency levels reflect the higher credit standards to which we subject all new originations. As of **December 31, 2023 March 31, 2024,** loans originated or purchased had a balance of **\$15.28 billion \$15.23 billion,** of which **\$25.8 million \$28.3 million,** or 0.2%, were delinquent.

One aspect of our credit risk concern relates to high concentrations of our loans that are secured by residential real estate in specific states, particularly Ohio and Florida, where a large portion of our historical lending has occurred. At **December 31, 2023 March 31, 2024,** approximately **57.5% 57.6%** and 17.6% of the combined total of our residential Core and construction loans held for investment and approximately **25.3% 24.8%** and **22.6% 22.9%** of our home equity loans and lines of credit were secured by properties in Ohio

and Florida, respectively. In an effort to moderate the concentration of our credit risk exposure in individual states, we have utilized direct mail marketing, our internet site and our customer service call center to extend our lending activities to other attractive geographic locations. Currently, in addition to Ohio and Florida, we are actively lending in 23 other states and the District of Columbia, and as a result of that activity, the concentration ratios of the combined total of our residential Core and construction loans held for investment in Ohio and Florida have trended downward from their September 30, 2010, levels when the concentrations were 79.1% in Ohio and 19.0% in Florida. Of the total mortgage loans originated in the three six months ended December 31, 2023 March 31, 2024, 24.2% 22.0% are secured by properties in states other than Ohio or Florida.

Maintaining Access to Adequate Liquidity and Diverse Funding Sources to Support our Growth. For most insured depositories, customer and community confidence are critical to their ability to maintain access to adequate liquidity and to conduct business in an orderly manner. We believe that a well capitalized institution is one of the most important factors in nurturing customer and community confidence. At December 31, 2023 March 31, 2024, the Association's ratio of Tier 1 (leverage) capital to net average assets (a basic industry measure that deems 5.00% or above to represent a "well capitalized" status) was 9.77% 9.79%. We expect to continue to remain a well capitalized institution.

In managing its level of liquidity, the Company monitors available funding sources, which include attracting new deposits (including brokered deposits), borrowing from others, the conversion of assets to cash and the generation of funds through profitable operations. The Company has traditionally relied on retail deposits as its primary means in meeting its funding needs. To attract deposits, we typically offer rates that are competitive with the rates on similar products offered by other financial institutions. At December 31, 2023 March 31, 2024, deposits totaled \$9.92 billion \$9.94 billion (including \$1.49 billion \$1.26 billion of brokered CDs), while borrowings totaled \$5.03 billion \$4.96 billion and borrowers' advances and servicing escrows totaled \$138.3 million \$125.4 million, combined. In evaluating funding sources, we consider many factors, including cost, collateral, duration and optionality, current availability, expected sustainability, impact on operations and capital levels.

We preserve the availability of alternative funding sources through various mechanisms. Effectively, this permits us to increase the rates that we offer on our deposit products thereby attracting more potential customers. First, we pledge available real estate mortgage loans with the FHLB of Cincinnati and the FRB-Cleveland. At December 31, 2023 March 31, 2024, the Association had the ability to borrow a maximum of \$6.76 billion \$6.82 billion from the FHLB of Cincinnati and \$704.5 million \$693.2 million from the FRB-Cleveland Discount Window. As of December 31, 2023 March 31, 2024, our capacity for additional borrowing from the FHLB of Cincinnati was \$1.75 billion \$1.88 billion. Second, we have the ability to purchase overnight Fed Funds up to \$575.0 million through various arrangements with other institutions. Third, we invest in high quality marketable securities that exhibit limited market price variability and, to the extent that they are not needed as collateral for borrowings, can be sold in the institutional market and converted to cash. At December 31, 2023 March 31, 2024, our investment securities portfolio totaled \$525.2 million \$520.2 million. Finally, cash flows from operating activities have been a regular source of funds. During the three six months ended December 31, 2023 March 31, 2024 and 2022, 2023, cash flows from operations provided \$36.3 million \$50.5 million and \$78.8 million \$43.1 million, respectively.

Overall, while customer and community confidence can never be assured, the Company believes that its liquidity is adequate and that it has access to adequate alternative funding sources.

Monitoring and Controlling Our Operating Expenses. We continue to focus on managing operating expenses. We've successfully been able to reduce our operating expenses to offset the pressure of margin compression resulting from the extended inverted yield curve. Our ratio of annualized non-interest expense to average assets was 1.19% 1.20% for the three six months ended December 31, 2023 March 31, 2024, and 1.34% 1.36% for the three six months ended December 31, 2022 March 31, 2023. As of December 31, 2023 March 31, 2024, our average assets per full-time employee and our average deposits per full-time employee were \$17.6 million \$18.1 million and \$10.2 million \$10.6 million, respectively. We believe that each of these measures compares favorably with industry averages. Our relatively high average deposits (exclusive of brokered CDs) held at our branch offices (\$228.0 234.4 million per branch office as of December 31, 2023 March 31, 2024) contributes to our expense management efforts by limiting the overhead costs of serving our customers. We will continue our efforts to control operating expenses to help safeguard against margin compression.

Critical Accounting Policies and Estimates

Critical accounting policies and estimates are defined as those made in accordance with U.S. GAAP that involve significant judgments, estimates and uncertainties, and could potentially give rise to materially different results under different assumptions and conditions. We believe that the most critical accounting policies and estimates upon which our financial condition and results of operations depend, and which involve the most complex subjective decisions or assessments, are those with respect to our allowance for credit losses, income taxes and pension benefits as described in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2023.

Lending Activities

Allowance for Credit Losses

We provide for credit losses based on a life of loan methodology. Accordingly, all credit losses are charged to, and all recoveries are credited to, the related allowance. Additions to the allowance for credit losses are provided by charges to income based on various factors which, in our judgment, deserve current recognition in estimating life of loan credit losses. We regularly review the loan portfolio and off-balance sheet exposures and make provisions (or releases) for losses in order to maintain the allowance for credit losses in accordance with U.S. GAAP. Our allowance for credit losses is a general valuation allowance (GVA) on our portfolio made up of:

- (1) quantitative GVAs for loans, which are general allowances for credit losses for each loan type based on historical loan loss experience;
- (2) quantitative GVAs for off-balance sheet credit exposures, which are comprised of expected lifetime losses on unfunded loan commitments to extend credit where the obligations are not unconditionally cancellable; and
- (3) qualitative GVAs, which are adjustments to the quantitative GVAs, maintained to cover uncertainties that affect the estimate of expected credit losses for each loan type.

On October 1, 2023, the Individual Valuation Allowance (IVA) established for any loans dependent on cash flows, such as performing TDRs, was eliminated with the adoption of ASU 2022-02. Subsequently, all non-collaterally dependent modifications have an allowance estimated through the lifetime loss model. The qualitative GVAs expand our ability to identify and estimate probable losses and are based on our evaluation of the following factors, some of which are consistent with factors that impact the determination of quantitative

GVA's. For example, delinquency statistics (both current and historical) are used in developing the quantitative GVA's while the trending of the delinquency statistics is considered and evaluated in the determination of the qualitative GVA's. Factors impacting the determination of qualitative GVA's include:

- changes in lending policies and procedures including underwriting standards, collection, charge-off or recovery practices;
- management's view of changes in national, regional, and local economic and business conditions and trends including treasury yields, housing market factors and trends, such as the status of loans in foreclosure, real estate in judgment and real estate owned, and unemployment statistics and trends and how it aligns with economic modeling forecasts;
- changes in the nature and volume of the portfolios including home equity lines of credit nearing the end of the draw period and adjustable-rate mortgage loans nearing a rate reset;
- changes in the experience, ability or depth of lending management;
- changes in the volume or severity of past due loans, volume of non-accrual loans, or the volume and severity of adversely classified loans including the trending of delinquency statistics (both current and historical), historical loan

loss experience and trends, the frequency and magnitude of loan modifications, and uncertainty surrounding borrowers' ability to recover from temporary hardships for which short-term loan modifications are granted;

- changes in the quality of the loan review system;
- changes in the value of the underlying collateral including asset disposition loss statistics (both current and historical) and the trending of those statistics, and additional charge-offs and recoveries on individually reviewed loans;
- existence of any concentrations of credit;
- effect of other external factors such as competition, market interest rate changes or legal and regulatory requirements including market conditions and regulatory directives that impact the entire financial services industry; and
- limitations within our models to predict life of loan net losses.

Home equity loans and lines of credit generally have higher credit risk than traditional residential mortgage loans. These loans and credit lines are usually in a second lien position and when combined with the first mortgage, result in generally higher overall loan-to-value ratios. In a stressed housing market with high delinquencies and decreasing housing prices, these higher loan-to-value ratios represent a greater risk of loss to the Company. A borrower with more equity in the property has a vested interest in keeping the loan current when compared to a borrower with little or no equity in the property. **In light of the past weakness in the housing market and uncertainty with respect to future employment levels and economic prospects, we** We conduct an expanded loan level evaluation of our home equity loans and lines of credit, including bridge loans used to aid borrowers in buying a new home before selling their old one, which are delinquent 90 days or more. This expanded evaluation is in addition to our traditional evaluation procedures. We have established an allowance for our unfunded commitments on this portfolio, which is recorded in other liabilities. In general, a considerable portion of our gross charge-offs originate from our home equity loans and lines of credit portfolios. At **December 31, 2023** **March 31, 2024**, we had an amortized cost of **\$3.24 billion** **\$3.36 billion** in home equity loans and home equity lines of credit outstanding, of which **\$4.0 million** **\$4.5 million**, or **0.12%** **0.13%** were delinquent 90 days or more.

The allowance for credit losses is evaluated based upon the combined total of the quantitative and qualitative GVA's. Periodically, the carrying value of loans and factors impacting our credit loss analysis are evaluated and the allowance is adjusted accordingly. While we use the best information available to make evaluations, future additions to the allowance may be necessary based on unforeseen changes in loan quality and economic conditions.

The following table sets forth activity for credit losses segregated by geographic location for the periods indicated. The majority of our Residential Core and Home Today loan portfolios are secured by properties located in Ohio, and therefore were not segregated by state.

		For the Three Months Ended				For the Six Months Ended	
		December 31,		For the Three Months Ended March 31,		March 31,	
		2023	2022	2024	2023		2024
		(Dollars in thousands)		(Dollars in thousands)			
Allowance balance for credit losses on loans (beginning of the period)							
Adoption of ASU 2022-02							

Charge-offs on real estate loans:	
	Total Residential Core
	Total Residential Core
	Total Residential Core
	Total Residential Home Today
	Total Residential Home Today
	Total Residential Home Today
	Home equity loans and lines of credit
	Ohio
	Ohio
	Ohio
	Florida
	California
	Other
	Total Home equity loans and lines of credit
	Total charge-offs
	Total charge-offs
	Total charge-offs
Recoveries on real estate loans:	
	Residential Core
	Residential Core
	Residential Core
	Residential Home Today
	Home equity loans and lines of credit
	Total recoveries
	Total recoveries
	Total recoveries
	Net recoveries
Provision (release) for allowance for credit losses on loans	
Release of allowance for credit losses on loans	
Allowance balance for loans (end of the period)	
Allowance balance for credit losses on unfunded commitments (beginning of the period)	
Allowance balance for credit losses on unfunded commitments (beginning of the period)	



Allowance balance for credit losses on unfunded commitments (beginning of the period)

Provision for credit losses on unfunded loan commitments
Provision for credit losses on unfunded loan commitments
Provision for credit losses on unfunded loan commitments
Provision (release) for credit losses on unfunded loan commitments
Provision (release) for credit losses on unfunded loan commitments
Provision (release) for credit losses on unfunded loan commitments

Allowance balance for unfunded loan commitments (end of the period)

Allowance balance for all credit losses (end of the period)

Ratios:

Allowance for credit losses on loans to non-accrual loans at end of the period
Allowance for credit losses on loans to non-accrual loans at end of the period
Allowance for credit losses on loans to non-accrual loans at end of the period

Allowance for credit losses on loans to non-accrual loans at end of the period	206.25	%	218.22	%	193.37	%	226.75	%	193.37	%
Allowance for credit losses on loans to the total amortized cost in loans at end of the period	0.45	%	0.51	%	0.45	%	0.51	%	0.45	%

The following table sets forth additional information with respect to net recoveries by category for the periods indicated.

	For the Three Months Ended December 31,		For the Three Months Ended December 31,		For the Three Months Ended December 31,				
				2023		2022			
				For the Three Months Ended March 31,		For the Six Months Ended March 31,			
				2024		2023			
Net recoveries to average loans outstanding (annualized)									
Real estate loans:									
Real estate loans:									
Real estate loans:									
Residential Core									
Residential Core									

Residential Core	0.01	%	0.01	%	— %	0.01	%	0.01 %	0.01 %
Residential Home Today									
Home Equity loans and lines of credit									
Total net recoveries to average loans outstanding (annualized)									
Total net recoveries to average loans outstanding (annualized)									
Total net recoveries to average loans outstanding (annualized)	0.03	%	0.05	%	0.03 %	0.03	%	0.03 %	0.04 %

We continue to evaluate loans becoming delinquent for potential losses and record provisions for the estimate of those losses. We reported net recoveries in each quarter for the past five years, primarily due to improvements in the values of collateral properties used to secure loans that were fully or partially charged off after the 2008 collapse of the housing market. Charge-offs are recognized on loans identified as collateral-dependent and subject to individual review when the collateral value does not sufficiently support full repayment of the obligation. Recoveries are recognized on previously charged-off loans as borrowers perform their repayment obligations or as loans with improved collateral positions reach final resolution. During the **three six** months ended **December 31, 2023** **March 31, 2024** and **December 31, 2022** **March 31, 2023**, recoveries exceeded loan charge-offs by **\$1.0 million** **\$2.3 million** and **\$1.7 million** **\$2.9 million**, respectively.

Gross During the six months ended March 31, 2024, total gross charge-offs **increased slightly**, **decreased slightly** compared to the six months ended March 31, 2023. Delinquent loans continue to be evaluated for potential losses and provisions are recorded for the estimate of potential losses of those loans. Subject to changes in the economic environment, a moderate level of charge-offs are expected as delinquent loans are resolved in the future and uncollected balances are charged against the allowance.

During the three months ended **December 31, 2023** **March 31, 2024**, the total allowance for credit losses **decreased** **increased** to **\$94.6 million** **\$94.8 million**, from **\$104.8 million** **\$94.6 million** at **September 30, 2023**, primarily due to the adoption of ASU 2022-02 on October 1, 2023, which eliminated the IVA that was established for TDRs dependent on cash flows. **December 31, 2023**. The total allowance for credit losses is comprised of the asset portion, which is applied to the loan portfolio and the liability portion, which is applied to off-balance sheet exposures, primarily related to undrawn equity exposures. During the three months ended **December 31, 2023** **March 31, 2024**, the asset and liability portions **portion** of the total allowance decreased to **\$69.1 million** **\$68.2 million** from **\$77.3 million** **\$69.1 million**, and the liability portion of the total allowance increased to **\$25.5 million** **\$26.7 million** from **\$27.5 million**, respectively. **\$25.5 million**. We recorded a \$1.0 million net release of allowance for credit losses for the **quarter, period**, consisting of a **\$1.0 million** **\$2.2 million** release of provision on loans and a **\$2.0 million** release of the allowance **\$1.2 million** provision for unfunded commitments.

Because many variables are considered in determining the appropriate level of general valuation allowances, directional changes in individual considerations do not always align with the directional change in the balance of a particular component of the general valuation allowance. Changes in the allowance for credit losses on loan balances during the three months ended **December 31, 2023** **March 31, 2024**, were primarily related to **new growth in the adoption home equity loans and lines** of ASU 2022-02 and credit portfolio, partially offset by a **slight positive upward trend** **decrease** in the **economic forecast**, residential Core portfolio balance primarily due to aging.

The amortized cost of the residential Core portfolio decreased **1.1%** **1.5%**, or **\$129.1 million** **\$179.4 million**, and its total allowance decreased **10.8%** **3.4%** or **\$6.0 million** **\$1.7 million** as of **December 31, 2023** **March 31, 2024**, compared to **September 30, 2023** **December 31, 2023**. The amortized cost of the home equity loans and lines of credit portfolio increased **5.5%** **3.8%**, or **\$167.8 million** **\$122.6 million**, and its total allowance **decreased 2.7%** **increased 2.5%** to **\$23.0 million** from **\$22.4 million** **from \$23.0 million** at **September 30, 2023** **December 31, 2023**. As we are no longer originating loans under our Home Today program, there is an expected net recovery position for this portfolio which was **\$2.6 million** at **March 31, 2024**, and **\$2.8 million** at **December 31, 2023**, and **\$1.2 million** at **September 30, 2023**. Under the CECL methodology, the life of loan concept allows for qualitative adjustments for the expected future recoveries of previously charged-off loans, which is driving the allowance balance for the Home Today loans to be negative. Refer to the "Activity in the Allowance for Credit Losses" and "Analysis of the Allowance for Credit Losses" tables in Note 4. LOANS AND ALLOWANCES FOR CREDIT LOSSES of the NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for more information.

The following tables set forth the allowance for credit losses allocated by loan category, the percent of allowance in each category to the total allowance on loans, and the percent of loans in each category to total loans at the dates indicated. The allowance for credit losses allocated to each category is not necessarily indicative of future losses in any particular category and does not restrict the use of the allowance to absorb losses in other categories. **This table does** **The tables do** not include allowances for credit losses on unfunded loan commitments, which are primarily related to undrawn home equity lines of credit.

		December 31, 2023		
			Percent of Allowance to Total Allowance	Percent of Loans in Category to Total Loans
		Amount		
(Dollars in thousands)				
Real estate loans:				
Residential Core		\$ 49,389	71.5%	78.4%
Residential Home Today		(2,814)	(4.1)	0.3
Home equity loans and lines of credit		22,436	32.5	21.0
Construction		73	0.1	0.3
Allowance for credit losses on loans		\$ 69,084	100.0%	100.0%

		September 30, 2023			December 31, 2022						
		Amount	Percent of Allowance to Total Allowance	Percent of Loans in Category to Total Loans	Amount	Percent of Allowance to Total Allowance	Percent of Loans in Category to Total Loans				
		(Dollars in thousands)					(Dollars in thousands)				
Real estate loans:											
Residential Core											
Residential Core											
Residential Core		\$55,375	71.6%	71.6%		79.4%	\$54,498	73.2%	73.2%	80.3%	
Residential Home Today	Residential Home Today	(1,236)	(1.6)	(1.6)		0.3	(985)	(1.3)	(1.3)	0.4	
Residential Home Today											
Residential Home Today											
Home equity loans and lines of credit	Home equity loans and lines of credit	23,047	29.8	29.8		19.9		20,583	27.6	27.6	18.5
Home equity loans and lines of credit											
Home equity loans and lines of credit											
Construction											
Construction											
Construction	Construction	129	0.2	0.2		0.4		381	0.5	0.5	0.8
Allowance for credit losses on loans											
Allowance for credit losses on loans											
Allowance for credit losses on loans		\$77,315	100.0%	100.0%			\$74,477	100.0%		100.0%	

Loan Portfolio Composition

The following table sets forth the composition of the portfolio of loans held for investment, by type of loan segregated by geographic location, at the indicated dates, excluding loans held for sale. The majority of our Home Today loan portfolio is secured by properties located in Ohio and the balances of other loans are immaterial. Therefore, neither was segregated by geographic location.

Categorized by geographic location:									
		December 31, 2023		September 30, 2023		December 31, 2022			
		Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
		(Dollars in thousands)				(Dollars in thousands)			
Real estate loans:									
Residential Core									
Residential Core									
Residential Core									
Ohio									
Ohio									
Ohio									
Florida									
Florida									
Florida									
Other									
Other									
Other									
Total Residential Core									
Total Residential Core									
Total Residential Core		11,949,511	78.4	78.4	12,078,158	79.4	79.4	11,687,740	80.3
Total Residential Home Today									

[illegible]

Allowance for credit losses on loans
Total loans receivable, net
Total loans receivable, net
Total loans receivable, net

The following table provides the amortized cost and an analysis of our residential mortgage loans disaggregated by refreshed FICO score, year of origination and portfolio at **December 31, 2023** **March 31, 2024**. The Company treats the FICO score information as demonstrating that underwriting guidelines reduce risk rather than as a credit quality indicator utilized in the evaluation of credit risk.

	Revolving Loans Amortized Cost Basis	Revolving Loans Amortized Cost Basis	Revolving Loans Amortized Cost Basis
By fiscal year of origination			
By fiscal year of origination			
By fiscal year of origination			
2024			
2024			
2024			
	(Dollars in thousands)		
	(Dollars in thousands)		
	(Dollars in thousands)		

December 31, 2023
March 31, 2024
Real estate loans:
Real estate loans:
Real estate loans:
Residential Core
Residential Core
Residential Core
<680
<680
<680
680-740
680-740
680-740
741+
741+
741+
Unknown (1)
Unknown (1)
Unknown (1)
Total Residential Core
Total Residential Core
Total Residential Core
Residential Home Today (2)
Residential Home Today (2)
Residential Home Today (2)
<680
<680
<680
680-740
680-740
680-740

741+
741+
741+

Unknown (1)

Unknown (1)

Unknown (1)

Total Residential Home Today
Total Residential Home Today
Total Residential Home Today

Home equity loans and lines of credit

Home equity loans and lines of credit

Home equity loans and lines of credit

<680
<680
<680

680-740

680-740

680-740

741+
741+
741+

Unknown (1)

Unknown (1)

Unknown (1)

Total Home equity loans and lines of credit
Total Home equity loans and lines of credit
Total Home equity loans and lines of credit

Construction

Construction

Construction

<680
<680
<680

680-740

680-740

680-740

741+

741+

741+

Total Construction
Total Construction
Total Construction

Total net real estate loans

Total net real estate loans

Total net real estate loans

(1) Data necessary for stratification is not readily available.

(1) Data necessary for stratification is not readily available.

(1) Data necessary for stratification is not readily available.

(2) No new originations of Home Today loans since fiscal 2016.

(2) No new originations of Home Today loans since fiscal 2016.

(2) No new originations of Home Today loans since fiscal 2016.

The following table provides amortized cost and an analysis of our residential mortgage loans by origination LTV, origination year and portfolio at **December 31, 2023** **March 31, 2024**. LTVs are not updated subsequent to origination except as part of the charge-off process.

	Revolving Loans Amortized Cost Basis	Revolving Loans Amortized Cost Basis	Revolving Loans Amortized Cost Basis
By fiscal year of origination			
By fiscal year of origination			
By fiscal year of origination			
2024			
2024			
2024			
	(Dollars in thousands)		
	(Dollars in thousands)		
	(Dollars in thousands)		

December 31, 2023
December 31, 2023
December 31, 2023
March 31, 2024
March 31, 2024
March 31, 2024
Real estate loans:
Real estate loans:
Real estate loans:
Residential Core
Residential Core
Residential Core
<80%
<80%
<80%
80-89.9%
80-89.9%
80-89.9%
90-100%
90-100%
90-100%
>100%
>100%
>100%
Unknown ⁽¹⁾
Unknown ⁽¹⁾
Unknown ⁽¹⁾
Total Residential Core
Total Residential Core
Total Residential Core
Residential Home Today ⁽²⁾
Residential Home Today ⁽²⁾
Residential Home Today ⁽²⁾
<80%
<80%
<80%
80-89.9%
80-89.9%

80-89.9%
90-100%
90-100%
90-100%
Total Residential Home Today
Total Residential Home Today
Total Residential Home Today

Home equity loans and lines of credit

Home equity loans and lines of credit

Home equity loans and lines of credit

<80%
<80%
<80%
80-89.9%
80-89.9%
80-89.9%
90-100%
90-100%
90-100%
>100%
>100%
>100%
Unknown ⁽¹⁾
Unknown ⁽¹⁾
Unknown ⁽¹⁾

Total Home equity loans and lines of credit

Total Home equity loans and lines of credit

Total Home equity loans and lines of credit

Construction
Construction
Construction
<80%
<80%
<80%
80-89.9%
80-89.9%
80-89.9%

Total Construction

Total Construction

Total Construction

Total net real estate loans
Total net real estate loans
Total net real estate loans

- (1) Market data necessary for stratification is not readily available.
- (1) Market data necessary for stratification is not readily available.
- (1) Market data necessary for stratification is not readily available.
- (2) No new originations of Home Today loans since fiscal 2016.
- (2) No new originations of Home Today loans since fiscal 2016.
- (2) No new originations of Home Today loans since fiscal 2016.

At December 31, 2023 March 31, 2024, the unpaid principal balance of the home equity loans and lines of credit portfolio consisted of \$454.0 million \$478.6 million in home equity loans (including \$64.5 million \$60.8 million of home equity lines of credit, which are in repayment and no longer eligible to be drawn upon, and \$12.0 million \$12.4 million in bridge loans) and \$2.74 billion \$2.84 billion in home equity lines of credit.

The following table sets forth credit exposure, principal balance, percent delinquent 90 days or more, the mean CLTV percent at the time of origination and the current mean CLTV percent of home equity loans, home equity lines of credit and bridge loan portfolio as of **December 31, 2023** **March 31, 2024**. Home equity lines of credit in the draw period are reported according to geographic distribution.

	Credit Exposure		Credit Exposure		Principal Balance		Percent Delinquent 90 Days or More		Mean CLTV Percent at Origination (2)		Current Mean CLTV Percent (3)	
	(Dollars in thousands)		(Dollars in thousands)								(Dollars in thousands)	
Home equity lines of credit in draw period (by state)												
Ohio												
Ohio												
Ohio	\$2,204,259	\$	\$	660,770	0.10	0.10	%	60	%	42	%	\$2,246,520
Florida												
California												
Other (1)												
Total home equity lines of credit in draw period												
Home equity lines in repayment, home equity loans and bridge loans												
Total	Total	\$7,951,755	\$	\$3,197,747	0.12	0.12	%	60	%	46	%	Total \$8,233,27

- (1) No other individual state has a committed or drawn balance greater than 10% of our total home equity lending portfolio and 5% of total loan balances.
- (2) Mean CLTV percent at origination for all home equity lines of credit is based on the committed amount.
- (3) Current Mean CLTV is based on best available first mortgage and property values as of **December 31, 2023** **March 31, 2024**. Property values are estimated using HPI data published by the FHFA. Current Mean CLTV percent for home equity lines of credit in the draw period is calculated using the committed amount. Current Mean CLTV on home equity lines of credit in the repayment period is calculated using the principal balance.

The principal balance of home equity lines of credit in the draw period that have a current mean CLTV over 80% or unknown is **\$12.1 million** **\$25.4 million**, or **0.4%** **0.9%** at **December 31, 2023** **March 31, 2024**. In recognition of the previous past weakness in the housing market, we continue to conduct an expanded loan level evaluation of our home equity lines of credit which are delinquent 90 days or more.

At **December 31, 2023** **March 31, 2024**, **29.6%** **28.5%** of the home equity lending portfolio was either in a first lien position (**15.2%** **(14.7%)**), in a subordinate (second) lien position behind a first lien that we held (**12.0%** **(11.5%)**) or behind a first lien that was held by a loan that we originated, sold and now serviced for others (**2.4%** **(2.3%)**). At **December 31, 2023** **March 31, 2024**, **13.5%** **12.6%** of the home equity line of credit portfolio in the draw period were making only the minimum payment on the outstanding line balance. Minimum payments include both a principal and interest component.

Delinquent Loans

The following tables set forth the amortized cost in loan delinquencies by type, segregated by geographic location and duration of delinquency as of the dates indicated. The majority of our Home Today loan portfolio is secured by properties located in Ohio, and there are no other loans with delinquent balances. There were no delinquencies in the construction loan portfolio as of the dates presented.

<u>December 31, 2023</u>						
<u>December 31, 2023</u>						
<u>December 31, 2023</u>		30-89 Days	90 Days or More	Total		
<u>March 31, 2024</u>						
<u>March 31, 2024</u>						
<u>March 31, 2024</u>		30-89 Days	90 Days or More	Total		
Real estate loans:	Real estate loans:	(Dollars in thousands)	Real estate loans:	(Dollars in thousands)		
Residential Core						
Ohio						
Ohio						
Ohio						
Florida						
Other						
Total Residential Core						
Residential Home Today						
Residential Home Today						
Residential Home Today						
Home equity loans and lines of credit						
Ohio						
Ohio						
Ohio						
Florida						
California						
Other						
Total Home equity loans and lines of credit						
Total						
Total						
Total						
Loans Delinquent for						
<u>September 30, 2023</u>		30-89 Days	90 Days or More	Total		
Real estate loans:	(Dollars in thousands)					
Residential Core						
Ohio	\$	2,616	\$	4,410	\$	7,026
Florida		1,207		1,340		2,547
Other		1,620		2,518		4,138
Total Residential Core		5,443		8,268		13,711
Residential Home Today		989		855		1,844
Home equity loans and lines of credit						
Ohio		910		600		1,510
Florida		973		813		1,786
California		529		790		1,319
Other		1,549		1,673		3,222
Total Home equity loans and lines of credit		3,961		3,876		7,837
Total	\$	10,393	\$	12,999	\$	23,392
Loans Delinquent for						
<u>September 30, 2023</u>		30-89 Days	90 Days or More	Total		
Real estate loans:	(Dollars in thousands)					

Residential Core			
Ohio	\$ 2,616	\$ 4,410	\$ 7,026
Florida	1,207	1,340	2,547
Other	1,620	2,518	4,138
Total Residential Core	5,443	8,268	13,711
Residential Home Today	989	855	1,844
Home equity loans and lines of credit			
Ohio	910	600	1,510
Florida	973	813	1,786
California	529	790	1,319
Other	1,549	1,673	3,222
Total Home equity loans and lines of credit	3,961	3,876	7,837
Total	\$ 10,393	\$ 12,999	\$ 23,392

December 31, 2022	Loans Delinquent for		
	30-89 Days	90 Days or More	Total
Real estate loans:	(Dollars in thousands)		
Residential Core			
Ohio	\$ 3,353	\$ 3,798	\$ 7,151
Florida	4,297	727	5,024
Other	950	3,000	3,950
Total Residential Core	8,600	7,525	16,125
Residential Home Today	1,790	1,179	2,969
Home equity loans and lines of credit			
Ohio	943	698	1,641
Florida	796	844	1,640
California	1,052	589	1,641
Other	984	820	1,804
Total Home equity loans and lines of credit	3,775	2,951	6,726
Total	\$ 14,165	\$ 11,655	\$ 25,820

Total loans seriously delinquent (i.e. delinquent 90 days or more) were **0.10%** **0.09%** of total net loans at **December 31, 2023**, **0.09%** **March 31, 2024** and at September 30, 2023, and **0.08%** at **December 31, 2022**. The percentage of loans seriously delinquent to total net loans increased in the residential Core portfolio to **0.07%** **0.06%** at **December 31, 2023** **March 31, 2024**, from 0.05% at September 30, 2023 and **December 31, 2022**. Such loans in the residential Home Today portfolio remained at 0.01% for **all both** periods. Serious delinquencies in the home equity loans and lines of credit portfolio remained at 0.03% **at March 31, 2024** from September 30, 2023, **but increased from 0.02% at December 31, 2022**.

Although delinquencies remain at or near historic lows, recent economic trends and rising interest rates have led to increased **late stage** delinquencies (**delinquent 90 days or more**) **in the core portfolio and delinquencies overall in the home equity loans and lines of credit portfolio, all portfolios**. Interest rates on home equity lines of credit are tied to the prime rate of interest which has trended upward over the last two years, resulting in higher and less affordable monthly payments for some borrowers.

Non-Performing Assets

The following table sets forth the amortized costs and categories of our non-performing assets at the dates indicated. There were no construction loans reported as non-accrual for the dates presented.

	December 31, 2023
	December 31, 2023

	December 31, 2023	September 30, 2023	December 31, 2022
	March 31, 2024		
	March 31, 2024		
	March 31, 2024		
		(Dollars in thousands)	(Dollars in thousands)
Non-accrual loans:			
Real estate loans:			
Real estate loans:			
Real estate loans:			
Residential Core			
Residential Core			
Residential Core			
Residential Home Today			
Residential Home Today			
Residential Home Today			
Home equity loans and lines of credit			
Home equity loans and lines of credit			
Home equity loans and lines of credit			
Total non-accrual loans			
Total non-accrual loans			
Total non-accrual loans			
Real estate owned			
Real estate owned			
Real estate owned			
Total non-performing assets			
Total non-performing assets			
Total non-performing assets			
Ratios:			
Ratios:			
Ratios:			
Total non-accrual loans to total loans			
Total non-accrual loans to total loans			
Total non-accrual loans to total loans	0.22 %	0.21 %	0.23 %
Total non-accrual loans to total assets	0.20 %	0.19 %	0.21 %
Total non-accrual loans to total assets			
Total non-accrual loans to total assets			
Total non-performing assets to total assets	0.20 %	0.20 %	0.22 %
Total non-performing assets to total assets			
Total non-performing assets to total assets			

The amortized cost of collateral-dependent loans includes loans that have returned to accrual status when contractual payments became less than 90 days past due. These loans continue to be individually evaluated based on collateral until, at a minimum, contractual payments are less than 30 days past due. Also, the amortized cost of non-accrual loans includes loans that are not included in the amortized cost of collateral-dependent loans because they are included in loans collectively evaluated for credit losses.

The table below sets forth a reconciliation of the amortized costs and categories between non-accrual loans and collateral-dependent loans at the dates indicated. The decrease in accruing collateral-dependent loans at December 31, 2023 from December 31, 2022 was primarily related to loans that are now performing according to the terms of their agreement with no charge-off and are no longer collateral-dependent.

	December 31, 2023
--	----------------------

	December 31, 2023
	December 31, 2023
	March 31, 2024
	March 31, 2024
	March 31, 2024
	March 31, 2024
	(Dollars in thousands)
	(Dollars in thousands)
	(Dollars in thousands)

Non-Accrual Loans
Non-Accrual Loans
Non-Accrual Loans
Accruing Collateral-Dependent Loans
Accruing Collateral-Dependent Loans
Accruing Collateral-Dependent Loans
Less: Loans Collectively Evaluated
Less: Loans Collectively Evaluated
Less: Loans Collectively Evaluated
Total Collateral-Dependent loans
Total Collateral-Dependent loans
Total Collateral-Dependent loans

We continue to modify loans to work with borrowers who are experiencing financial difficulty to keep their homes and to preserve neighborhoods. Loan modifications may include interest rate reductions, term extensions (generally including capitalization of delinquent amounts), significant payment delays, other, or a combination thereof. For additional information, refer to Note 4. LOANS AND ALLOWANCES FOR CREDIT LOSSES.

Comparison of Financial Condition at December 31, 2023 March 31, 2024 and September 30, 2023

Total assets increased \$135.8 million\$99.2 million, or 0.8%0.6%, to \$17.05 billion\$17.02 billion at December 31, 2023 March 31, 2024, from \$16.92 billion at September 30, 2023. This increase was mainly the result of an increase in cash and cash equivalents, partially offset by a decreases in loans held for investment, and new loan origination levels exceeding the total of loan sales prepaid expenses and principal repayments, other assets.

Cash and cash equivalents increased \$85.1 million\$127.6 million, or 18.2%27.3%, to \$551.8 million\$594.3 million at December 31, 2023 March 31, 2024, from \$466.7 million at September 30, 2023. Cash is managed to maintain the level of liquidity described later in the Liquidity and Capital Resources section.

Investment securities, all of which are classified as available for sale, increased \$16.9 million\$11.9 million to \$525.2 million\$520.2 million at December 31, 2023 March 31, 2024, from \$508.3 million at September 30, 2023. The increase was the result of an \$8.3 million a \$3.2 million increase in the mortgage-backed securities portfolio, and an \$8.5 million\$8.6 million increase in the balance of U.S. government and agency obligations during the three six months ended December 31, 2023 March 31, 2024. There were no sales of investment securities during the three six months ended December 31, 2023 March 31, 2024.

Mortgage loans held for sale decreased \$2.2 million, or 66.7%, to \$1.1 million at December 31, 2023, from \$3.3 million at September 30, 2023. The decrease is related to loan sales during the period as well as a decrease in new originations.

Loans held for investment, net of deferred loan fees and allowance for credit losses, increased \$41.5 million decreased \$16.1 million, or less than 1%, to \$15.21 billion\$15.15 billion at December 31, 2023 March 31, 2024, from \$15.17 billion at September 30, 2023, as new repayments and sales of mortgage loans held for investment outpaced originations and additional draws on existing accounts exceeded loan sales and repayments, accounts. This increase decrease included a \$130.3 million\$310.2 million, or 1.1%2.6%, decrease in residential mortgage loans to \$11.99 billion\$11.81 billion at December 31, 2023 March 31, 2024, from \$12.12 billion at September 30, 2023. In addition, there was a \$167.2 million\$289.1 million increase in the balance of home equity loans and lines of credit during the three six months ended December 31, 2023 March 31, 2024. During the three six months ended December 31, 2023 March 31, 2024, \$65.9 million\$99.8 million of three- and five-year "Smart Rate" loans were originated while \$207.1 million\$309.1 million of fixed-rate first mortgage loans were originated. Between September 30, 2023 and December 31, 2023 March 31, 2024, the total fixed-rate portion of the first mortgage loan portfolio decreased \$75.8 million\$170.5 million. During the three six months ended December 31, 2023 March 31, 2024, \$87.8 million\$121.3 million of first mortgage loans were sold or committed to sell to Fannie Mae.

Commitments originated for home equity loans, and lines of credit, and bridge loans were \$436.1 million\$915.4 million for the three six months ended December 31, 2023 March 31, 2024, compared to \$362.6 million\$720.0 million for the three six months months December 31, 2022 ended March 31, 2023. At December 31, 2023 March 31, 2024,

pending commitments to originate new home equity loans and lines of credit were \$73.7 million and equity loans and bridge loans were \$64.0 million \$202.9 million. Refer to the *Controlling Our Interest Rate Risk Exposure* section of the *Overview* for additional information.

The allowance for credit losses was \$94.6 million \$94.8 million, or 0.62% 0.63% of total loans receivable, at December 31, 2023 March 31, 2024, including a \$25.5 million \$26.7 million liability for unfunded commitments. The allowance for credit losses was \$104.8 million, or 0.69% of total loans receivable, at September 30, 2023, including a \$27.5 million liability for unfunded commitments. Refer to Note 4. *LOANS AND*

ALLOWANCES FOR CREDIT LOSSES of the *NOTES TO CONSOLIDATED FINANCIAL STATEMENTS* for additional discussion.

The amount of FHLB stock owned increased \$7.6 decreased \$6.7 million or 3.1% 2.7% to \$254.7 \$240.4 million at December 31, 2023 March 31, 2024, from \$247.1 million at September 30, 2023. The increase resulted from \$34.5 million decrease is a result of FHLB stock purchases, offset redemptions by \$26.9 million of FHLB stock redemptions, the FHLB. FHLB collateral requirements on funds borrowed dictate the minimum amount of stock owned at any given time.

Total bank owned life insurance contracts decreased \$0.2 increased \$1.4 million, to \$311.8 \$313.5 million at December 31, 2023 March 31, 2024, from \$312.1 million at September 30, 2023, due to changes in cash surrender value, offset by death benefits paid. received.

Other assets, including prepaid expenses, decreased \$13.9 million \$26.3 million to \$103.4 million \$91.0 million at December 31, 2023 March 31, 2024, from \$117.3 million at September 30, 2023. The decrease was primarily due to decreases of \$17.6 million a \$22.3 million decline in swap margin receivables and a decrease in the federal tax asset of \$3.1 million, which is a liability at December 31, 2023, partially offset by a \$6.8 million increase in deferred taxes and a \$0.9 million increase in interest receivable on swaps. receivable.

Deposits increased \$471.2 million \$485.8 million, or 5.0% 5.1%, to \$9.92 billion \$9.94 billion at December 31, 2023 March 31, 2024, from \$9.45 billion at September 30, 2023. The increase in deposits resulted primarily from a \$680.6 \$868.4 million increase in CDs, inclusive of brokered CDs, as the current market interest rates, product development and marketing have increased customers' desires attracted additional balances and new customers to maintain longer-term CDs, and our CDs. The change also included a \$7.7 \$10.5 million increase in accrued interest payable. The increase was partially offset by a \$99.0 \$194.2 million decrease in savings accounts, excluding money market accounts, a \$65.3 \$106.6 million decrease in money market accounts, and a \$52.8 \$92.3 million decrease in checking accounts. The balance of brokered CDs included in total deposits at December 31, 2023 March 31, 2024, increased by \$322.6 million \$99.1 million to \$1.49 billion \$1.26 billion compared to a balance of \$1.16 billion at September 30, 2023. Based on FDIC insurance limits by ownership structure, the total uninsured deposits were \$324.4 \$335.9 million and \$322.5 million at December 31, 2023 March 31, 2024 and September 30, 2023, respectively.

Borrowed funds decreased \$243.1 million \$318.2 million, or 4.6% 6.0%, to \$5.03 billion \$4.96 billion at December 31, 2023 March 31, 2024, from \$5.27 billion at September 30, 2023. The decrease was primarily due to deposit growth, borrowings being replaced at maturity, when needed, by retail deposits. The total balance of borrowed funds at December 31, 2023 March 31, 2024, all from the FHLB, included \$1.98 billion \$1.83 billion of term advances with a weighted average maturity of 2.3 2.2 years and \$3.03 billion \$3.10 billion of short-term advances aligned with interest rate swap contracts. Interest rate swaps have been used to extend the duration of short-term borrowings, at inception, by paying a fixed rate of interest and receiving the variable rate. Refer to the *Extending the Duration of Funding Sources* section of the *Overview* for additional discussion regarding short-term borrowings and interest-rate swaps.

Borrowers' advances for insurance and taxes decreased by \$15.3 \$24.9 million to \$109.1 million \$99.5 million at December 31, 2023 March 31, 2024, from \$124.4 million at September 30, 2023. This change primarily reflects the cyclical nature of real estate tax payments that have been collected from borrowers and are in the process of being remitted to various taxing agencies.

Accrued expenses and other liabilities decreased by \$15.8 \$19.8 million to \$97.2 \$93.1 million at December 31, 2023 March 31, 2024, from \$112.9 million at September 30, 2023. The decrease is primarily due to a \$13.2 million \$10.8 million decrease in deferred income taxes, which are an asset at December 31, 2023, a \$2.5 million decrease in the provision for unfunded commitments, a \$1.6 million \$1.7 million decrease in bonus accrual, accruals, and a \$2.9 million \$4.1 million decrease in real estate tax payments remitted on behalf of borrowers, offset by a \$2.0 million increase in federal tax liability. borrowers.

Total shareholders' equity decreased \$60.6 million \$19.9 million, or 3.1% 1.0%, to \$1.87 billion \$1.91 billion at December 31, 2023 March 31, 2024, from \$1.93 billion at September 30, 2023. Activity reflects \$20.7 million \$41.4 million of net income in the current year reduced by dividends of \$14.6 million \$29.4 million. Other changes include \$75.0 million \$42.8 million of net negative change in accumulated other comprehensive income, primarily related to changes in market values due to fluctuations in market interest rates and maturities of swap contracts, and a \$7.9 increase related to a change in accounting principle, ASU 2022-02, net of tax. During the three six months ended December 31, 2023 March 31, 2024, we did not

repurchase shares of our common stock. The Company's eighth stock repurchase program allows for a total of 10,000,000 shares to be repurchased, with 5,191,951 shares remaining to be repurchased at December 31, 2023 March 31, 2024. As a result of a mutual member vote, Third Federal Savings and Loan Association of Cleveland, MHC (the "MHC"), the mutual holding company that owns approximately 80.9% of the outstanding stock of the Company, was able to waive its receipt of its share of the dividend paid. Refer to Part II, Item 2. *Unregistered Sales of Equity Securities and Use of Proceeds* for additional details regarding the repurchase of shares of common stock and the dividend waiver.

Comparison of Operating Results for the Three Months Ended December 31, 2023 March 31, 2024 and 2022 2023

Average Balances and Yields. The following table sets forth average balances, average yields and costs, and certain other information for the periods indicated. No tax-equivalent yield adjustments were made, as the effects thereof were not material. Average balances are derived from daily average balances. Non-accrual loans are included in the computation of loan average balances, but only cash payments received on those loans during the period presented are reflected in the yield. The yields set forth below include the effect of deferred fees, deferred expenses, discounts and premiums that are amortized or accreted to interest income or interest expense.

Three Months Ended						Three Months Ended						Three Months Ended					
December 31, 2023						December 31, 2022											
March 31, 2024						March 31, 2023											
	Average Balance	Interest Income/ Expense		Yield/ Cost (1)		Average Balance	Interest Income/ Expense		Yield/ Cost (1)								
(Dollars in thousands)																	
Interest-earning assets:																	
Interest-earning cash equivalents																	
Interest-earning cash equivalents																	
Interest-earning cash equivalents	\$ 398,506	\$ 5,124	5.14	5.14	%	\$354,214	\$ 3,249	3.67	3.67	%							
Investment securities																	
Mortgage-backed securities																	
Loans (2)																	
Federal Home Loan Bank stock																	
Total interest-earning assets	16,410,584	177,159	177,159	4.32	4.32	%	15,437,763	138,970	138,970	3.60	3.60	%	Total interest-earning assets				
Noninterest-earning assets																	
Total assets																	
Total assets																	
Total assets																	
Interest-bearing liabilities:																	
Interest-bearing liabilities:																	
Interest-bearing liabilities:																	
Checking accounts																	
Checking accounts																	
Checking accounts	\$ 937,817	118	118	0.05	0.05	%	\$ 1,184,896	2,410	2,410	0.81	0.81	%					
Savings accounts																	
Certificates of deposit																	
Borrowed funds																	

Total interest-bearing liabilities	Total interest-bearing liabilities	14,735,004	108,067	108,067	2.93	2.93 %	13,797,319	63,813	63,813	1.85	1.85 %	Total interest-bearing liabilities
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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

Net interest income

Net interest income

Net interest income

Interest rate spread (1)
(3)
Interest rate spread (1)
(3)
Interest rate spread (1)
(3)



Net interest-earning assets (4)

Net interest margin (1)
(5)
Net interest margin (1)
(5)
Net interest margin (1)
(5)

Average interest-earning assets to average interest-bearing liabilities

Average interest-earning assets to average interest-bearing liabilities

Average interest-earning assets to average interest-bearing liabilities

Selected performance ratios:
Selected performance ratios:
Selected performance ratios:

Return on average
assets (1)

Return on average
assets (1)

Return on average
assets (1)

Return on average
equity (1)

Return on average
equity (1)

Return on average
equity (1)

Average equity to
average assets

Average equity to
average assets

Average equity to
average assets

- (1) Annualized.
- (2) Loans include both mortgage loans held for sale and loans held for investment.
- (3) Interest rate spread represents the difference between the yield on average interest-earning assets and the cost of average interest-bearing liabilities.

- (4) Net interest-earning assets represent total interest-earning assets less total interest-bearing liabilities.
- (5) Net interest margin represents net interest income divided by total interest-earning assets.

General. Net income decreased \$1.5 million increased \$4.8 million, or 7% 30%, to \$20.7 million for the quarter ended December 31, 2023 March 31, 2024, from \$22.2 million \$15.9 million for the quarter ended December 31, 2022 March 31, 2023. The decrease increase in net income was attributable primarily to a decrease an increase in net interest income partially offset by an increase in non-interest income and a decrease in non-interest expense, decreases related to compensation and marketing expenses.

Interest and Dividend Income. Interest and dividend income increased \$38.2 million \$35.9 million, or 27% 24%, to \$177.2 million \$183.5 million during the current quarter compared to \$139.0 million \$147.6 million during the same quarter in the prior year. The increase in interest and dividend income was primarily the result of an increase in interest income on loans, as well as increases to income earned on mortgage-backed securities, FHLB stock, and other interest-bearing cash equivalents.

Interest income on loans increased \$32.3 million \$26.2 million, or 25% 19%, to \$162.0 million \$163.0 million during the current quarter compared to \$129.7 million \$136.8 million during the same quarter in the prior year. This change was primarily attributed to a 66 53 basis point increase in the average yield on loans for the quarter ended December 31, 2023 March 31, 2024, to 4.26% 4.30%, compared to 3.60% 3.77% the same quarter last year. It was also attributed to a 6% 4%, or \$835.7 million \$645.4 million, increase in the average balance of loans to \$15.23 billion \$15.16 billion for the quarter ended December 31, 2023 March 31, 2024, compared to \$14.40 billion \$14.52 billion during the same quarter last year as new loan production exceeded principal repayments and loan sales during over the current quarter, past year.

Interest Expense. Interest expense increased \$44.3 million \$33.8 million, or 69% 43%, to \$108.1 million \$112.1 million during the current quarter compared to \$63.8 million \$78.3 million during the quarter ended December 31, 2022 March 31, 2023. The increase primarily resulted from higher costs of certificates of deposit and borrowed funds.

Interest expense on CDs, net of related interest rate swap contracts, increased \$33.6 million \$34.4 million, or 142% 105%, to \$57.3 million \$67.0 million during the current quarter compared to \$23.7 million \$32.6 million during the quarter ended December 31, 2022 March 31, 2023. The increase was attributed to a 176 141 basis point increase in the average rate paid on CDs to 3.35% 3.55% for the current quarter from 1.59% 2.14% for the same quarter last year. Additionally, there was a \$874.6 million \$1.44 billion, or 14.6% 23.5%, increase in the average balance of CDs to \$6.85 billion \$7.55 billion during the current quarter from \$5.97 billion \$6.11 billion during the same quarter of the prior year. Interest rates were on deposits generally increased on deposits in response to increases in market interest rates, as well as the higher rates paid by our competition.

Interest expense on borrowed funds, net of related interest rate swap contracts, increased \$9.7 million \$1.0 million, or 29% 3%, to \$43.7 million \$39.4 million during the current quarter compared to \$34.0 million \$38.4 million during the quarter ended December 31, 2022 March 31, 2023. This increase was mainly attributed to a 56 13 basis point increase in the average rate paid on these funds, to 3.35% 3.13% for the current quarter from 2.79% 3.00% for the same quarter last year. In addition, the average balance of borrowed funds increased \$355.1 million decreased \$79.5 million, or 7% 2%, to \$5.23 billion \$5.03 billion during the current quarter from an average balance of \$4.87 billion \$5.11 billion during the same quarter of the prior year. Refer to the *Extending the Duration of Funding Sources* section of the *Overview and Comparison of Financial Condition* for further discussion.

Net Interest Income. Net interest income decreased \$6.1 million increased \$2.1 million to \$69.1 million \$71.4 million during the current quarter when compared to \$75.2 million \$69.3 million for the three months ended December 31, 2022 March 31, 2023. Both the average balance and the yield of interest earning assets increased when compared to

the same period last year. And to a lesser extent, there was also an increase in the cost of interest-bearing liabilities when compared to the same period last year.

Average interest-earning assets during the current quarter increased \$972.8 million \$1.07 billion, or 6% 7%, when compared to the quarter ended December 31, 2022 March 31, 2023. The increase in average interest-earning assets was attributed primarily to an increase in the average balances of loans. In addition to the increase in average interest-earning assets, the yield on those assets increased 72 62 basis points to 4.32% 4.41% from 3.60% 3.79%, as a result of market interest rate increases. The interest rate spread decreased 36 13 basis points to 1.39% 1.43% compared to 1.75% 1.56% during the same quarter last year. The net interest margin decreased 27 seven basis points to 1.68% 1.71% in the current quarter compared to 1.95% 1.78% for the same quarter last year. The decrease in our interest rate spread and net interest margin is primarily due to the impact of a prolonged period of historically low interest rates followed by a rapid and meaningful substantial rise in interest rates, that started in March 2022, along with an extended period of yield curve inversion. Refer to *Controlling Our Interest Rate Risk Exposure* of the *Overview* section for further discussion.

Provision (Release) for Credit Losses. We recorded a release of the allowance for credit losses of \$1.0 million on loans and off-balance sheet exposures during each of the quarters ended December 31, 2023 March 31, 2024 and December 31, 2022 March 31, 2023. As delinquencies in the portfolio have been resolved through pay-offs, short sale or foreclosure, or management determines the collateral is not sufficient to satisfy the loan balance, uncollected balances have been charged against the allowance for credit losses previously provided. Recoveries of amounts charged against the allowance for credit losses occur when collateral values increase and homes are sold or when borrowers repay the amounts previously charged-off. In the current quarter, we recorded net recoveries of \$1.0 million \$1.3 million compared to net recoveries of \$1.7 million \$1.2 million in the quarter ended December 31, 2022 March 31, 2023. Credit loss provisions (releases) are recorded with the objective of aligning our allowance for credit loss balances with our current estimates of loss in

the portfolio. Refer to the *Lending Activities* section of Item 2. and Note 4. *LOANS AND ALLOWANCES FOR CREDIT LOSSES* of the *NOTES TO CONSOLIDATED FINANCIAL STATEMENTS* for further discussion.

Non-Interest Income. Non-interest income increased \$1.1 million \$0.4 million, or 21% 8%, to \$6.3 million \$5.7 million during the current quarter compared to \$5.2 million \$5.3 million during the quarter ended December 31, 2022, mainly as a result of a \$1.0 million increase in the cash surrender value and death benefits from bank owned life insurance, to \$3.2 million during the quarter ended December 31, 2023, from \$2.2 million during the quarter ended December 31, 2022 March 31, 2023.

Non-Interest Expense. Non-interest expense decreased \$2.9 million \$3.4 million, or 5% 6%, to \$50.3 million \$52.2 million during the current quarter compared to \$53.2 million \$55.6 million during the quarter ended December 31, 2022 March 31, 2023. The decrease primarily consisted of a \$3.3 \$1.6 million decrease in marketing expenses, a \$1.0 million increase in FDIC premiums, and a \$0.6 million increase in other operating

expenses, partially offset by a \$1.3 \$2.9 million decrease in salaries and employee benefits, related to partially offset by a decrease \$0.5 million increase in discretionary incentive payments. FDIC premiums.

Income Tax Expense. The provision for income taxes decreased \$0.5 million increased \$1.1 million to \$5.4 million \$5.2 million during the current quarter compared to \$5.9 million \$4.1 million during the quarter ended December 31, 2022 March 31, 2023. The provision for the current quarter included \$5.1 million \$4.7 million of federal income tax provision and \$0.3 million \$0.5 million of state income tax expense. The provision for the quarter ended December 31, 2022 March 31, 2023, included \$5.3 million \$3.7 million of federal income tax provision and \$0.6 \$0.4 million of state income tax expense. Our effective federal tax rate was 19.8% 18.4% and 19.3% during the quarters ended December 31, 2023 March 31, 2024 and December 31, 2022 March 31, 2023, respectively.

Comparison of Operating Results for the Six Months Ended March 31, 2024 and 2023

Average balances and yields. The following table sets forth average balances, average yields and costs, and certain other information for the periods indicated. No tax-equivalent yield adjustments were made, as the effects thereof were not material. Average balances are derived from daily average balances. Non-accrual loans are included in the computation of loan average balances, but only cash payments received on those loans during the period presented are reflected in the yield. The yields set forth below include the effect of deferred fees, deferred expenses, discounts and premiums that are amortized or accreted to interest income or interest expense.

	Six Months Ended March 31, 2024			Six Months Ended March 31, 2023		
	Average Balance	Interest Income/ Expense	Yield/ Cost (1)	Average Balance	Interest Income/ Expense	Yield/ Cost (1)
(Dollars in thousands)						
Interest-earning assets:						
Interest-earning cash equivalents	\$ 559,581	\$ 15,043	5.38 %	\$ 352,325	\$ 7,196	4.08 %

Investment securities	68,435	1,757	5.13	3,634	22	1.21
Mortgage-backed securities	446,532	7,114	3.19	469,933	6,495	2.76
Loans (2)	15,197,767	325,005	4.28	14,457,228	266,500	3.69
Federal Home Loan Bank stock	257,550	11,733	9.11	224,889	6,309	5.61
Total interest-earning assets	16,529,865	360,652	4.36 %	15,508,009	286,522	3.70 %
Noninterest-earning assets	529,303			506,658		
Total assets	\$ 17,059,168			\$ 16,014,667		
Interest-bearing liabilities:						
Checking accounts	\$ 912,701	216	0.05 %	\$ 1,156,728	4,639	0.80 %
Savings accounts	1,641,398	12,510	1.52	1,717,235	8,735	1.02
Certificates of deposit	7,197,898	124,285	3.45	6,041,692	56,357	1.87
Borrowed funds	5,130,746	83,171	3.24	4,992,956	72,366	2.90
Total interest-bearing liabilities	14,882,743	220,182	2.96 %	13,908,611	142,097	2.04 %
Noninterest-bearing liabilities	245,503			233,257		
Total liabilities	15,128,246			14,141,868		
Shareholders' equity	1,930,922			1,872,799		
Total liabilities and shareholders' equity	\$ 17,059,168			\$ 16,014,667		
Net interest income		\$ 140,470			\$ 144,425	
Interest rate spread (1)(3)			1.40 %			1.66 %
Net interest-earning assets (4)	\$ 1,647,122			\$ 1,599,398		
Net interest margin (1)(5)		1.70 %			1.86 %	
Average interest-earning assets to average interest-bearing liabilities	111.07 %			111.50 %		
Selected performance ratios:						
Return on average assets (1)		0.49 %			0.48 %	
Return on average equity (1)		4.29 %			4.07 %	
Average equity to average assets		11.32 %			11.69 %	

(1) Annualized.

(2) Loans include both mortgage loans held for sale and loans held for investment.

(3) Interest rate spread represents the difference between the yield on average interest-earning assets and the cost of average interest-bearing liabilities.

(4) Net interest-earning assets represent total interest-earning assets less total interest-bearing liabilities.

(5) Net interest margin represents net interest income divided by total interest-earning assets.

General. Net income increased \$3.3 million to \$41.4 million for the six months ended March 31, 2024, compared to \$38.1 million for the six months ended March 31, 2023. The increase in net income was primarily driven by an increase in non-interest income and decreases in compensation and marketing expenses, partially offset by a decrease in net interest income.

Interest and Dividend Income. Interest and dividend income increased \$74.2 million, or 26%, to \$360.7 million during the six months ended March 31, 2024, compared to \$286.5 million during the same six months in the prior year. The increase in interest and dividend income resulted mainly from an increase in interest income on loans, other interest earning assets, as well as increases in income earned on FHLB stock.

Interest income on loans increased \$58.5 million, or 22%, to \$325.0 million for the six months ended March 31, 2024, compared to \$266.5 million for the six months ended March 31, 2023. This increase was attributed mainly to an 59 basis point increase in the average yield on loans to 4.28% for the six months ended March 31, 2024, from 3.69% for the same six months in the prior fiscal year. Adding to the increase was a \$740.5 million increase in the average balance of loans to \$15.20 billion for the current six months compared to \$14.46 billion for the prior fiscal year period as new loan production exceeded repayments and loan sales during the current fiscal year.

Interest Expense. Interest expense increased \$78.1 million, or 55%, to \$220.2 million during the current six months compared to \$142.1 million during the six months ended March 31, 2023. This increase mainly resulted from an increase in yields and average volume of deposits and borrowed funds.

Interest expense on CDs, net of related interest rate swap contracts, increased \$67.9 million, or 120%, to \$124.3 million during the six months ended March 31, 2024, compared to \$56.4 million during the six months ended March 31, 2023. The increase was attributed primarily to a 158 basis point increase in the average rate paid on CDs to 3.45% during the current six months from 1.87% during the same six months last fiscal year. In addition, there was a \$1.16 billion, or 19%, increase in the average balance of CDs to \$7.20 billion from \$6.04 billion during the same six months of the prior fiscal year. Interest expense on savings accounts increased \$3.8 million to \$12.5 million during the six

months ended March 31, 2024, compared to interest expense of \$8.7 million for the six-month period ended March 31, 2023. Interest expense on checking accounts decreased \$4.4 million to \$0.2 million during the six months ended March 31, 2024, compared to interest expense of \$4.6 million for the six-month period ended March 31, 2023. Rates were increased for deposits in response to increases in market interest rates, as well as increases in the rates paid by our competitors.

Interest expense on borrowed funds, net of related interest rate swap contracts, increased \$10.8 million, or 15%, to \$83.2 million during the six months ended March 31, 2024, from \$72.4 million during the six months ended March 31, 2023. The increase was primarily the result of higher average interest rates for the six months ended March 31, 2024. There was a 34 basis point increase in the average rate paid for these funds to 3.24% from 2.90% for the six months ended March 31, 2024 and March 31, 2023, respectively. The average balance of borrowed funds increased \$137.8 million, or 3%, to \$5.13 billion during the current six months from \$4.99 billion during the same six months of the prior fiscal year. Refer to the *Extending the Duration of Funding Sources* section of the Overview and Comparison of Financial Condition for further discussion.

Net Interest Income. Net interest income decreased \$3.9 million, or 3%, to \$140.5 million during the six months ended March 31, 2024, from \$144.4 million during the six months ended March 31, 2023. The net decrease consisted of a \$74.2 million increase in interest income offset by a \$78.1 million increase in interest expense.

Average interest-earning assets increased during the current six months by \$1.02 billion, or 7%, to \$16.53 billion when compared to the six months ended March 31, 2023. The increase in average assets was attributed primarily to a \$740.5 million increase in the average balance of our loans, a \$32.7 million increase in FHLB stock and a \$207.3 million increase in interest-bearing cash equivalents. The yield on average interest-earning assets increased 66 basis points to 4.36% for the six months ended March 31, 2024, from 3.70% for the six months ended March 31, 2023. Average interest-bearing liabilities increased \$974.1 million to \$14.88 billion for the six months ended March 31, 2024, compared to \$13.91 billion for the six months ended March 31, 2023. Average interest-bearing liabilities experienced a 92 basis point increase in cost and the interest rate spread decreased 26 basis points to 1.40% compared to 1.66% during the same six months last fiscal year. The net interest margin was 1.70% for the current six months and 1.86% for the same six months in the prior fiscal year period.

Provision (Release) for Credit Losses. We recorded a release of the allowance for credit losses on loans and off-balance sheet exposures of \$2.0 million during the six months ended March 31, 2024, and March 31, 2023. In the current six months, we recorded net recoveries of \$2.3 million, as compared to net recoveries of \$2.9 million for the six months ended March 31, 2023. Credit loss provisions (releases) are recorded with the objective of aligning our allowance for credit loss balances with our current estimates of loss in the portfolio. As delinquencies in the portfolio have been resolved through pay-off, short sale or foreclosure, or management determines the collateral is not sufficient to satisfy the loan balance, uncollected balances have been charged against the allowance for credit losses previously provided. Refer to the *Lending Activities* section of the

Overview and Note 4. **LOANS AND ALLOWANCES FOR CREDIT LOSSES** of the **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS** for further discussion.

Non-Interest Income. Non-interest income increased \$1.5 million, or 14%, to \$12.0 million during the six months ended March 31, 2024, compared to \$10.5 million during the six months ended March 31, 2023. The increase in non-interest income was primarily due to a \$1.0 million increase in cash surrender value and death benefits from bank owned life insurance, a \$0.3 million increase in the net gain on sale of loans, offset by a \$0.3 million decrease in loan fees and service charges. There were loan sales of \$121.3 million during the six months ended March 31, 2024, compared to loan sales of \$34.6 million during the six months ended March 31, 2023.

Non-Interest Expense. Non-interest expense decreased \$6.3 million, or 6%, to \$102.5 million during the six months ended March 31, 2024 compared to \$108.8 million during the six months ended March 31, 2023. This decrease was driven by a \$4.2 million decrease in salaries and employee benefits, a \$4.9 million decrease in marketing expenses, partially offset by a \$1.6 million increase in federal insurance premiums and a \$0.7 million increase in other operating expenses.

Income Tax Expense. The provision for income taxes increased \$0.6 million to \$10.6 million during the six months ended March 31, 2024 from \$10.0 million for the six months ended March 31, 2023 reflecting the higher level of pre-tax income during the more recent period. The provision for the current six months included \$9.8 million of federal income tax provision and \$0.8 million of state income tax provision. The provision for the six months ended March 31, 2023 included \$9.0 million of federal income tax provision and \$1.1 million of state income tax provision. Our effective federal tax rate was 19.1% during the six months ended March 31, 2024 and 19.0% during the six months ended March 31, 2023.

Liquidity and Capital Resources

Liquidity is the ability to meet current and future financial obligations of a short-term nature. Our primary sources of funds consist of deposit inflows, loan repayments, advances from the FHLB of Cincinnati, borrowings from the FRB-Cleveland Discount Window, overnight Fed Funds through various arrangements with other institutions, proceeds from brokered CD transactions, principal repayments and maturities of securities, and sales of loans.

In addition to the primary sources of funds described above, we have the ability to obtain funds through the use of collateralized borrowings in the wholesale markets, and from sales of securities. Also, debt issuance by the Company and access to the equity capital markets via a supplemental minority stock offering or a full conversion (second-step) transaction remain as other potential sources of liquidity, although these channels generally require up to nine months of lead time.

While maturities and scheduled amortization of loans and securities are predictable sources of funds, deposit flows and mortgage prepayments are greatly influenced by interest rates, economic conditions and competition. The Association's Asset/Liability Management Committee is responsible for establishing and monitoring our liquidity targets and strategies in order to ensure that sufficient liquidity exists for meeting the borrowing needs and deposit withdrawals of our customers as well as unanticipated contingencies. We generally seek to maintain a minimum liquidity ratio of 5% (which we compute as the sum of the average cash and cash equivalents plus unencumbered investment securities for which ready markets exist, divided by total average assets). For the three months ended December 31, 2023 March 31, 2024, our liquidity ratio averaged 6.07% 6.44%. We believe that we had sufficient sources of liquidity to satisfy our short- and long-term liquidity needs as of December 31, 2023 March 31, 2024.

We regularly adjust our investments in liquid assets based upon our assessment of expected loan demand, expected deposit flows, yields available on interest-earning deposits and securities, scheduled liability maturities and the objectives of our asset/liability management program. Excess liquid assets are generally invested in interest-earning deposits and short- and intermediate-term securities.

Our most liquid assets are cash and cash equivalents. The levels of these assets are dependent on our operating, financing, lending and investing activities during any given period. At **December 31, 2023** **March 31, 2024**, cash and cash equivalents totaled **\$551.8 million** **\$594.3 million**, which represented an increase of **18%** **27%** from \$466.7 million at September 30, 2023.

Investment securities classified as available-for-sale, which provide additional sources of liquidity, totaled **\$525.2 million** **\$520.2 million** at **December 31, 2023** **March 31, 2024**.

During the **three-month** **six-month** period ended **December 31, 2023** **March 31, 2024**, loan sales, including commitments to sell, totaled **\$87.8 million** **\$121.3 million**, which included sales to Fannie Mae, consisting of **\$79.2 million** **\$105.3 million** of long-term, fixed-rate, agency-compliant, non-Home Ready first mortgage loans and **\$8.6 million** **\$16.0 million** of loans that qualified under Fannie Mae's Home Ready initiative. At **December 31, 2023** **March 31, 2024**, **\$1.1** **\$9.7** million of long-term, fixed-rate residential first mortgage loans were classified as "held for sale".

Our cash flows are derived from operating activities, investing activities and financing activities as reported in our *CONSOLIDATED STATEMENTS OF CASH FLOWS*.

At **December 31, 2023** **March 31, 2024**, we had **\$207.0 million** **\$277.7 million** in outstanding commitments to originate loans. In addition to commitments to originate loans, we had **\$4.75 billion** **\$4.91 billion** in unfunded home equity lines of credit to borrowers. CDs due within one year of **December 31, 2023** **March 31, 2024**, totaled **\$4.12 billion** **\$4.41 billion**, or **41.5%** **44.4%** of total deposits. If these deposits do not remain with us, we will be required to seek other sources of funds, including loan sales, sales of investment securities, other deposit products, including new CDs, brokered CDs, FHLB advances, borrowings from the FRB-Cleveland Discount Window or other collateralized borrowings. Depending on market conditions, we may be required to pay higher rates on such deposits or other borrowings than we currently pay on the CDs due on or before **December 31, 2024** **March 31, 2025**. We believe, however, based on past experience, that a significant portion of such deposits will remain with us. Generally, we have the ability to attract and retain deposits by adjusting the interest rates offered.

Our primary investing activities are originating residential mortgage loans, home equity loans and lines of credit and purchasing investment securities. During the **three** **six** months ended **December 31, 2023** **March 31, 2024**, we originated **\$273.0 million** **\$408.8 million** of residential mortgage loans, and **\$436.1 million** **\$915.4 million** of commitments for home equity loans and lines of credit, while during the **three** **six** months ended **December 31, 2022** **March 31, 2023**, we originated **\$485.5 million** **\$821.9 million** of residential mortgage loans and **\$362.6 million** **\$720.0 million** of commitments for home equity loans and lines of credit. We purchased **\$80.8 million** **\$96.7 million** of securities during the **three** **six** months ended **December 31, 2023** **March 31, 2024**, and **\$40.3 million** **\$63.7 million** during the **three** **six** months ended **December 31, 2022** **March 31, 2023**. Also, during the **three** **six** months ended **December 31, 2023** **March 31, 2024**, we purchased **\$31.7 million** **\$85.8 million** of long-term, fixed-rate first mortgage loans.

Financing activities consist primarily of changes in deposit accounts, changes in the balances of principal and interest owed on loans serviced for others, FHLB advances, including any collateral requirements related to interest rate swap agreements and borrowings from the FRB-Cleveland Discount Window. We experienced a net increase in total deposits of **\$471.2 million** **\$485.8 million** during the **three** **six** months ended **December 31, 2023** **March 31, 2024**, which reflected the active management of the offered rates on maturing CDs, compared to a net increase of **\$92.0 million** **\$78.2 million** during the **three** **six** months ended **December 31, 2022** **March 31, 2023**. Deposit flows are affected by the overall level of interest rates, the interest rates and products offered by us and our local competitors, and by other factors. During the **three** **six** months ended **December 31, 2023** **March 31, 2024**, there was a **\$322.6** **\$99.1** million increase in the balance of brokered CDs (exclusive of acquisition costs and subsequent amortization), which had a balance of **\$1.49 billion** **\$1.26 billion** at **December 31, 2023** **March 31, 2024**. At **December 31, 2022** **March 31, 2023**, the balance of brokered CDs was **\$650.1 million** **\$556.8 million**. Principal and interest owed on loans serviced for others experienced a net decrease of **\$0.6 million** **\$3.9 million** to **\$29.2 million** **\$25.9 million** during the **three** **six** months ended **December 31, 2023** **March 31, 2024**, compared to a net decrease of **\$1.4 million** **\$2.7 million** to **\$28.5 million** **\$27.2 million** during the **three** **six** months ended **December 31, 2022** **March 31, 2023**. During the **three** **six** months ended **December 31, 2023** **March 31, 2024**, we decreased our total borrowings by **\$243.1 million** **\$318.2 million** as we funded: new loan originations, our capital initiatives, and actively managed our liquidity ratio. During the **three** **six** months ended **December 31, 2022** **March 31, 2023**, our total borrowings increased by **\$194.1** **\$411.7** million.

Liquidity management is both a daily and long-term function of business management. If we require funds beyond our ability to generate them internally, borrowing agreements exist with the FHLB of Cincinnati and the FRB-Cleveland Discount Window, and arrangements with other institutions to purchase overnight Fed Funds, each of which provides an additional source of funds. On December 19, 2023, the FHLB of Cincinnati, subsequent to revising their Credit Policy Manual in September 2023 to decrease the allowable borrowing limit from 50% to 40% of total assets, provided an exception to increase the Association's allowable borrowing limit to 45% of total assets. The exception requires the Association to maintain compliance with certain credit and regulatory criteria. In order to ensure adequate borrowing capacity with the FHLB, the Company has started replacing a portion of its 90-day FHLB advances with like-term brokered deposits. In March 2023, as a result of two recent bank failures, the Federal Reserve created the BTFP as an additional source of liquidity. The program offers loans up to one year in length against pledges of high-quality securities, such as U.S. Treasuries, agency debt and mortgage-backed securities, owned as of March 21, 2023. The BTFP **is currently scheduled to end** **ceased extending new loans** on March 11, 2024.

In December 2023, the Association received notice from the FHLB of Cincinnati that, effective January 19, 2024, the Association will be placed on restriction by the FHFA due to a second consecutive "Needs Improvement" rating, received on our CRA exam covering the period ended December 31, 2019. During the period of restriction, the Association will not have access to long-term advances (advances with a term greater than one year) from the FHLB of Cincinnati and will not be eligible for participation in the Bank's Affordable Housing Program or other Community Investment Cash Advance programs. With certain exceptions, the restriction will remain in place until the Association receives a "Satisfactory" or better rating on a CRA exam and otherwise complies with standards established by the FHFA's Community Support Regulation. Existing advances and future advances with a term of one year or less, including 90 day advances used to facilitate longer term interest rate swap agreements, will not be affected. **We** **In addition to interest rate swap agreements, we have the ability to obtain funding with terms greater than one year through retail and brokered CDs, generally at market rates of interest similar to other long-term funding alternatives.** Therefore, we expect **no impact to** our ability to access **funding**, long-term funding to continue, and our funding alternatives will not have a material impact to our **funding costs, interest margin and spreads.**

At **December 31, 2023** **March 31, 2024**, we had **\$5.01 billion** **\$4.93 billion** of FHLB of Cincinnati advances, no outstanding borrowings from the FRB-Cleveland Discount Window and no outstanding borrowings in the form of Fed Funds. During the **three six** months ended **December 31, 2023** **March 31, 2024**, we had average outstanding advances from the FHLB of Cincinnati of **\$5.23 billion** **\$5.13 billion**, as compared to average outstanding advances of **\$4.87 billion** **\$4.99 billion** during the **three six** months ended **December 31, 2022** **March 31, 2023**. Refer to the *Extending the Duration of Funding Sources* section of the *Overview* for further discussion.

The Association and the Company are subject to various regulatory capital requirements, including a risk-based capital measure. The Basel III capital framework ("Basel III Rules") includes both a revised definition of capital and guidelines for calculating risk-weighted assets by assigning balance sheet assets and off-balance sheet items to broad risk categories.

In 2019, a final rule adopted by the federal banking agencies provided banking organizations with the option to phase in, over a three-year period, the adverse day-one regulatory capital effects of the adoption of the CECL accounting standard. In 2020, as part of its response to the impact of COVID-19, U.S. federal banking regulatory agencies issued a final rule which provides banking organizations that implement CECL during the 2020 calendar year the option to delay for two years an estimate of CECL's effect on regulatory capital, relative to the incurred loss methodology's effect on regulatory capital, followed by a three-year transition period, which the Association and Company have adopted. During the two-year delay, the Association and Company added back to CET1 100% of the initial adoption impact of CECL, plus 25% of the cumulative quarterly changes in the allowance for credit losses. After two years, the quarterly transitional amounts, along with the initial adoption impact of CECL, are deemed to be fixed and will be phased out of CET1 capital over the three-year **period, period ending in 2025**.

The Association is subject to the "capital conservation buffer" requirement level of 2.5%. The requirement limits capital distributions and certain discretionary bonus payments to management if the institution does not hold a "capital conservation buffer" in addition to the standard minimum capital requirements. At **December 31, 2023** **March 31, 2024**, the Association exceeded the regulatory requirement for the "capital conservation buffer".

As of **December 31, 2023** **March 31, 2024**, the Association exceeded all regulatory requirements to be considered "Well Capitalized" as presented in the table below (dollar amounts in thousands). Capital remains a source of financial strength for the Association and the Company. Preserving capital to levels in excess of regulatory minimums is a priority for the Association, especially given the pressures in the economic environment. The Association intends to maintain minimum capital ratios to exceed total capital to risk-weighted assets of 13.0%, tier 1 (leverage) capital to net average assets of 9.0%, and tier 1 capital to risk-weighted assets of 11.0%.

		Actual				Well Capitalized Levels				Actual			
		Amount		Ratio		Amount		Ratio		Amount		Ratio	
Total Capital to Risk-Weighted Assets	Total Capital to Risk-Weighted Assets	\$	1,731,017	17.96	17.96 %	\$	964,045	10.00	10.00 %	Total Capital to Risk-Weighted Assets	\$	1,752,7	
Tier 1 (Leverage) Capital to Net Average Assets	Tier 1 (Leverage) Capital to Net Average Assets		1,660,369	9.77	9.77 %		849,542	5.00	5.00 %	Tier 1 (Leverage) Capital to Net Average Assets		1,681,8	
Tier 1 Capital to Risk-Weighted Assets	Tier 1 Capital to Risk-Weighted Assets		1,660,369	17.22	17.22 %		771,236	8.00	8.00 %	Tier 1 Capital to Risk-Weighted Assets		1,681,8	
Common Equity Tier 1 Capital to Risk-Weighted Assets	Common Equity Tier 1 Capital to Risk-Weighted Assets		1,660,369	17.22	17.22 %		626,629	6.50	6.50 %	Common Equity Tier 1 Capital to Risk-Weighted Assets		1,681,8	

The capital ratios of the Company as of **December 31, 2023** **March 31, 2024**, are presented in the table below (dollar amounts in thousands).

Total Capital to Risk-Weighted Assets
Total Capital to Risk-Weighted Assets
Total Capital to Risk-Weighted Assets
Tier 1 (Leverage) Capital to Net Average Assets

Tier 1 (Leverage) Capital to Net Average Assets
Tier 1 (Leverage) Capital to Net Average Assets
Tier 1 Capital to Risk-Weighted Assets
Tier 1 Capital to Risk-Weighted Assets
Tier 1 Capital to Risk-Weighted Assets
Common Equity Tier 1 Capital to Risk-Weighted Assets
Common Equity Tier 1 Capital to Risk-Weighted Assets
Common Equity Tier 1 Capital to Risk-Weighted Assets

In addition to the operational liquidity considerations described above, which are primarily those of the Association, the Company, as a separate legal entity, also monitors and manages its own, parent company-only liquidity, which provides the source of funds necessary to support all of the parent company's stand-alone operations, including its capital distribution strategies which encompass its share repurchase and dividend payment programs. The Company's primary source of liquidity is dividends received from the Association. The amount of dividends that the Association may declare and pay to the Company in any calendar year, without the receipt of prior approval from the OCC but with prior notice to the FRB-Cleveland, cannot exceed net income for the current calendar year-to-date period plus retained net income (as defined) for the preceding two calendar years, reduced by prior dividend payments made during those periods. At **December 31, 2023** **March 31, 2024**, the Company had, in the

form of cash and a demand loan from the Association, **\$167.0 million** **\$152.6 million** of funds readily available to support its stand-alone operations.

The Company's eighth stock repurchase program, which authorized the repurchase of up to 10,000,000 shares of the Company's outstanding common stock, was approved by the Board of Directors on October 27, 2016, and repurchases began on January 6, 2017. There were 4,808,049 shares repurchased under that program between its start date and **December 31, 2023** **March 31, 2024**. During the **three six** months ended **December 31, 2023** **March 31, 2024**, the Company did not repurchase any shares of its common stock.

On July 11, 2023, Third Federal Savings, MHC received the approval of its members with respect to the waiver of dividends on the Company's common stock the MHC owns, up to a total of \$1.13 per share, to be declared on the Company's common stock during the 12 months subsequent to the members' approval (i.e., through July 11, 2024). The members approved the waiver by casting 60% of the eligible votes, with 97% of the votes cast, voting in favor of the waiver. Third Federal Savings, MHC is the 81% majority shareholder of the Company.

Following the receipt of the members' approval at the July 11, 2023, meeting, Third Federal Savings, MHC filed a notice with, and received the non-objection from the FRB-Cleveland for the proposed dividend waivers. Third Federal Savings, MHC waived its right to receive \$0.2825 per share dividend payments on September 26, 2023, **December 13, 2023**, and **December 13, 2023** **March 21, 2024**.

The payment of dividends, support of asset growth and strategic stock repurchases are planned to continue in the future as the focus for future capital deployment activities.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

General. The majority of our assets and liabilities are monetary in nature. Consequently, our most significant form of market risk has historically been interest rate risk. In general, our assets, consisting primarily of mortgage loans, have longer maturities than our liabilities, consisting primarily of deposits and advances from the FHLB of Cincinnati. As a result, a fundamental component of our business strategy is to manage interest rate risk and limit the exposure of our net interest income to changes in market interest rates. Accordingly, our Board of Directors has established risk parameter limits deemed appropriate given our business strategy, operating environment, capital, liquidity and performance objectives. Additionally, our Board of Directors has authorized the formation of an Asset/Liability Management Committee comprised of key operating personnel, which is responsible for managing this risk in a matter that is consistent with the guidelines and risk limits approved by the Board of Directors. Further, the Board has established the Directors Risk Committee, among other responsibilities, conducts regular oversight and review of the guidelines, policies and deliberations of the Asset/Liability Management Committee. We manage our interest rate risk in order to control the exposure of our earnings and capital to changes in interest rates. Refer to the *Overview* section of *Item 2* for additional discussion on how we manage interest rate risk.

Economic Value of Equity. Using customized modeling software, the Company and Association prepare periodic estimates of the amounts by which the net present value of cash flows from assets, liabilities and off-balance sheet items (the institution's EVE) would change in the event of a range of assumed changes in market interest rates. The simulation model uses a discounted cash flow analysis and an option-based pricing approach in measuring the interest rate sensitivity of EVE. The model estimates the economic value of each type of asset, liability, and off-balance sheet contract under the assumption that instantaneous changes (measured in basis points) occur at all maturities along the United States Treasury yield curve and other relevant market interest rates. A basis point equals one, one-hundredth of one percent, and 100 basis points equals one percent. An increase in interest rates from 2% to 3% would mean, for example, a 100 basis point increase in the "Change in Interest Rates" column below. The model is tailored specifically to our organization, which, we believe, improves its predictive accuracy. Computations of prospective effects of hypothetical interest rate changes are based on numerous assumptions, including relative levels of market interest rates, loan prepayments and deposit decay, and should not be relied upon as indicative of actual results.

The following table presents the estimated changes in the Company's EVE at **December 31, 2023** **March 31, 2024**, that would result from the indicated instantaneous changes in the United States Treasury yield curve and other relevant market interest rates.

TFS Financial Corporation				
Change in Interest Rates	Estimated EVE (2)	Estimated Increase (Decrease) in EVE	EVE as a Percentage of Present Value of Assets (3)	
			EVE Ratio (4)	Increase (Decrease)

(basis points) (1)	Amount		Percent	(basis points)	
	(Dollars in thousands)				
+300	\$	868,860	\$ (442,279)	(33.73)%	5.99 % (233)
+200		1,051,954	(259,185)	(19.77)%	7.05 % (127)
+100		1,201,813	(109,326)	(8.34)%	7.84 % (48)
0		1,311,139	—	— %	8.32 % —
-100		1,377,655	66,516	5.07 %	8.52 % 20
-200		1,379,224	68,085	5.19 %	8.33 % 1
-300		1,296,714	(14,425)	(1.10)%	7.67 % (65)

TFS Financial Corporation					
Change in Interest Rates (basis points) (1)	Estimated EVE (2)	Estimated Increase (Decrease) in		EVE as a Percentage of Present Value of Assets (3)	
		EVE		EVE Ratio (4)	Increase (Decrease) (basis points)
		Amount	Percent		
(Dollars in thousands)					
+300	\$	894,942	\$ (483,204)	(35.06)%	6.19 % (259)
+200		1,080,826	(297,320)	(21.57)%	7.27 % (151)
+100		1,249,675	(128,471)	(9.32)%	8.18 % (60)
0		1,378,146	—	— %	8.78 % —
-100		1,467,598	89,452	6.49 %	9.12 % 34
-200		1,497,535	119,389	8.66 %	9.09 % 31
-300		1,453,273	75,127	5.45 %	8.64 % (14)

The following table presents the estimated changes in the Association's EVE at **December 31, 2023** **March 31, 2024**, that would result from the indicated instantaneous changes in the United States Treasury yield curve and other relevant market interest rates.

Third Federal Savings and Loan Association										
Change in Interest Rates (basis points) (1)			EVE as a Percentage of Present Value of Assets (3)				EVE as a Percentage of Present Value of Assets (3)			
	Change in Interest Rates (basis points) (1)	Estimated EVE (2)	Estimated Increase (Decrease) in EVE	EVE Ratio (4)	Increase (Decrease) (basis points)	Change in Interest Rates (basis points) (1)	Estimated EVE (2)	Estimated Increase (Decrease) in EVE	EVE Ratio (4)	Increase (Decrease) (basis points)
(Dollars in thousands)						(Dollars in thousands)				
+300										
+200										
+100										
0										
-100										
-200										
-300										

- (1) Assumes an instantaneous uniform change in interest rates at all maturities.
- (2) EVE is the discounted present value of expected cash flows from assets, liabilities, and off-balance sheet contracts.
- (3) Present value of assets represents the discounted present value of incoming cash flows on interest-earning assets.
- (4) EVE Ratio represents EVE divided by the present value of assets.

The tables above indicate that at **December 31, 2023** **March 31, 2024**, in the event of an increase of 200 basis points in all interest rates, the Company and Association would experience a **19.77%** **21.57%** and **23.47%** **25.09%** decrease in EVE, respectively. In the event of a 100 basis point decrease in interest rates, the Company and Association would

experience a 5.07% 6.49% and 6.02% 7.54% increase in EVE, respectively.

The following tables are based on the calculations contained in the previous tables, and set forth the change in the EVE at a +200 basis point rate of shock at December 31, 2023 March 31, 2024, with comparative information as of September 30, 2023. By regulation, the Association must measure and manage its interest rate risk for interest rate shocks relative to established risk tolerances in EVE.

TFS Financial Corporation

Risk Measure (+200 Basis Points Rate Shock)	Risk Measure (+200 Basis Points Rate Shock)	At December 31, 2023	At September 30, 2023	Risk Measure (+200 Basis Points Rate Shock)	At March 31, 2024	At September 30, 2023
Pre-Shock EVE Ratio	Pre-Shock EVE Ratio	8.32 %	8.21 %	Pre-Shock EVE Ratio	8.78 %	8.21 %
Post-Shock EVE Ratio	Post-Shock EVE Ratio	7.05 %	6.44 %	Post-Shock EVE Ratio	7.27 %	6.44 %
Sensitivity Measure in basis points						
Percentage Change in EVE	Percentage Change in EVE	(19.77) %	(25.92) %	Percentage Change in EVE	(21.57) %	(25.92) %

Third Federal Savings and Loan Association

Risk Measure (+200 Basis Points Rate Shock)	Risk Measure (+200 Basis Points Rate Shock)	At December 31, 2023	At September 30, 2023	Risk Measure (+200 Basis Points Rate Shock)	At March 31, 2024	At September 30, 2023
Pre-Shock EVE Ratio	Pre-Shock EVE Ratio	7.01 %	6.77 %	Pre-Shock EVE Ratio	7.54 %	6.77 %
Post-Shock EVE Ratio	Post-Shock EVE Ratio	5.67 %	4.91 %	Post-Shock EVE Ratio	5.96 %	4.91 %
Sensitivity Measure in basis points						
Percentage Change in EVE	Percentage Change in EVE	(23.47) %	(31.45) %	Percentage Change in EVE	(25.09) %	(31.45) %

The manner in which actual yields, costs and consumer behavior respond to changes in market interest rates may vary from the inherent methodologies used to measure interest rate risk through changes in EVE. In this regard, the EVE tables presented above assume:

- no new growth or business volumes;
- that the composition of our interest-sensitive assets and liabilities existing at the beginning of a period remains constant over the period being measured, except for reductions to reflect mortgage loan principal repayments, along with modeled prepayments and defaults, and deposit decays; and
- that a particular change in interest rates is reflected uniformly across the yield curve regardless of the duration or repricing of specific assets and liabilities.

Accordingly, although the EVE tables provide an indication of our interest rate risk exposure as of the indicated dates, such measurements are not intended to and do not provide a precise forecast of the effect of changes in market interest rates on our EVE and will differ from actual results. In addition to our core business activities, which seek to originate Smart Rate (adjustable) loans, home equity lines of credit (adjustable) and 10-year fixed-rate loans funded by borrowings from the FHLB and intermediate term CDs (including brokered CDs), and which are intended to have a favorable impact on our IRR profile, the impact of several other items and events resulted in the 11.57 and 24.77 basis point improvement in the Pre-Shock EVE Ratio (base valuation) measures at December 31, 2023 March 31, 2024, when compared to the measure at September 30, 2023, for the Company and Association, respectively. Factors contributing to these improvements included changes in market rates, capital actions by the Association and changes due to business activity. While our core business activities, as described at the beginning of this paragraph, are generally intended to have a positive impact on our IRR profile, the actual impact is determined by a number of factors, including the pace of mortgage asset additions to our balance sheet (including consideration of outstanding commitments to originate those assets) in comparison to the pace of the addition of duration extending funding sources.

Our simulation model possesses random patterning capabilities and accommodates extensive regression analytics applicable to the prepayment and decay profiles of our borrower and depositor portfolios. The model facilitates the generation of alternative modeling scenarios and provides us with timely decision making data that is integral to our IRR management processes. Modeling our IRR profile and measuring our IRR exposure are processes that are subject to continuous revision, refinement, modification, enhancement, back testing, and validation. We continually evaluate, challenge, and update the methodology and assumptions used in our IRR model; including behavioral assumptions that have been derived based on third-party studies of our customer historical performance patterns. Changes to the methodology and/or assumptions used in the model will result in reported IRR profiles and reported IRR exposures that will be different, and perhaps significantly, from the results reported above.

Earnings at Risk. In addition to EVE calculations, we use our simulation model to analyze the sensitivity of our net interest income to changes in interest rates (the institution's EaR). Net interest income is the difference between the interest income that we earn on our interest-earning assets, such as loans and securities, and the interest that we pay on our interest-bearing liabilities, such as deposits and borrowings. In our model, we estimate what our net interest income would be for prospective 12 and 24 month periods using customized (based on our portfolio characteristics) assumptions with respect to loan

prepayment rates, default rates and deposit decay rates, and the implied forward yield curve as of the market date for assumptions related to projected interest rates. We then calculate what the estimated net interest income would be for the same period under numerous interest rate scenarios. The simulation process is subject to continual enhancement, modification, refinement and adaptation. As of December 31, 2023 March 31, 2024, the estimated EaR for the 12 months ending December 31, 2024 March 31, 2025, would

increase decrease by 1.25% 0.21% for the Company and 0.53% 0.96% for the Association in the event that market interest rates used in the simulation were adjusted in incremental amounts (termed a "ramped" format) during the 12 month measurement period to an aggregate increase in 200 basis points. The Company and Association use the "ramped" assumption in preparing the EaR simulation estimates for use in its public disclosures. The Company and Association continue to calculate instantaneous scenarios, and as of December 31, 2023 March 31, 2024, the estimated EaR for the 12 months ending December 31, 2024 March 31, 2025, would increase decrease by 2.98% 0.48% and 0.85% 2.12%, respectively, in the event of an instantaneous 200 basis point increase in market interest rates.

The manner in which actual yields, costs and consumer behavior respond to changes in market interest rates may vary from the inherent methodologies used to measure interest rate risk through EaR. In this regard, the interest rate risk information presented above assumes that a particular change in interest rates is reflected uniformly across the yield curve regardless of the duration or repricing of specific assets and liabilities. Accordingly, although interest rate risk calculations provide an indication of our interest rate risk exposure at a particular point in time, such measurements are not intended to and do not provide a precise forecast of the effect of changes in market interest rates on our net interest income and will differ from actual results. In addition to the preparation of computations as described above, we also formulate simulations based on a variety of non-linear changes in interest rates and a variety of non-constant balance sheet composition scenarios.

Other Considerations. The EVE and EaR analyses are similar in that they both start with the same month-end balance sheet amounts, weighted average coupon and maturity. The underlying prepayment, decay and default assumptions are also the same and both start with the same month-end "markets" (Treasury and FHLB yield curves, etc.). From that similar starting point, the models follow divergent paths. EVE is a stochastic model using 150 different interest rate paths to compute market value at the account level for each of the categories on the balance sheet, whereas EaR uses the implied forward curve to compute interest income/expense at the account level for each of the categories on the balance sheet.

EVE is considered as a point in time calculation with a "liquidation" view of the Company and Association where all the cash flows (including interest, principal and prepayments) are modeled and discounted using discount factors derived from the

current market yield curves. It provides a long term view and helps to define changes in equity and duration as a result of changes in interest rates. On the other hand, EaR is based on balance sheet projections going one year and two years forward and assumes new business volume and pricing to calculate net interest income under different interest rate environments. EaR is calculated to determine the sensitivity of net interest income under different interest rate scenarios. With each of these models, specific policy limits have been established for the Association that are compared with the actual month end results. These limits have been approved by the Association's Board of Directors and are used as benchmarks to evaluate and moderate interest rate risk. In the event that there is a breach of policy limits that extends beyond two consecutive quarter-end measurement periods, management is responsible for taking such action, similar to those described under the preceding heading of *General*, as may be necessary in order to return the Association's interest rate risk profile to a position that is in compliance with the policy.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision of and with the participation of the Company's management, including our principal executive officer and principal financial officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) or 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based upon that evaluation, our principal executive officer and principal financial officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms.

Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II — Other Information

Item 1. Legal Proceedings

The Company and its subsidiaries are subject to various legal actions arising in the normal course of business. In the opinion of management as of December 31, 2023 March 31, 2024, the resolution of these legal actions is not expected to have a material adverse effect on the Company's consolidated financial condition or results of operations.

Item 1A. Risk Factors

During the quarter ended December 31, 2023 March 31, 2024, there have been no material changes to the risk factors as previously disclosed in our Annual Report on Form 10-K for the fiscal year ended September 30, 2023, filed with the SEC on November 21, 2023.

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

- (a) Not applicable
- (b) Not applicable
- (c) The Company did not repurchase any shares of common stock during the quarter ended **December 31, 2023** **March 31, 2024**.

On October 27, 2016, the Company announced that the Board of Directors approved the Company's eighth stock repurchase program, which authorized the repurchase of up to 10,000,000 shares of the Company's outstanding common stock. Purchases under the program will be on an ongoing basis and subject to the availability of stock, general market conditions, the trading price of the stock, alternative uses of capital, and our financial performance. Repurchased shares will be held as treasury stock and be available for general corporate use. This program has no expiration date.

At the July 11, 2023 special meeting of members of Third Federal Savings and Loan Association of Cleveland, MHC (the "MHC"), the mutual holding company of TFS Financial Corporation (the "Company"), the members of the MHC (depositors and certain loan customers of Third Federal Savings and Loan Association of Cleveland) voted to approve the MHC's proposed waiver of dividends, aggregating up to \$1.13 per share, to be declared on the Company's common stock during the twelve months subsequent to the members' approval (i.e., through July 11, 2024). The members approved the waiver by casting 60% of the total eligible votes. Of the votes cast, 97% were in favor of the proposal. The waiver subsequently received a non-objection by the Federal Reserve Bank of Cleveland. The MHC is the 81% majority shareholder of the Company.

Item 3. Defaults Upon Senior Securities

Not applicable

Item 4. Mine Safety Disclosures

Not applicable

Item 5. Other Information

Securities Trading Plans of Directors and Executive Officers

Transactions in our securities by our **directors and** executive officers are required to be made in accordance with our Insider Trading Policy and Guidelines with Respect to Certain Transactions in Company Securities, which, among other things, requires that the transaction be in accordance with applicable U.S. federal securities laws that prohibit trading while in the possession of material nonpublic information. Rule 10b5-1 under the Securities Exchange Act of 1934 provides an affirmative defense that enables prearranged transactions in securities in a manner that avoids concerns about initiating transactions at a future date while possibly in possession of material nonpublic information.

On December 13, 2023, Meredith S. Weil, our Chief Operating Officer, and, effective January 1, 2024, our Chief Financial Officer, adopted a Trading Plan that is **In the second quarter of fiscal year 2024, the following trading plans**, intended to satisfy the affirmative defense **conditions** of Rule 10b5-1, **were terminated or adopted**:

Name	Title	Date Plan		Number of Shares of Company's Common	
		Adopted/Terminated (1)	Duration of Plan	Stock to be Purchased, Exercised, or Sold (2)	
Daniel F. Weir	Director	Terminated January 11, 2024	September 12, 2023 through February 8, 2024	32,400	Sell up to 100,000 shares
Cathy W. Zbanek	Chief Synergy Officer	Adopted February 2, 2024	February 2, 2024 through May 28, 2025	108,300	Exercise up to 140,700 stock options

(1) Trading Plans may terminate on an earlier date if all contemplated transactions are completed, upon termination by broker or holder of the Exchange Act Rule 10b5-1(c). Ms. Weil's plan is for the potential exercise of 32,400 vested stock options with an expiration date of December 10, 2024, and 108,300 vested stock options with an expiration date of May 28, 2025, and sale of the shares of common stock underlying such stock options. The Trading Plan, expires May 28, 2025, or earlier, upon completion of all transactions subject as otherwise provided in the Trading Plan.

(2) Subject to certain conditions set forth in the trading plan. Trading Plan.

Item 6.

- (a) Exhibits

- [31.1](#) [Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)
- [31.2](#) [Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)
- [32](#) [Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)

The following unaudited financial statements from TFS Financial Corporation's Quarterly Report on Form 10-Q for the quarter ended **December 31, 2023** **March 31, 2024**, filed on **February 8, 2024** **May 9, 2024**, formatted in Inline XBRL (Extensible Business Reporting Language) includes: (i) Consolidated Statements of Condition, (ii) Consolidated Statements of Income, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Shareholders' Equity, (v) Consolidated Statements of Cash Flows, (vi) Notes to Unaudited Interim Consolidated Financial Statements.

101.INS	Interactive datafile	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Interactive datafile	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Interactive datafile	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Interactive datafile	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Interactive datafile	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE	Interactive datafile	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Interactive datafile	Cover Page Interactive Datafile (embedded within the Inline XBRL document and included in Exhibit 101)

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.

TFS Financial Corporation

Dated: February 8, May 9, 2024

/s/ Marc A. Stefanski

Marc A. Stefanski

Chairman of the Board, President
and Chief Executive Officer

Dated: February 8, May 9, 2024

/s/ Meredith S. Weil

Meredith S. Weil

Chief Financial Officer

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Exhibit 31.1

Certification of Chief Executive Officer

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Marc A. Stefanski, certify that:

- I have reviewed this Quarterly Report on Form 10-Q of TFS Financial Corporation;
- 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;
- 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;
- The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - 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;
 - 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;
 - 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 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.

Dated: February 8, May 9, 2024

/S/ MARC A. STEFANSKI

Marc A. Stefanski
Chairman of the Board, President
and Chief Executive Officer

Exhibit 31.2

Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Timothy W. Mulhern, Meredith S. Weil, certify that:

- 1. I have reviewed this Quarterly Report on Form 10-Q of TFS Financial Corporation;
- 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 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 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.

Dated: February 8, May 9, 2024

/S/ MEREDITH S. WEIL

Meredith S. Weil
Chief Financial Officer

Exhibit 32

**Certification of Chief Executive Officer and Chief Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

Marc A. Stefanski, Chairman of the Board, President and Chief Executive Officer, and Meredith S. Weil, Chief Financial Officer of TFS Financial Corporation (the "Company") each certify in his his/her capacity as an officer of the Company that he he/she has reviewed the Quarterly Report on Form 10-Q for the quarter ended December 31, 2023 March 31, 2024 and that to the best of his his/her knowledge:

- (1) the report fully complies with the requirements of Sections 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 results of operations of the Company.

Dated: February 8, May 9, 2024

/S/ MARC A. STEFANSKI

Marc A. Stefanski
Chairman of the Board, President
and Chief Executive Officer

Dated: February 8, May 9, 2024

/S/ MEREDITH S. WEIL

Meredith S. Weil
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to TFS Financial Corporation and will be retained by TFS Financial Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

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